

# HLMT i-INCOME FUND

September 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.

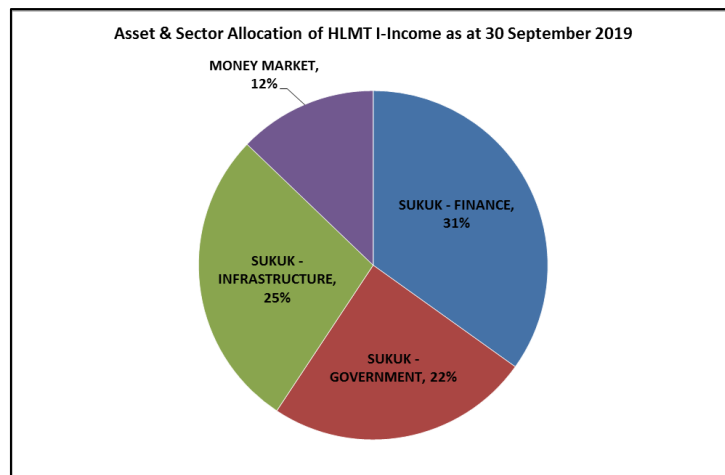
Asset	Ranges
Shariah-Compliant Equities	0%-20%
Islamic Fixed income securities/cash	80%-100%

### 4. Target Market

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

## Fund Details

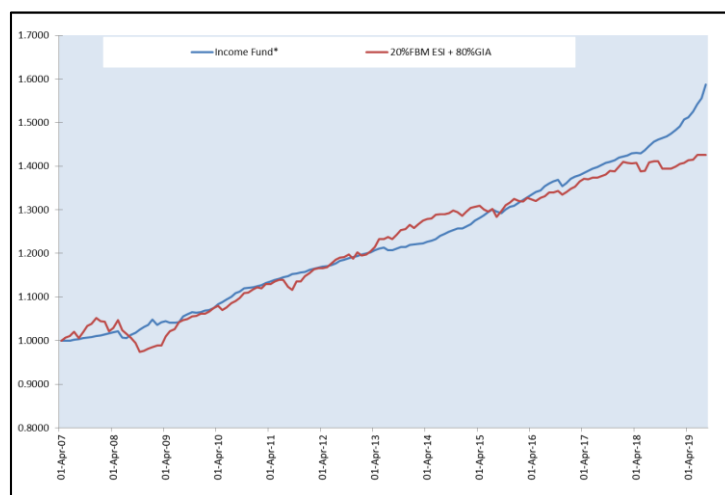
Unit Price (30/9/2019)	RM 1.5826
Fund Size (30/9/2019)	RM4.0mil
Fund Management Fee	1.00% p.a
Fund Manager	Hong Leong Assurance Berhad
Fund Category	Sukuk
Fund Inception	April 2007
Benchmark	20% FBM Emas Shariah Index + 80% GIA
Frequency of Unit Valuation	Daily



## Top 5 Holdings as at 30 September 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	-0.29%	7.33%	3.88%	4.04%	3.88%	58.26%
Benchmark	-0.03%	2.25%	-0.35%	1.70%	1.96%	42.59%
Relative	-0.26%	5.08%	4.23%	2.34%	1.92%	15.67%

\*Source: Bloomberg

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

### **Equities Market**

Global equities rose in September on renewed optimism over the US-China trade talks scheduled to be held on October 10th-11th and a realisation of a mini US-Japan trade deal. Sentiment was also lifted when the US President delayed the implementation of fresh tariffs scheduled for October 1st as a gesture of goodwill and China reciprocated by placing a number of US agricultural goods on the exemption list. Investors also seemed to have shrugged off the move by US lawmakers to call for impeachment proceedings against the US President when the US President suggested that a trade deal with China might come sooner than expected. During the month the European Central Bank embarked on a fresh round of stimulus measures which include a 10bps cut to interest rates and a revival of its bond purchase programme. The price of crude was down by 1.7% mom to US\$54.24/barrel despite drone attacks on Saudi Aramco's oil facilities which knocked off 5% of global supply as bulk of the disruption was expected to be resolved by the end of September.

September was a lighter trading month for the domestic market with the market only opened for 18 days vs the YTD average of 20 days. The market continued to be lacklustre as the much anticipated mega merger between Axiata and Telenor fell through with both parties citing complexities involved in the proposed transaction. During the month as well, Bank Negara Malaysia left the Overnight Policy Rate unchanged at 3%. Cabinet has also approved a 10-year masterplan to reform the domestic power industry dubbed as the Malaysia Electricity Supply Industry 2.0 (MESI 2.0). In the fixed income space, Malaysia was retained in FTSE Russell's World Government Bond Index but will remain on the watchlist until the next interim review in Mar 2020.

The FBM Emas Shariah Index declined by 1.2% mom to 11,768.43 points vs FBM KLCI's decline of 1.8% mom in September. The FBM Emas index was down by 1.3% mom. FBM Small Cap outperformed the other indices; +0.8% mom in September.

Domestically, the key events that investors will be keeping an eye out for include the upcoming Budget 2020 on the 11th October and the cabinet's decision on the proposed highway takeover. On the external front, the ongoing US China trade talks will continue to dominate headlines alongside the UK's scheduled departure from the EU on 31st October. Markets will also be watching closely domestic economic data in the US in order to get an indication on whether the spillover effect of the trade war with China would finally have an impact on its domestic economy. We continue to remain defensive - seeking exposure in dividend yielding companies backed by stable earnings trajectory, weak Ringgit beneficiaries and potential prime priming candidates. We also like selected technology and manufacturing players which should ride on the upcoming 5G technological wave.

### **Fixed Income Market**

For the month of September, the rally in Malaysian Government Securities ("MGS") curve finally reversed and bear-steepened with yields widening at the longer end of the curve alongside the UST-led rebound in developed market bond yields. Besides the said external forces, the biggest development for the Malaysian bond market was none other than the long-awaited FTSE Russell decision. FTSE Russell decided to keep Malaysia on the watch list until March 2020, and that sent MGS yields lower towards month end.

Trading volumes in the corporate bond space was relatively benign for the month of September. The month concluded with some interest across the government guaranteed segment to the AA-part of the curve and yields edged marginally higher. The prominent new issuance of the month was Danainfra's massive RM2.5 billion of longer-tenured 7y-30y bonds issued at coupons between 3.34%-3.90%, Maybank's perpetual securities amounting to RM2.8 billion with yields ranging between 4.08%-4.13%.

### **Outlook & Strategy**

The MGS curve is expected to be supported by the strong reinvestment demand from lumpy maturities and expectation of another rate cut by year end. Nonetheless, as the market has already priced in the expectation of dovish rates as well as higher PDS issuances in Q42019, opportunity for MGS rally may be capped. While the market took a breather from FTSE Russell's decision to not exclude Malaysia in its recent announcement, it is worth noting that the non-removal decision is not concrete and merely a delay as Malaysia remains on the watch list for a potential downgrade. The risk of exclusion may resurface closer to the interim review by FTSE Russell in March 2020 as BNM is unlikely to accommodate lifting the ban on offshore Ringgit non-deliverable forward trading.

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.

- 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.

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

### **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.