

# HLMT i-INCOME FUND

October 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%

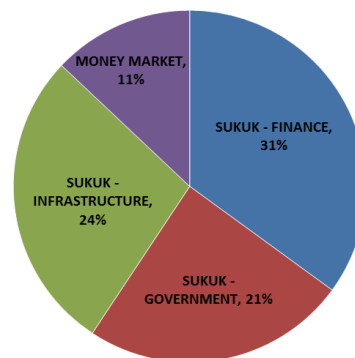
### 4. Target Market

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

## Fund Details

Unit Price (31/10/2019)	RM 1.5779
Fund Size (31/10/2019)	RM4.1mil
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

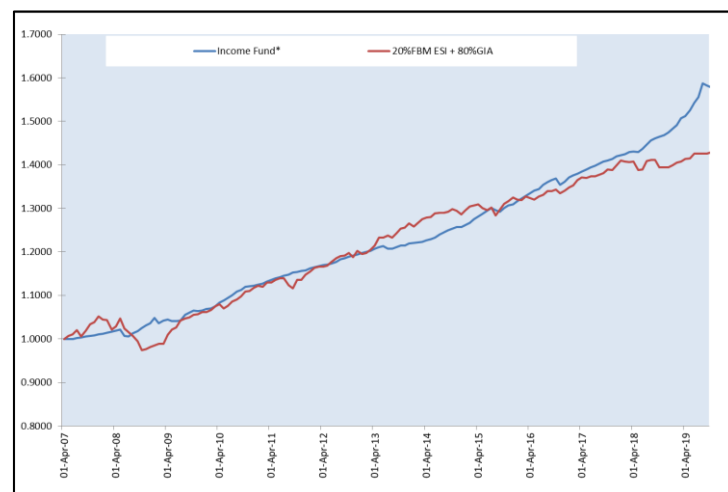
Asset & Sector Allocation of HLMT i-Income as at 31 October 2019



## Top 5 Holdings as at 31 October 2019

1	PROJEK LEBUHRAYA USAHASAMA BERHAD 120138	14%
2	MALAYSIA INVESTMENT ISSUE 04.08.2037	14%
3	MALAYAN BANKING BHD 31.01.2031	13%
4	AMISLAMIC BANK BERHAD 18.10.2028	13%
5	MALAYSIA AIRPORTS HOLDINGS 15.12.2049	11%

## Historical Performance



	1 month	YTD	1 year	3 years	5 years	since inception
i-Income	-0.30%	7.01%	3.88%	4.04%	3.88%	57.79%
Benchmark	0.29%	2.54%	-0.35%	1.70%	1.96%	43.00%
Relative	-0.58%	4.46%	4.23%	2.34%	1.92%	14.79%

\*Source: Bloomberg

## **Market Review, Outlook & Strategy**

### **Equities Market**

October was generally an upbeat month. Sentiment was boosted by solid US corporate earnings and good progress on the unexpected US-China Phase 1 trade deal. The US Trade Representative's office issued a statement indicating that it would start a process on 1st November to extend tariff exclusions on US\$34b of Chinese goods and China reciprocated with a statement to confirm that it will purchase at least US\$20b of farm products in the first year if a partial trade deal was signed. The US Fed also cut rates for the third time by 0.25% (this was largely within expectations) as a pre-emptive measure given weak economic data of late. However, the Fed chairman did indicate that there would be a pause in interest rate cuts with the assumption of no downside risks to growth. Over in Europe, the EU agreed to extend the Brexit deadline to 31 Jan 20 despite the initial hard-line tones from both the EU and UK, with the Prime Minister agreeing to the Brexit extension and to hold the general election come December. Given the latest development, a no-deal Brexit seems very unlikely.

Domestically, the key highlight was Budget 2020 which was largely neutral for the market. The key winners in the Budget were technology (tax incentives), selected property (measures to boost property sales) and auto (fuel targeted subsidy programme and plans to reduce toll rates) sectors while losers were the manufacturing and services sectors (exposed to higher minimum wage in major cities). In October, foreign investors bought RM9.5b of equities but sold a higher amount of RM10b of equities, resulting in net outflows of RM0.5b.

For the month, the FBM Emas Shariah was up by 0.5% mom to 11,829.8 pts, underperforming both the FBM KLCI and FBM Small Cap. FBM KLCI rose 0.9% mom to 1,598 pts and FBM Small Cap was the best performing index increasing by 5.4% mom to 13,678.2 pts. FBM Emas increased by 0.9% mom to 11,305.7 pts.

Among the key events to watch for in November would be the upcoming Monetary Policy Committee meeting, 3Q19's GDP announcement and the upcoming results season for Malaysian corporates. The semi-annual review of the FBM KLCI will take place in December 2019, based on the closing prices as at end Nov 2019. Whereas on the external front, investors will continue to follow closely the outcome of the US-China phase 1 trade deal. We continue to maintain our defensive stance, favoring quality names with resilient earnings and yields. Among the themes that we continue to like include dividend yielders, earnings turnaround and selected technology counters that leverage on the development of 5G.

### **Fixed Income Market**

For the month of October, the sentiment for the local bond market was rather bearish. The longer-end of the Malaysian Government Investment Issue ("GII") curve led the pack with yields higher in the longest tenure, giving back some year-to-date outperformance. The belly and the shorter-end of the GII curve performed better, with a milder increase of 3bps and 9bps in yields in the 7-year GII and 10 year GII, respectively. As local govies and corporate bonds have staged a significantly rally year-to-date, it is not surprising for investors to lock in some profits in the absence of major catalysts to shift the GII curve lower.

Trading volumes in the corporate bond space saw weak traction in the month of October. The month concluded with yields higher across the board for AAA and AA segments, trailing the movement in the sovereign yield curve. The prominent new issuances of the month were Pengurusan Air SPV Bhd's massive RM1.6 billion of AAA-rated bonds with tenures ranging

from 5-15 years at coupons between 3.6%-4.0% and Cagamas Bhd's RM100 million of AAA-rated papers (1-5 years tenure) at coupons between 3.3%-3.6%.

### **Outlook & Strategy**

We view that the market will gradually shift to a more cautiously optimistic stance where risky assets are preferred over safe haven assets for return enhancements, albeit on a more gradual basis. In line with the guidance conveyed by the Fed in late October, we expect the UST curve to creep higher in the absence of surprises to the current economic landscape in the US. Nonetheless, we believe that the market-moving factors still hinge on the long-standing geopolitical risk surrounding the US-China trade rivalry. While tensions have somewhat eased, the recent doubts cast by the Chinese officials on the prospects of the trade talks sent important hints that negotiations between the two superpowers remains highly uncertain.

On the local front, the MGS curve is expected to be repriced higher via the upcoming auctions instead of movements in the secondary market. As the intensity of the US-China trade tension has somewhat diminished, we think that the urgency for a rate cut by year end is also less prominent. On the strategy front, we will continue to be on a look out for short tenure good quality PDS with decent yield while waiting for favourable windows for investment and trading opportunities.

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

Year	Net Annual Returns
2014	3.07%
2015	4.19%
2016	4.00%
2017	4.25%
2018	3.88%

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

### **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

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.

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

## 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.