

HLMT i-EQUITY FUND

August 2018

Fund Features

1. Investment Objective

The objective of HLMT i-EQUITY FUND ("The Fund") to achieve long-term capital growth through investment in Shariah-compliant securities of listed companies.

2. Investment Strategy & Approach

Investments are on Shariah-Compliant securities that offer good medium-term earnings growth. The Fund may invest up to 95% of its assets in such companies.

3. Asset Allocation

The Fund may invest up to 95% of its assets in Shariah-Compliant Equities and maximum 50% of its assets in Islamic Fixed income securities or cash.

Asset	Ranges
Shariah-Compliant Equities	50%-95%
Islamic Fixed income securities/cash	5%-50%

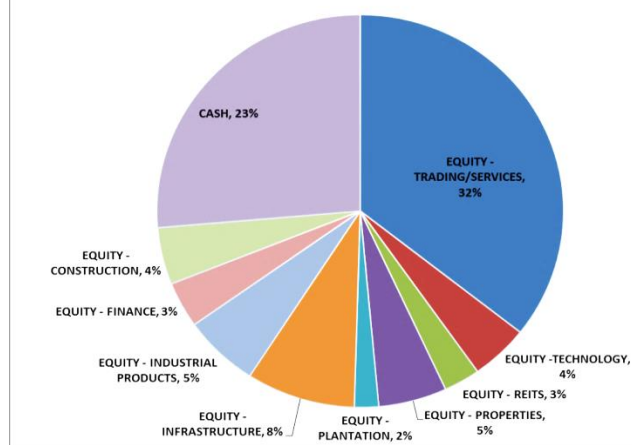
4. Target Market

This fund is suitable for those who have a high-risk appetite with long-term investment goals.

Fund Details

Unit Price (30/08/2018)	RM 1.1970
Fund Size (30/08/2018)	RM 17,189,286.71
Fund Management Fee	1.50% p.a
Fund Manager	Hong Leong Assurance Berhad
Fund Category	Equity
Fund Inception	July 2012
Benchmark	80% FBM Emas Shariah Index + 20% GIA
Frequency of Unit Valuation	Daily

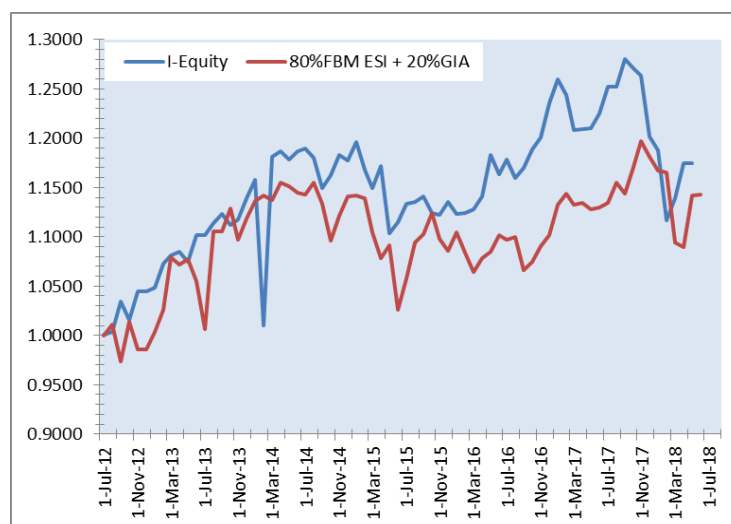
Assets & Sector Allocation for HLMT i-Equity as at 30 August 2018



Top Holdings

1	PUBLIC ISLAMIC BANK BHD	23%
2	TENAGA NASIONAL BHD	8%
3	DIGI.COM BHD	4%
4	AXIATA GROUP BERHAD	4%
5	YINSON HOLDINGS BHD	3%

Historical Performance



	1 month	YTD	1 year	3 years	5 years	since inception
i-Balanced	-0.06%	-2.83%	-3.00%	2.08%	1.78%	3.24%
Benchmark	0.11%	0.75%	1.13%	3.67%	1.61%	2.49%
Relative	-0.17%	-3.58%	-4.13%	-1.59%	0.17%	0.75%

Market Review, Outlook & Strategy

Equities Market

Sentiment in regional markets continued to be weak during the month. Despite upbeat US economic data and the strong corporate earnings season, markets remained range-bound. Investor sentiment was weighted down by escalation of trade tensions, sharp sell-off in Turkish assets which in turn precipitated an outflow in emerging markets with sharp sell downs in Argentina, Brazil, South Africa and Indonesia. Meanwhile the ongoing US-China trade war tensions look set to intensify with US potentially imposing 25% tariffs on another US\$200b of China imports, setting in motion retaliation by the Chinese. Crude oil prices strengthened to US\$69.88/ barrel, as falling Iranian output will tighten markets once US sanctions against them take effect in November.

Investors were generally still cautious on the back of weaker than expected 2Q GDP growth and the disappointing 2Q18 results. Earnings disappointment came mainly from the construction, property, media and plantation sectors. The street has also started to reflect some short-term policy uncertainties post-GE 14 into corporate earnings forecasts. The Ringgit depreciated by 1.1% mom to RM4.1090/ US\$.

FTSE Emas Shariah declined marginally by 0.03% mom, underperforming the FBM KLCI. The FBM KLCI recovered by 2% mom to close at 1,819.66pts, recovering most of its losses from GE 14 and has generated a positive YTD return of 1.3% as at end Aug 18. FTSE Emas recorded a smaller return of +0.7% mom in August and FTSE Bursa Small Cap index was down by 2.2% mom.

Going into September, investors will be keeping a close watch on newsflow on US-China trade tensions as well as the outcome of the FOMC and ECB meetings. In the local market, key events are the reimplementation of the Sales and Services Tax (SST) 2.0 on 1 Sep 18 and its impact on consumption. Newsflow on the minimum wage review and the new National Housing Policy will also be awaited. However, we note the disconnect between the recent outperformance of the bigger cap stocks against weak GDP growth and poor corporate results. Hence we continue to be defensive going forward, focusing on blue-chips with sustainable earnings and steady dividend yield and exporters benefiting from the US-China trade tensions such as the technology sector. We will continually re-look sectors that have de-rated substantially post the outcome of the general election that continue to have positive earnings growth.

Fixed Income Market

Generally UST yields pulled back and settled in a tighter range after acceleration in the yields from mid-July till 1st August where it peaked slightly above the psychological threshold of 3%. The reversal was due to safe haven flows triggered by escalating trade tensions after US President Trump announced double tariffs on Turkish's steel and aluminum imports. This sparked a plunge in the Turkish lira and consequently reignited concerns over the country's weak economic fundamentals. In particular the twin deficit was called into question and the ability to honour its foreign currency debt obligations. The sharp weakening of the Lira also prompted some emerging market central banks to raise interest rates to battle depreciation pressures. The unresolved American- China trade talks also left the market uncertain about trade prospects going forward.

Despite the largely negative tone on the external front, local govies were surprisingly resilient. The MGS yield curve concluded the month slightly flatter as domestic factors remained supportive. Negative spillover from the Turkish crisis that affected most EM countries was balanced out by lower GDP growth guidance by BNM of 5% for full year 2018. This was following the release of Malaysia's 2Q 2018 GDP growth which came in at 4.5%, 0.9% lower than that of the previous quarter which led the local bond market to rally.

Akin to government papers, yields of corporate bonds maintained a downtrend in August amid a lack of fresh bond supply. Interest was clustered around government guaranteed papers to the AA-part of the curve with preference for the mid-long end tenures. Reacting to appetite for the aforementioned corporate papers, it was unsurprising that some of the prominent issuers such as Danainfra, Cagamas Berhad, IJM Corporation, Gamuda, Hong Leong Financial Group, PKNS, Sabah Development Bank, Telekom Malaysia Berhad and Tenaga Nasional Berhad tapped the market during the month.

The Fed has provided guidance of a rate hike in September and that is expected to put some pressure on local govies as the spread differential narrows further. While a full-blown EM crisis remains a concern, EM Asia which includes Malaysia is still a little more removed from the source of the risk. Meanwhile Malaysia-Turkey trade linkages are thin and more importantly, Malaysia's financial institutions have limited exposure to the Turkish financial market. While some volatility may be felt, we opine that the magnitude would be tamer in contrast to regions such as EM Latin America and EM Europe which have closer direct trade and financial linkages to Turkey.

Besides the anticipated Fed rate hike in September, risk of foreign outflows lie with the chunky maturities of MGS and GLIs in the next few months. Given that foreign participation stands at about 40%, fiscal uncertainties remain the driving factor that may drive foreign investor outflow when these papers mature. That said, we opine that the pressure on MGS yields would continue to be mitigated by Malaysia's strong domestic institutional participation. Private debt securities issuance is expected to remain subdued for the rest of the year given rising lingering uncertainties surrounding major restructuring in most of the government-linked entities.

As planned, we have participated in a few primary issuances recently, thus our position is close to our target. Since there is less pressure to increase our holdings, we will stay sidelined and cherry pick on good quality PDS with decent yield for the moment. Should yields rise, we will seize the opportunity to average up the portfolio yield by maximizing our exposure, deploying the unutilized cash from other assets.

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

Year	Net Annual Returns
2013/2014	8.09%
2014/2015	-2.71%
2015/2016	-1.83%
2016/2017	7.13%
2017/2018*	-5.43%

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 -5.43%. There were adjustments arising from the timing differences in recognition of fees expenses which resulting in an unfavorable return on the fund performance of -5.70%.

- 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. For funds which have existed less than 12 months, the takaful operator shall not use the annualised monthly performance figures for such 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.
 - 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.
 - 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.

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.
- 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.
- 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-Equity 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.