

HLMT i-INCOME FUND

May 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.

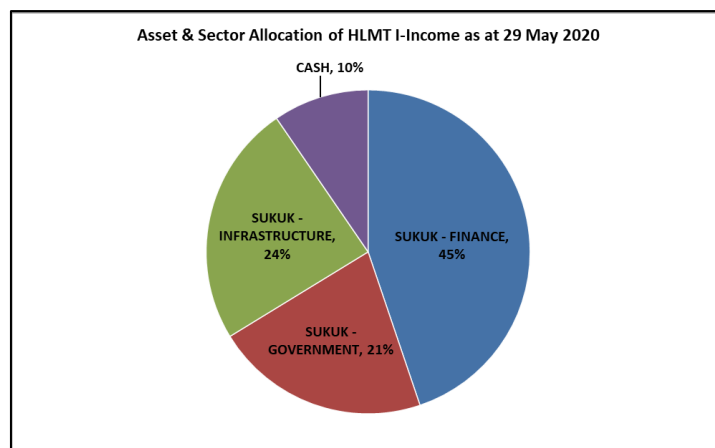
Asset	Ranges
Shariah-Compliant Equities	0%-20%
Islamic Fixed income securities/cash	80%-100%

4. Target Market

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

Fund Details

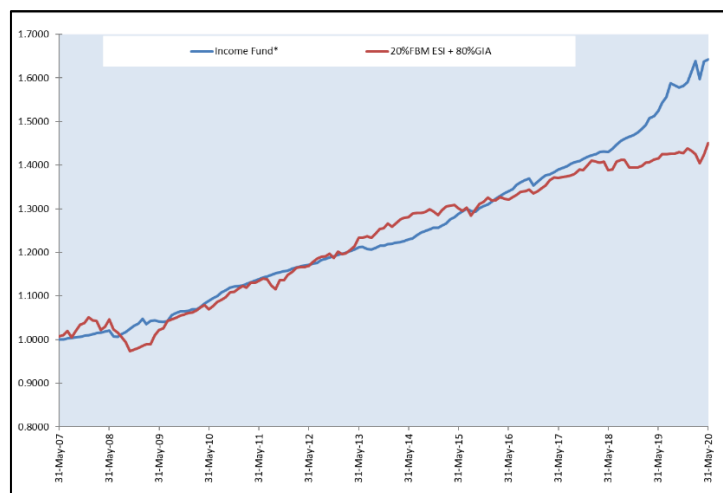
Unit Price (29/05/2020)	RM 1.6427
Fund Size (29/05/2020)	RM4.6mil
Fund Management Fee	1.00% p.a
Fund Manager	Hong Leong Assurance Berhad
Fund Category	Sukuk
Fund Inception	April 2007
Benchmark	20% FBM Emas Shariah Index + 80% GIA
Frequency of Unit Valuation	Daily



Top 5 Holdings as at 29 May 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	11%

Historical Performance



	1 month	YTD	1 year	3 years	5 years	since inception
i-Income	0.33%	3.33%	7.73%	5.74%	4.99%	64.27%
Benchmark*	1.87%	0.91%	2.51%	1.92%	2.21%	45.10%
Relative	-1.54%	2.43%	5.21%	3.81%	2.78%	19.17%

*Source: Bloomberg

Market Review, Outlook & Strategy

Equities Market

Positive sentiment continued into the month of May on the progressive easing of Covid-19 lockdown measures with additional policy responses by governments throughout the world. This was despite the increasing prospect of a resumption of the new US-China trade war where the US might be using China as the bogeyman once again for the upcoming elections. The US also added 33 Chinese entities to its so-called entities list of Chinese firms, which restricts access to US technology and other items. Turmoil in Hong Kong resurfaced when China proposed a new national security law despite China maintaining that Hong Kong's judiciary will remain independent. US Secretary of State Mike Pompeo said that the US would no longer consider Hong Kong autonomous from China, which means that special treatments under the US law will no longer apply. US-China relations will likely remain tense at least until the US elections in November 2020. On a positive note, crude oil prices recovered by 85% to US\$35.32/ barrel on the back of OPEC+ deal, involuntary production cuts in the US and the return of domestic demand in China.

Domestically, Bank Negara announced a 50 bps cuts to the overnight policy rate and also allowed Malaysian government securities and investment issues to offset banks' statutory reserve requirements to help improve liquidity in the financial markets. Local market sentiment was upbeat with the massive domestic liquidity rush that pushed the KLCI to regain all the losses since the start of the Movement Control Order. The recovery was led by a rally in glove makers and healthcare-related companies' shares prices from strong retail interest; boosting its share of participation to 36% of daily trades in May (vs 24% in 2019).

On a relative basis for the month of May, the FBM Emas Shariah outperformed the broader market with a gain of 10.4% mom to close at 12,025.22 pts. FBMKLCI posted a smaller recovery of 4.7% mom. Both the FBM Emas and Small Cap was up by 6.7% mom and 9% mom in May. There was also strong retail participation of RM1b aided to partially offset the net selling by foreign investors in May of RM3b (April's outflow was RM2.4b).

Moving forward, investors will be keeping a close tab on US-China trade relations as well as the progress of the reopening of economies to suggest the likelihood of a potential 2nd wave of Covid-19. Domestically, market will continue to follow closely the first quarter results season which has been spread over two months (May-Jun) as well as domestic political developments as the opposition coalition is said to have garnered adequate support to seize back power from the incumbent government. Investors will also be waiting to see whether the current conditional MCO be extended beyond 9 Jun and await further details of the 6-month economic recovery plan expected in early-Jun. We continue to advocate a defensive strategy in the current volatile trading environment favoring stocks which offer resilient earnings and dividend prospects with strong cash flow profile to weather the economic downturn.

Fixed Income Market

Following from BNM's expected 50bps cut on 5th May, trading activities in local govies was initially active but taper off due to long festive holiday. The yields movement was volatile too with upward bias especially on the long tenure papers as traders were profit taking while investment books were buying into 10 years and shorter papers.

The corporate sukuk market was relatively quiet for much of the month of May but picked up after the Hari Raya holidays. Interest was mainly in the government guaranteed papers

followed by the AAA-AA part of the space as yields declined on strong bids. Prominent issuances for the month include Cagamas' AAA papers with 1-2 year tenure totalling RM100 million with coupons ranging between 2.65%-2.75% and RHB Bank's 10NC5 bonds amounting to RM500 million at a coupon of 3.35%.

At this current juncture, while unprecedented measures by major central banks have provided immense confidence to the market, we expect to see persistent economic weakness as the global pandemic necessitated longer-than-expected lockdowns. While some major economies are gradually reopening, we think that the risk of a second wave has increased given the spike in cases in developing economies and massive protests in Hong Kong and the US.

On the local front, we expect MGS yields to be rangebound in the absence of any meaningful market catalyst. Nonetheless, as the Covid-19 pandemic necessitates aggressive fiscal measures with the simultaneous occurrence of a health and financial crisis, we remain mindful of potential sovereign downgrade risk by the global rating agencies. Malaysia has always been relatively stronger on the back of its positive but thinning current account buffers and hence, persistent weaknesses in trade which would subsequently pressurise Malaysia's current account position may be a potential trigger for a sovereign rating downgrade. In view of the above, we shall monitor economic developments and market sentiment closely and remain cautious in our investment decisions and credit selection.

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.

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 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.