

HLMT i-INCOME FUND

March 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.

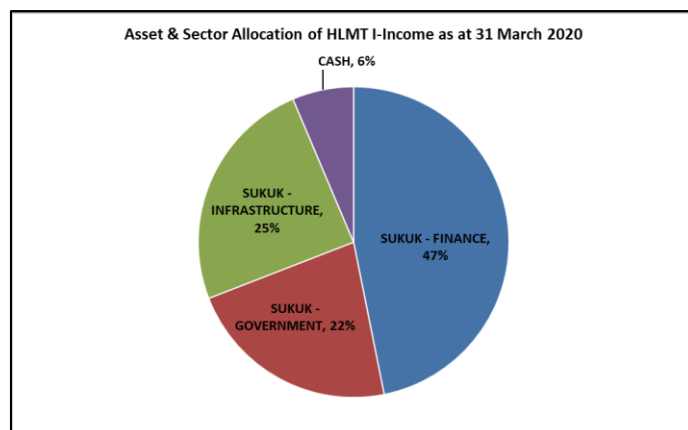
| Asset | Ranges |
|--------------------------------------|----------|
| Shariah-Compliant Equities | 0%-20% |
| Islamic Fixed income securities/cash | 80%-100% |

4. Target Market

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

Fund Details

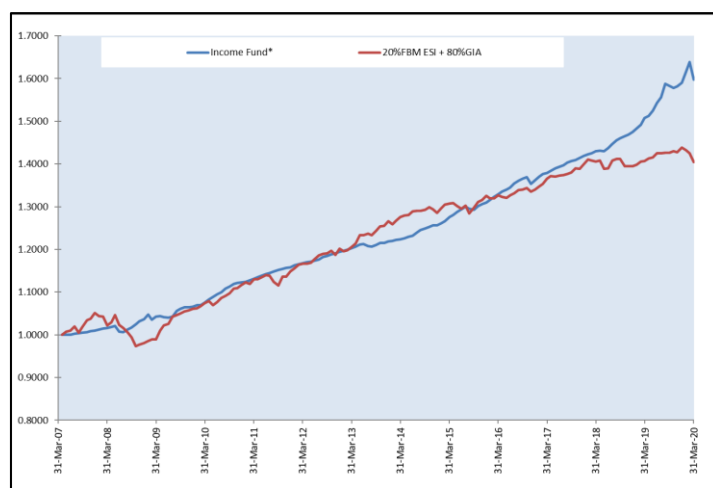
| | |
|-----------------------------|--------------------------------------|
| Unit Price (31/03/2020) | RM 1.5975 |
| Fund Size (31/03/2020) | RM4.4mil |
| Fund Management Fee | 1.00% p.a |
| Fund Manager | Hong Leong Assurance Berhad |
| Fund Category | Sukuk |
| Fund Inception | April 2007 |
| Benchmark | 20% FBM Emas Shariah Index + 80% GIA |
| Frequency of Unit Valuation | Daily |



Top 5 Holdings as at 31 March 2020

| | | |
|---|--|-----|
| 1 | MBSB BANK 19.12.2031 | 14% |
| 2 | MALAYSIA INVESTMENT ISSUE 04.08.2037 | 13% |
| 3 | PROJEK LEBUHRAYA USAHASAMA BERHAD 12.01.2038 | 12% |
| 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 | -2.51% | 0.49% | 5.99% | 5.01% | 4.60% | 59.75% |
| Benchmark* | -1.40% | -2.30% | -0.15% | 0.96% | 1.45% | 40.49% |
| Relative | -1.11% | 2.79% | 6.14% | 4.06% | 3.15% | 19.26% |

*Source: Bloomberg

Market Review, Outlook & Strategy

Equities Market

Global equities posted their worst monthly performance since the Global Financial Crisis with the S&P and Dow Jones falling by 19% and 22% ytd as the global coronavirus pandemic spread at an alarming pace. US, Italy, Spain, and Germany have overtaken China to become the epicentre of the Covid-19 outbreak in the world. Most countries are now in some form of partial lock-down (state of emergency or social distancing) since mid-March including the US (which has now been extended by 2 weeks until 30 Apr). While the rest of the world is trying to contain this health crisis, China is slowly normalising as it comes out of the lock-down imposed since end-January. Even before this outbreak worsened, pandemonium happened in the oil market as OPEC+ talks broke down, followed by Saudi Arabia's move to ignite a market share war with the Russians. Central bankers in the western economies pulled out all stops to buffer the impact of Covid-19 starting with the Fed's move to slash interest rates by 100bps to 0-0.25%, followed by an unlimited and open-ended QE. The US Congress also passed a historic US\$2 trn stimulus package unanimously. The respective governments' and central banks' reactions over the past 2 weeks have been extensive, unprecedented and comparable to the responses during the Global Financial Crisis. The global fiscal financial support amounting to trillions of dollars is said to be at historical highs. On the back of such massive stimulus programmes around the world, the economic fallout could be a sharp but temporary contraction before a potential recovery later this year.

Domestically, in addition to the two global events which translated to 1) a negative China-driven supply shock, a negative global demand shock and 2) an abundance of oil-supply shock, we saw the formation of a new government following the fallout of the erstwhile coalition members of the previous government. This created uncertainty of the continuity of policy reforms that were taking place over the past 2 years. Malaysia was also not spared from the Covid-19 outbreak with the government imposing the Movement Control Order period which started on 18th March and has been extended to 14th April. To aid the economy during this tough time, the government unveiled a RM250b (17% of GDP) economic stimulus package with key components of the stimulus comprising of 1) loan moratorium for individuals and SMEs (RM98b), 2) Danajamin credit guarantee (RM50b), 3) EPF withdrawals of RM500/month (RM40b), 4) cash handouts (RM10b) and 5) wage subsidies (RM5.9b). The bulk of the RM250b will be financed off-budget (banks, EPF, Danajamin) with only RM25b to be financed by federal budget, mostly via debt issuance. This will cause the fiscal deficit to widen to >4% of GDP for 2020 and push the government's debt level to 57.8% of GDP in 2020.

The FBM Emas Shariah in March declined by 9.1% mom to close at 10,105 pts. The KLCI outperformed the broader market by posting a smaller decline of 8.9% mom to close at 1351 pts. Both FBM Emas and FBM Small Cap recorded declines of 11.8% mom and 27.7% mom respectively in March. In March, Malaysian equities saw foreign outflow to the tune of US\$1.3b. Cumulatively, Jan to Mar 20, total net outflow was US\$1.8b.

Globally, investors will be following closely the development of Covid-19 to assess the extent of corporate earnings erosion in the aftermath as well as structural declines (if any). While we remain invested in the current climate of uncertainties, we are also comforted by the fact that we have raised sufficient cash levels prior to the correction. We take no view of when will this health crisis will peak but at current levels and taking a longer investment horizon of >1 year, we see value emerging for some of the liquid and big cap names. We continue to stick to defensive companies offering resilient earnings and dividend

prospects with strong cash flow profile to weather through the coming downturn.

Fixed Income Market

The month of March saw a wave of extreme volatility where the 10-year US Treasury ("UST") yields completed a roundtrip between 1.2% and 0.3% in two weeks. The Covid-19 outbreak in major parts of the world caused a free fall in UST yields on flight to safety, but the subsequent funding squeeze resulted in a selloff. To avoid the broadening of liquidity and credit crunch, major central banks such as the Fed and European Central Banks have unleashed desperate measures in the form of unlimited quantitative easing.

On the local front, BNM has cut the OPR rate by 25bps in the beginning of the month and reduced SRR by 100bps at the end of the month. Meanwhile, govies' yield curve bear-steepened with the belly to long-end yield rising more than 50bps amid a selloff in durations. In general, Ringgit bonds have been weighted more heavily than regional peers as a combination of depressed crude oil prices, sovereign rating risk and domestic politics has affected the outlook on the Malaysian bond market. On a brighter note, S&P Global Ratings reaffirmed Malaysia sovereign rating with a stable outlook citing its confidence in the country's core credit strength which include its robust external position and highly credible monetary policy.

The local corporate bond market was less robust relative to movements seen in the sovereign space. Trading volumes were more prominent in the government guaranteed papers such as Danainfra, Perbadanan Tabung Pendidikan Tinggi Nasional and Prasarana. Prominent issuances for the month include AEON Credit's A1-rated 10-year non call 5-year bonds totalling RM200 million with a coupon of 3.95% and Hap Seng Management Sdn Bhd's unrated 3- to 5-year bonds totalling RM500 million with coupon ranging from 3.85%-3.95%.

We think that near-term volatility on the MGS is inevitable given the bearish bias on the broader emerging markets, bigger government bond supply to support the local economy and pressure on Malaysia's sovereign rating as current weaknesses in the economy necessitates extensive fiscal stimulus measures. The government is facing an uphill task of balancing between supporting growth and keeping to its fiscal prudence stance. While the reaffirmation by S&P Ratings provided investors with some reassurance, views from the two other rating agencies, namely Fitch and Moody's, are expected to be closely monitored.

As such, we will adopt dollar averaging strategy by nibbling on some long duration bonds and trade on govies should the opportunity arise.

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.