

## HLMT i-INCOME FUND

April 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%

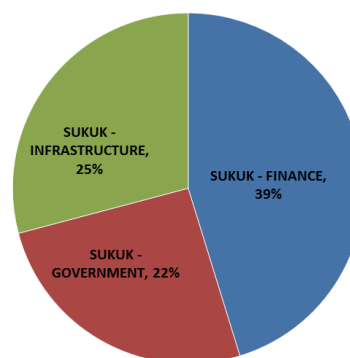
#### 4. Target Market

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

### Fund Details

Unit Price (30/4/2019)	RM 1.5123
Fund Size (30/4/2019)	RM3.7mil
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

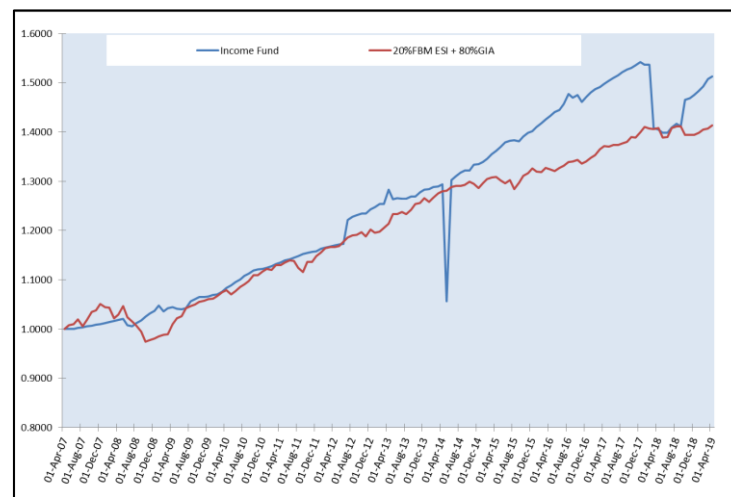
Asset & Sector Allocation of HLMT i-Income as at 30 April 2019



### Top Holdings

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

### Historical Performance



	1 month	YTD	1 year	3 years	5 years	since inception
i-Income	0.32%	8.14%	7.69%	1.81%	3.17%	8.63%
Benchmark	0.45%	1.71%	0.38%	2.21%	2.01%	7.16%
Relative	-0.13%	6.42%	7.31%	-0.40%	1.16%	1.46%

\*Source: Bloomberg

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

### **Equities Market**

Regionally, sentiment improved on the back of more optimistic prospects for a US-China trade resolution. The US corporate earnings season started off on a strong note and economic data released from both US and China was not as bad as feared, further shoring up investors' confidence. However, oil price came off by close to 4% from the high of US\$66 during the month when the US President told OPEC to take measures to lower fuel costs.

Domestically, we saw the revival of 2 mega projects during the month which are the East Coast Rail Link and the Bandar Malaysia project, just before the 2nd Belt and Road Forum. China reciprocated with a commitment to purchase a minimum of 1.9m tonnes of CPO over 5 years valued at RM4.5b. The relationship between Malaysia and China seems to be warming up as a result of these announcements. However, local investors turned cautious driven by concerns over potential Ringgit weakness due to Malaysia at risk of being removed from FTSE Russell's World Government Bond Index with "market accessibility" being the main issue. This is due to the currency convertibility enforced by Bank Negara via its Exchange Control Measures and the clamping down of the Non-Deliverable Forward (NDF) market as well as expectations of a cut to the overnight policy rate. In April, the local market saw net foreign outflows to the tune of RM1.5b.

The FBM Shariah index strengthened by 1.3% mom to 11,837.05 pts, outperforming the FBM KLCI. FBM KLCI declined marginally by 0.1% mom to close at 1,642.29 pts. FBM Emas was up by 0.9% to 11,652.84 pts, and FBM Small Cap was the best performing index recording a gain of 7.2% mom to close at 13,621.11 pts in April.

Going forward, investors will continue to follow closely the outcome of the escalating US-China trade dispute. Domestically, investors are still digesting and assessing the impact from the 25bps cut to the Overnight Policy Rate to 3% in the recent Monetary Policy Committee meeting. Other key events being watched for include the release of the 1Q19 GDP figure and also the upcoming results season for the period Jan-Mar. As market volatility continues to persist, we will still adopt a defensive strategy, favoring dividend yielding stocks at decent valuations as well as stocks that have been oversold with potential for earnings turnaround.

### **Fixed Income Market**

In the previous fixed income review, we highlighted our view that the market has potentially overreacted to the bearish headlines surrounding the synchronised global slowdown. Hence, following the sharp yield compression seen in March, we indeed saw the 10 year UST yield plotting an uptrend but subsequently plateaued at around 2.62% despite the stronger-than-expected growth headline. We think that investors have discounted the headline growth number as trade and inventories contributed 1% and 0.7% respectively to growth, and the latter could reverse in the following quarters. The Fed, in its most recent meeting, cited robust growth and weaker inflation numbers which it described as temporary, as key reasons behind its decision to leave rates unchanged. Nonetheless, Jerome Powell's comment on the weakness of core inflation as transient in nature spooked markets as it took away hopes of an early rate cut after Fed signalled in March that it's done raising interest rates in 2019 provided that inflation remains low.

On the local front, govies experienced a knee-jerk selloff triggered by news of FTSE Russell placing Malaysia on its watch list for a potential disqualification from its flagship World Government Bond Index (WGBI). Ringgit also consequently weakened to RM4.14/USD. The Government Investment Issue

(GII) benchmark yield spiked up 5-16bps within the week following the unexpected announcement. That said, the month ended with some recovery in the GII market on dip-buying support from domestic investors.

The yield movement for the corporate bond space was quite the opposite with yield compression evident across the curve for various rating bands as demand domestically for corporate papers remain strong. While not as eventful as those seen in Q1, we saw Putrajaya Bina Sdn Bhd raise a total of RM380 million spread across various tenures. Danum Capital Bhd, on the other hand, also tapped the market raising RM2 billion via a 4y IMTN yielding 3.94%.

### **Outlook & Strategy**

Against the backdrop of a synchronised slowdown, the fixed income market remains relatively attractive for the rest of the year, albeit with limited upside. Overall, we expect market players to maintain their overweight stance for bonds given the less-optimistic outlook on the global economy and what seems like a lethargic uphill climb for riskier assets. The case for a rate cut in 2019 has weakened substantially after the recent Fed announcement and also justifies the reason for the bullish run for UST to be limited. Nonetheless, announcements by other major central banks may be the game-changer as persistent weakness in global growth continues to weigh into the need for more accommodative monetary policy.

On the local front, we expect the conversation surrounding the removal of Malaysia from the WGBI to hog the limelight. Malaysia could potentially face a total outflow risk of USD6-8 billion (equivalent to RM24-33 billion) by funds should FTSE Russell drop MGS from the WGBI. The final decision on whether to include or exclude Malaysia from the list may crystallise following the annual review in September 2019 and the odds are looking unfavourable to Malaysia unless fundamental changes are made in time to improve Malaysia's market accessibility level. Should the event materialise, foreign selling will likely concentrate in MGS as the index currently excludes Government Investment Issues (GII). That said, the GII curve will inevitably be affected if a foreign selloff weighs on the MGS curve.

The recent rate cut by Bank Negara Malaysia in the month of May is likely to open up opportunities for fund raising in the corporate space. Coupled with resilient demand for corporate papers locally, we do expect issuers to take advantage of the cheaper cost of funds. We are also expecting upcoming issuances to be fuelled by reasonably large refinancing needs especially from the banking sector for maturing papers and those that are due to be callable this year. Our strategy is to constantly deploy the available cash in short-medium tenure primary corporate bond issuances that are fundamentally strong for yield pick-up and trade on govies 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.

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

### **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.