

HLMT i-INCOME FUND

January 2020

Fund Features

1. Investment Objective

The objective of HLMT i-INCOME FUND ("The Fund") is to preserve capital while achieving regular income stream through an investment portfolio containing predominantly fixed income securities and a small proportion in equity securities.

2. Investment Strategy & Approach

The Fund seeks to generate a stable income stream by investing in mainly fixed income securities with a small investment in equity securities.

3. Asset Allocation

The indicative asset allocation for The Fund is to invest a minimum of its NAV in fixed income securities, Islamic money market instruments and liquid assets. Generally, The Fund may invest up to a maximum of 20% of its NAV in equities.

Asset	Ranges
Shariah-Compliant Equities	0%-20%
Islamic Fixed income securities/cash	80%-100%

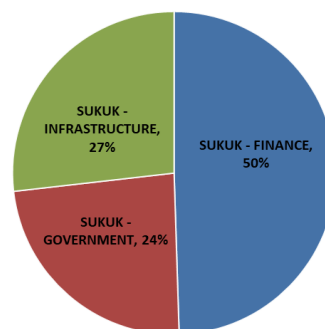
4. Target Market

This fund is suitable for investors with low to moderate risk horizon and medium to long term investment horizon.

Fund Details

Unit Price (31/01/2020)	RM 1.6163
Fund Size (31/01/2020)	RM4.4mil
Fund Management Fee	1.00% p.a
Fund Manager	Hong Leong Assurance Berhad
Fund Category	Sukuk
Fund Inception	April 2007
Benchmark	20% FBM Emas Shariah Index + 80% GIA
Frequency of Unit Valuation	Daily

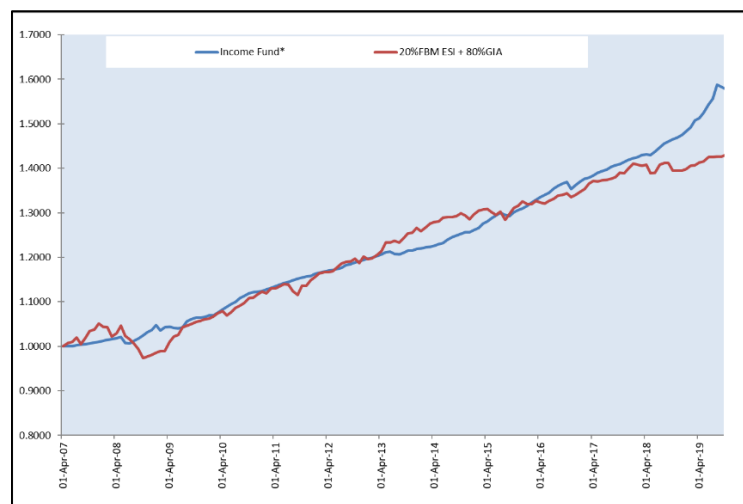
Asset & Sector Allocation of HLMT i-Income as at 31 January 2020



Top 5 Holdings as at 31 January 2020

1	MBSB BANK 19.12.2031	14%
2	MALAYSIA INVESTMENT ISSUE 04.08.2037	13%
3	PROJEK LEBUHRAYA USAHASAMA BERHAD 12.01.2038	13%
4	MALAYAN BANKING BHD 31.01.2031	12%
5	AMISLAMIC BANK BERHAD 18.10.2028	12%

Historical Performance



	1 month	YTD	1 year	3 years	5 years	since inception
i-Income	1.67%	1.67%	8.98%	5.65%	5.08%	61.63%
Benchmark*	-0.41%	-0.41%	2.40%	2.05%	2.02%	43.21%
Relative	2.08%	2.08%	6.58%	3.60%	3.07%	18.42%

*Source: Bloomberg

Market Review, Outlook & Strategy

Equities Market

Regional markets tumbled in the first trading month of the year 2020. Investors had to deal with geopolitical uncertainties following the Iran retaliation airstrikes and mounting concerns of the economic and human impact of the coronavirus outbreak in China. The outbreak comes at a critical time for Asian economies and China in particular as they emerge from a manufacturing slump due to the prolonged trade war. The US and European markets, however, continued to be resilient as earnings results continue to offer encouragement.

The local bourse started the year on a stronger footing underpinned by optimism over economic growth in the new year. This optimism did not last long, unfortunately. FBM KLCI retreated when news emerged that the US launched an airstrike in Baghdad, killing a top Iranian general and an Iraqi militant leader. This was further exacerbated by fears over the spread of the novel coronavirus from Wuhan, China. In a surprise move, Bank Negara Malaysia (BNM) cut the overnight policy rate (OPR) by 25 bps to 2.75% as a preemptive move to insulate the growth trajectory and price stability. The timing of the cut was earlier than expected, sparking concerns that there could potentially be another rate cut in 2020. Other major news include the cabinet's decision to not sell PLUS but the highway concession agreement with PLUS will be restructured to facilitate the implementation of an 18% reduction in toll rates.

For the month, FBM Shariah Index declined by 3.3% mom outperforming the FBM KLCI's -3.6% mom, FBM Small Cap Index's -6.3% mom and FBM Emas' -3.8% mom. In January, foreign investors bought RM8.1b of equities and sold the same value, which neutralised their fund flows in Malaysian equities.

Investors will continue to track closely the developments of the novel coronavirus outbreak. A prolonged outbreak will further affect the nascent recovery of trade activities. Based on the outbreak trajectory during SARS in 2003, the disease could peak sometime in March/ April and to be fully contained by June. As for Malaysia, the virus contagion fear will likely mar the Visit Malaysia Year 2020 campaign which was initially expected to be a growth catalyst. February will also be the 4Q19 earnings season, which is likely to be uninspiring. We may see some form of stimulus being introduced to address the potentially weaker economic growth. We continue to advocate our defensive strategy - favouring dividend yielding names with resilient earnings base.

Fixed Income Market

For the month of January, Malaysian govies' yield curve flattened on better buying at the ultra-long end. Trading was active on the back of real money demand especially post Monetary Policy Meeting ("MPC") meeting on 22 Jan. Market was caught off guard on Bank Negara Malaysia's ("BNM") decision to cut Overnight Policy Rate ("OPR") by 25bps to 2.75%. While the central bank expects domestic growth to improve in 2020, it still sees downside risks externally and domestically, including from trade policies, geopolitical risks, weakness in commodity related sectors and domestic project implementation. In reaction to the OPR cut, MGS yields shifted 8-16bps lower on announcement day led by front-end bonds.

Similarly, corporate bond yields dropped 13-37bps in the month, catching up with the slide in government bond yields. Trading volumes in the secondary market picked up to RM8.25 billion (Dec 2019: RM6.48 billion) as investors started to rebuild positions for the year. The focus remained on the Government Guaranteed ("GG"), high-grade quasi and AAA sectors. Primary supply on corporate bonds was still sluggish, with only a few small issuances seen in January and mostly centered along 3 to

5 years tenure to maturity. Some of the prominent issues include Perbadanan Kemajuan Negeri Selangor ("PKNS") AA3-rated 3-year bond with 3.765% coupon totalling RM100 million, Kedah Cement Sdn Bhd (fka Lafarge Cement Sdn Bhd) A1-rated 3-year bonds with 4.60% coupon totaling RM180 million and Toyota Capital Malaysia Sdn Bhd AAA-rated 3- and 5-year bonds amounting to RM100 million each at a coupon of 3.70% and 3.80% respectively.

On the back of uncertainties caused by the coronavirus outbreak, global expectations have been recalibrated in recent days to take into account the potential downward pressure on growth globally. Should the outbreak prolong, it would definitely have a knock-on effect on both the global and local economy. This could potentially trigger a need for stronger fiscal stimulus and monetary support through further rate cuts domestically.

The local bond yields are at new norms in terms of valuation at current levels. Hence, any further decline in yields could be a result of short-term momentum rally driven by investors who are still gauging the potential effects of the current pandemic in relation to previous outbreaks such as SARS, H1N1 (swine flu) and Ebola. Given the already rich valuations, bond yields could reverse sharply when the fear of the global pandemic subsides. Thus, we remain vigilant in adding on new long term investments for the portfolio at this level. Meanwhile, we will still focus on primary bonds and look out for trading opportunities in the GII & GG market.

Actual Annual Investment Returns for the Past Five (5) Calendar Years

Year	Net Annual Returns
2015	4.19%
2016	4.00%
2017	4.25%
2018	3.88%
2019	7.81%

Notice: Past performance of the fund is not an indication of its future performance.

- Actual returns in the past five years on a net basis (net of tax and charges), or since inception if shorter (warning statement: this is strictly the performance of the investment fund, and not the returns earned on the actual contributions paid of the Investment-Linked product)
- The investment returns shall be calculated based on the unit price of the Investment-Linked fund and the formula shall be consistent with that of the benchmark indices.
- Any performance comparison of an Investment-Linked fund must be with that of a similar fund, in terms of investment objectives & focus and based on similar time frame of at least 12 months.

Investment Risks

All investments carry risks. Investors must be prepared to accept a certain degree of risk when investing in this Fund. The following are some but not an exhaustive list of all the potential risks associated with this Investment.

1. Market Risk

Due to price fluctuations of securities invested in by the funds, the value of the investment may go up as well as down. The movement in securities prices is influenced by a number of factors, which include changes in economic, political and social environment.

2. Credit Risk

Applies to debt-type investments such as bonds, debentures and fixed income instruments. The institution invested in may not be able to make the required profit payments or repayment of principal.

3. Profit Rate Risk

Applied to fixed income securities, prices move in the opposite direction of profit rates. If profit rates rise and the security prices fall, this will lower the value of your investment and vice versa.

4. Liquidity Risk

Defined as the ease with which a security can be sold at or near its fair value. This risk occurs in thinly traded or illiquid securities. Should the Fund need to sell a relatively large amount of such securities, such action itself may significantly depress the selling price.

income, collective investment scheme and money market instrument/s. If the financial institutions and/or corporations issuing the equity, fixed income, collective investment scheme and money market instruments defaults or insolvent, the Participant risks losing part or all of his/her amount that were invested into the instruments on his/her behalf by Hong Leong Assurance Berhad.

THIS IS A TAKAFUL PRODUCT THAT IS TIED TO THE PERFORMANCE OF THE UNDERLYING ASSETS, AND IS NOT A PURE INVESTMENT PRODUCT SUCH AS UNIT TRUSTS.

Disclaimer:

You must evaluate your options carefully and satisfy yourself that the investment-linked fund chosen meets your risk appetite. Past performance of the fund is not an indication of its future performance. The intention of this document is to enable Participant to better understand the fund features.

Basis of Unit Valuation

1. The assets of every fund are to be valued to determine the value at which units of a particular fund can be liquidated or purchased for investment purposes.
2. The unit price of a unit of a fund shall be determined by the Company but in any event shall not be less than the value of fund of the relevant fund (as defined below), divided by the number of units of the given fund in issue on the business day before the valuation date, and the result adjusted to the nearest one hundredth of a cent.
3. The maximum value of any asset of any fund shall not exceed the following price:
 - a. The last transacted market price at which those assets could be purchased or sold on the business day before the valuation date; or
 - b. In the case of securities for which market values are not readily available, the price at which, in our Investment Manager's opinion, the asset may have been purchased on the business day before the valuation date; plus any expenses which would have been incurred in its acquisition.
4. To ensure fair treatment to all unit holders, the cost of acquiring and disposing of assets is recouped by making a transaction cost adjustment to the net asset value per unit.

Exceptional Circumstances

The Takaful Operator reserves the right to defer the payment of benefits (other than death benefit) under this Certificate for a period not exceeding six (6) months from the date the payment would have been normally effected if not for intervening events such as temporary closure of any Stock Exchange in which the fund is invested which the Takaful Operator, in its discretion, may consider exceptional.

Basis of Calculation of Past Performance

The historical performance of the fund is calculated based on the price difference over the period in consideration compared to the older price of the period in consideration.

$$\frac{\text{Unit Price}_t - \text{Unit Price}_{t-1}}{\text{Unit Price}_{t-1}}$$

Others

HLMT i-Income Fund is managed by Hong Leong Assurance Berhad. Any amount invested in this fund is invested by Hong Leong Assurance Berhad on behalf of Participant in equity, fixed