

HLMT i-INCOME FUND

May 2019

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%

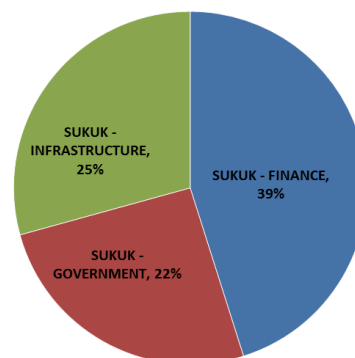
4. Target Market

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

Fund Details

Unit Price (31/5/2019)	RM 1.5249
Fund Size (31/5/2019)	RM3.8mil
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

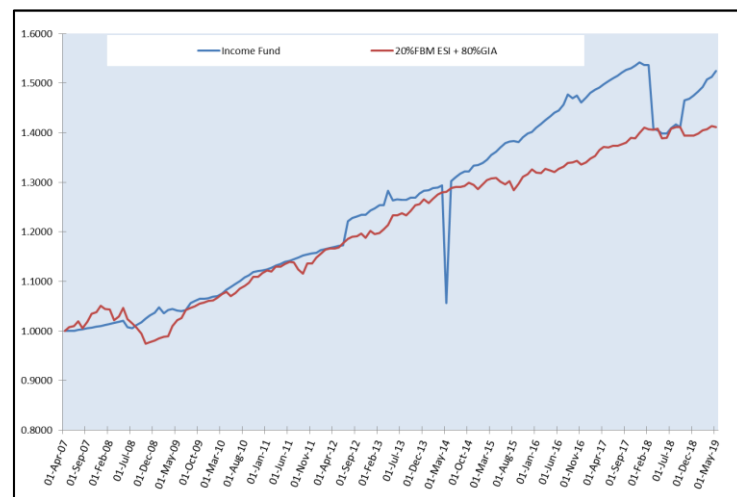
Asset & Sector Allocation of HLMT i-Income as at 31 May 2019



Top Holdings

1	MALAYSIA INVESTMENT ISSUE 04.08.2037	14%
2	PROJEK LEBUHRAYA USAHASAMA BERHAD 120138	14%
3	AMISLAMIC BANK BERHAD 18.10.2028	14%
4	MALAYAN BANKING BHD 31.01.2031	14%
5	MALAYSIA AIRPORTS HOLDINGS 15.12.2049	11%

Historical Performance



	1 month	YTD	1 year	3 years	5 years	since inception
i-Income	0.83%	9.04%	9.07%	1.93%	7.63%	52.50%
Benchmark	-0.17%	1.54%	1.61%	2.23%	1.96%	41.09%
Relative	1.01%	7.50%	7.46%	-0.30%	5.67%	11.41%

*Source: Bloomberg

Market Review, Outlook & Strategy

Equities Market

Regionally, investors were hopeful that a deal to end the trade war was imminent; but the positive mood was soon crushed when Mr Lighthizer and his team briefed the US President that China was apparently backtracking on their pledges. As a result the US President threatened to raise levies on US\$200b of Chinese imports from 10% to 25% and also to impose 25% levies on all remaining Chinese imports worth US\$325b. The listing of Huawei onto the 'Entity List' raised significant uncertainty on the technology supply chain and makes the process of a trade deal even more complex. China has also warned of striking back; potentially by limiting its supply of rare earth to the US since China accounted for 80% of US rare earths imports in 2014-17. Politics continued to dominate headlines in the Eurozone region and Brexit in the UK with Prime Minister Theresa May announcing her intention to step down in June. In the commodities space, President Donald Trump stepped up sanctions on Iran to ban trade in iron, steel, aluminium and copper in response to Iran's threat to resume uranium enrichment in 60 days. Despite supply concerns on potential disruption at the Straits of Hormuz, crude oil prices fell by 16% mom to US\$53 per barrel as a result of the trade war.

Domestically, both business and consumer sentiment remain lacklustre at this juncture. This was reflected in 1Q19 GDP growth which slowed to +4.5% yoy from 4Q18's +4.7% yoy. Bank Negara Malaysia (BNM) had earlier reacted with a 25bps cut to the Overnight Policy Rate (OPR) given the weak investment and credit trend outlook. The recent reporting season was also a weak one with lower earnings seen in the plantation, chemical and technology sectors.

The FBM Shariah underperformed the FBM KLCI in May. FBM Shariah declined by 0.4% to 11,795.77 pts while the FBM KLCI was up by 0.5% mom to close at 1,650.76 pts. FBM Emas was down by 0.6% to 11,588.37 pts and FBM Small Cap which was the worst performing index recorded a decline of 7.9% mom to close at 12,546.52 pts in May.

Going forward, market will continue to be volatile, predominately driven by news-flow from the US-China trade war. The outlook for the local bourse is also uninspiring due to external uncertainties and the subdued domestic environment as well as prolonged weakness in commodity prices. We will continue to stick to quality names with resilient earnings and dividend yield. Among the other themes that we also like are beneficiaries of government pump-priming and Ringgit weakness.

Fixed Income Market

A slew of concerns which include the impact of escalating global trade war on global growth, tensions between Italy and the European Union, and the lack of clarity over how Britain will exit the European Union had collectively played their part in sending global yields lower. Investors around the world flocked to safe haven government bonds, dragging benchmark UST yields to 20-months low. The 10 year UST yield saw a significant plunge of approximately 37bps and is on its way to meet its next support level of 2.04%. The yield difference between the 3-month bills and 10-year notes also dived further into negative territory. The inversion – if it persists – is often viewed as a reliable indicator that a recession is likely to follow in the next 1-2 years. The corporate bond space, however, does not look as daunting as portrayed by the movement in Treasuries, despite a recent uptick in global volatility. Corporate bond yields have in contrast, fallen in May even as credit spreads widened.

At home, local govies or Malaysian government securities ("MGS") also benefited from the bullish run of the UST and traded lower by 4 to 10bps compared to last month. On a

separate note, BNM announced several initiatives to improve the onshore foreign exchange and bond market liquidity, likely in response to FTSE Russell's sudden announcement last month. As widely expected, BNM is not lifting the ban on offshore ringgit non-deliverable forwards trading and effort is focused on its intention to develop and deepen the onshore financial market. These market-friendly measures sent yields lower by about 2-4 bps in certain tenors for the day when the announcement was made. It is also worth highlighting that Malaysia, alongside Singapore and Vietnam, was added to a watchlist for currency manipulation by the US Treasury which BNM has subsequently refuted and reiterated Malaysia's commitment to a floating exchange rate regime. Despite the allegation, local govies were largely unshaken.

Secondary trading activity in the corporate bond space was rather mixed for the month of May. Investors' interest seems to favour the government guaranteed papers as well as papers from the AA space. Some of the prominent issuances that have joined the unrated league include the RM607 million Damansara Uptown Retail Centre Sdn Bhd and Sunway Berhad's RM150 million unrated perpetual bonds with coupon of 5.8%. As for the rated papers, RHB Islamic Bank Berhad tapped the market with its RM500million of AA3-rated issuance with a coupon of 4.32% and Putrajaya Bina Sdn Bhd's RM380 million AAA-rated 10-12 year bonds with coupons ranging between 4.15%-4.25%.

Outlook & Strategy

Consistent with our outlook for the previous month, we still think that the fixed income market remains a relatively attractive option for the rest of the year. We continue to expect market players to maintain their overweight stance on bonds given the slew of market-moving events that has put the global growth outlook on a weaker path. While the policy announcements and geopolitical battles have reignited investors' view for a rate cut in 2019, we think that the Fed will continue to maintain its current policy stance unless the impact on growth and inflation is more detrimental than expected. As the escalating trade tension is certainly looking increasingly gloomy with more industries and countries being affected, pressure on global growth is on the cards and more emerging countries are calling for the US to reconsider its negotiation with China with regards to their trade policies.

On the local front, we think that the liberalisation measures taken by BNM should be viewed positively by foreign investors. That said, the presence of external risk factors and considering the extent to which MGS has rallied year-to-date; further strength may be capped by profit-taking. While the risk of exclusion of MGS from the World Government Bond Index is partially mitigated by the said liberalisation measures, it is however unlikely to threaten the macro-stability given the depth of domestic funds. Our strategy is to constantly deploy the available cash in primary corporate bond issuances that are fundamentally strong for yield pick-up while trade on govies as and when the opportunity arises. We would continue to be proactive in making adjustments to our trading and investment strategies to take advantage of the ever-changing market dynamics and developments.

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

Year	Net Annual Returns
2013/2014	1.59%
2014/2015	5.91%
2015/2016	4.79%
2016/2017	4.47%
2017/2018*	3.08%

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

- Referring to the return on 2017/2018*, the actual return on the fund performance is captured at 3.08%. There were adjustments arising from the timing differences in recognition of fees expenses which resulting in an unfavorable return on the fund performance of -7.35%.
 - Net returns are adjusted for tax and fund management fees. Those are the actual returns in the past five (5) years, or since inception if shorter, and are strictly the performance of the investment-linked fund. Thus, the returns are not earned on the actual premium paid of the investment-linked product.
- The maximum value of any asset of any fund shall not exceed the following price:
 - The last transacted market price at which those assets could be purchased or sold on the business day before the valuation date; or
 - 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.

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 interest payments or repayment of principal.

3. Country Risk

The foreign investments made by the Fund is subjected to risks specific to the country in which it invests. Such risks include changes in a country's economic fundamentals, social and political stability, currency movements, foreign investment policies and etc. The risk may be mitigated by closely monitoring the developments in the countries in order to identify any changes that potentially occur immediately.

4. Currency Risk

Applies to foreign investment and the investment may rise or fall due to fluctuations in the foreign currencies. Adverse movements in currencies exchange rates can result in a loss to the investment. To mitigate the risk, the Fund should limit its investments in the number of countries so that specific country risk is minimized or undertake hedging activities.

5. Interest Rate Risk

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

6. 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.

Basis of Unit Valuation

- 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.
- 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.

- 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.

$$\text{Investment Return} = \left\{ \left[\frac{\text{NAV 30th June Year X}}{\text{NAV 30th June Year (x-1)}} \right] - 1 \right\} \times 100$$

Others

HLTMT i-Income Fund is managed by Hong Leong MSIG Takaful Berhad. Any amount invested in this fund is invested by HLM Takaful on behalf of Participant in equity, fixed income, collective investment scheme, foreign asset, derivatives and money market instrument/s. If the financial institutions and/or corporations issuing the equity, fixed income, collective investment scheme, foreign asset, derivatives 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 HLM Takaful.

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.