HLMT i-INCOME FUND

September 2018

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.

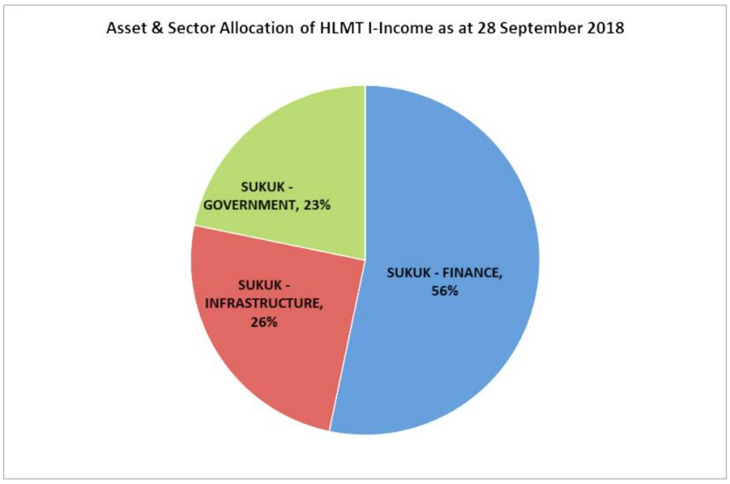
3. **Asset Allocation**
   The indicative asset allocation for The Fund is to invest a minimum of its NAV in fixed income securities, Islamic money market instruments and liquid assets. Generally, The Fund may invest up to a maximum of 20% of its NAV in equities.

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

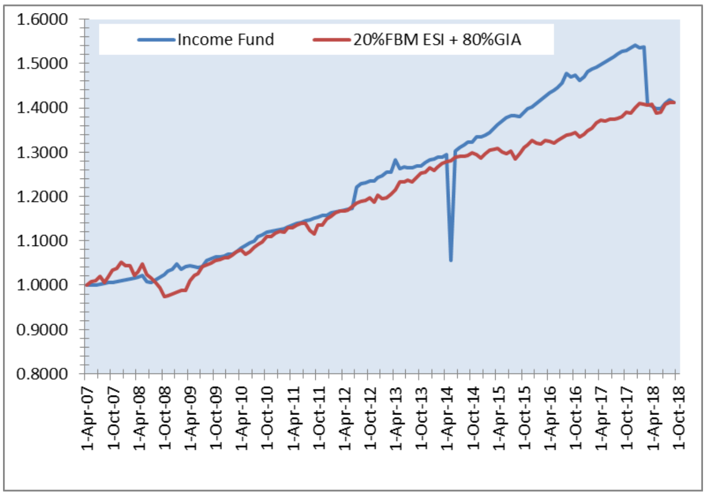
Unit Price (28/09/2018)	**RM 1.4605**
Fund Size (28/09/2018)	**RM 3,491,833.96**
Fund Management Fee	**1.00% p.a**
Fund Manager	**Hong Leong Assurance Berhad**
Fund Category	**Sukuk**
Fund Inception	**April 2007**
Benchmark	**20% FBM Emas Shariah Index + 80% GIA**
Frequency of Unit Valuation	**Daily**



Top Holdings

1	PUTRAJAYA BINA SDN BHD 24.03.2023	23%
2	P. TABUNG PENDIDIKAN TINGGI 26.03.2021	14%
3	RHB ISLAMIC BANK BERHAD 15.05.2024	14%
4	HONG LEONG ISLAMIC BANK 17.06.24	14%
5	PROJEK LEBUHRAYA USAHASAMA BERHAD 120138	14%

Historical Performance



	1 month	YTD	1 year	3 years	5 years	since inception
i-Income	-0.42%	-6.51%	-7.57%	0.73%	2.15%	7.09%
Benchmark	0.00%	2.75%	2.22%	2.85%	2.58%	6.71%
Relative	-0.42%	-9.26%	-9.79%	-2.12%	-0.43%	0.38%

*Source: Bloomberg

Market Review, Outlook & Strategy

Equities Market

During the month investors had to contend with continuing turmoil in Emerging Markets. Apart from the currency meltdown in Argentina, Turkey, South Africa and India, the contagion had now spread to South East Asian markets with the Indonesia Rupiah and Philippine Peso coming under tremendous selling pressure. This brought to mind comparisons with the Asian Financial Crisis which was also precipitated by the sharp depreciation of the Thai Baht in 1997.

Simultaneously, the global trade environment has become increasingly factionalised when US decided to proceed with imposing a 10% tariff on US$200b worth of exports from China effective 24th September with the rate increasing to 25% in January 2019. China in turn retaliated by hiking 5-10% duties on US$60b worth of US imports and called off the trade talks with the US. Meanwhile, the US and Canada also failed to agree on the new North America Free Trade Agreement. During the month, the US Federal Reserve raised interest rates by 25 bps to 2.25% in line with market expectations. Market now anticipates another rate hike in December and three more hikes in 2019 on the back of the strong underlying US economy.

On the domestic front, the sales and services tax (SST) came into effect on 1st September. Bank Negara Malaysia also kept its overnight policy rate unchanged at 3.25%, cautioning on increasing risk to global growth and greater volatility in the financial markets as well as rising capital outflows from emerging markets. The Ringgit depreciated by close to 1% mom against the US$ to close at RM4.1383 as at end of September. Oil price continued its upward trajectory to above US$70/barrel after sanctions by US on Iran's exports while Russia and OPEC did not unveil any further plans to increase production. Petronas also announced that it would raise its dividend payment by 50% to RM24b this year and has plans to increase upstream capex in Malaysia to RM15b this year from RM12b last year which should bode well for the local O&G scene.

During the month, the FTSE Emas Shariah was down 1% mom. The KLCI declined by 1.5% mom, FTSE Small Cap Index declined by 0.6% mom and FTSE Emas was down 1.5% mom.

Going into October, investors will likely keep a close watch on the latest developments between the US and China for signs of increasing trade tensions, leading to a potential full blown trade war. Domestically, the Malaysian economy is expected to slow down on the back of the pullback of mega infrastructure projects and also potentially softer consumer and business sentiment post the implementation of the SST. As the government undertakes a more disciplined approach towards fiscal spending, there is unlikely to be any major announcements in the upcoming Budget 2019. Potentially there could be higher excise duties, gaming tax and even soda tax to be announced. As such we will continue to stay defensive focusing on companies with sustainable earnings and dividend yield.

Fixed Income Market

A confluence of events such as the multi-directional trade talks, substantial new supply of corporate bonds in the US, bets on the Fed rate hike as well as flight to safety on concerns over Italy's fiscal standing were the key driving forces behind the movement of US Treasuries (UST). UST yields marched higher since the start of the month on data releases that point towards stronger economic growth and inflation in the US. The much-anticipated 25 bps Fed rate hike was delivered before the month concluded and is currently in the range of 2%-2.25%. The added twist to the policy statement released by the US Federal Reserve was the omission of its longstanding reference to its monetary stance as being 'accommodative' which led to widespread speculation over a change in their policy direction.

On the local front, Malaysian government bonds came under selling pressure earlier in the month amid risk-off sentiment. The pressure was also fueled by the emerging market selloffs triggered by Turkey which extended its grip on the local bond market. That said, uptick in yields was quickly met with strong local bids, an indication of the still ample domestic liquidity as supply of corporate bonds remain scarce. The subsequent weeks saw some strength returning to local government bonds, particularly on longer-dated papers with the release of lower inflation figures in August. This was also on the back of the Finance Minister's comments that the country continues to enjoy strong economic fundamentals with growth forecast for 2018 at 5%, a strong labour market, steady external position, low inflation, robust international reserves and well-capitalised financial institutions. All in all, as we wrap up the third quarter of the year, the local bond market has evidently demonstrated resilience despite interim domestic and external challenges thanks to Malaysia's deep domestic institutional presence.

In the corporate bond or corporate sukuk space, the amount of new issuances as at end-September 2018 was down 29% YoY amid uncertainties in government policies and cancellation of mega infrastructure projects. Given the shortage, volume in the secondary market was higher despite a shorter working month. Yields generally ended lower with interest skewed along the government-guaranteed papers, followed by the AA-part of the curve up to the 20-year tenures.

We expect trading in local government bonds to continue to take its cue from global developments going forward and more importantly developments in the lead-up to the tabling of Malaysia's Budget 2019 by the newly-elected Pakatan Harapan government. As risk of foreign outflows coincide with the chunky maturities of Malaysian Government Securities ("MGS") and Government Investment Issues ("GII") in the next few months, foreigners are likely to vie for more clarity on fiscal policies for conviction to retain their funds onshore. While the government is keen on maintaining a prudent fiscal stance, there remain challenges in plugging the revenue hole. The jury is also still out on the amount of government infrastructure spending as well as whether the government intends to refinance some costly debts taken by 1MDB, the troubled sovereign wealth fund. We are of the view that corporate bond issuances are going to remain tepid for the rest of 2018 as uncertainties stemming from changes in heads of government-liked entities and the wait-and-see attitude for better clarity in public policies may lead to some delays in corporate issuances.

On corporate bonds, we will continue to switch out of the short tenure bonds to participate in the primary issuances with preference for the longer tenure bonds to enhance the portfolio yield whilst remaining vigilant on credit selection. We will trade on MGS/GII as and when the opportunity arises.

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.

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.

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

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 Participantrisks 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.