

HLMT i-INCOME FUND

July 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%

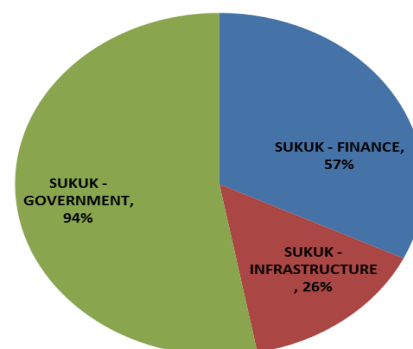
4. Target Market

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

Fund Details

Unit Price (31/07/2018)	RM 1.4467
Fund Size (31/07/2018)	RM 3,451,801.08
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

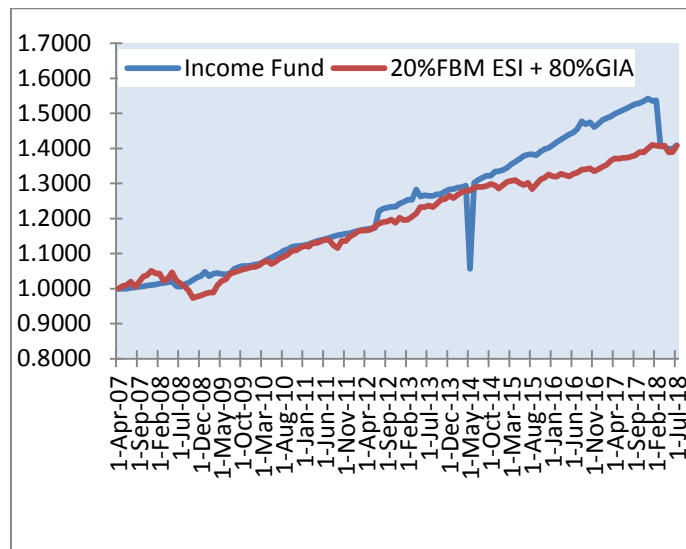
Asset & Sector Allocation of HLMT i-Income as at 31 July 2018



Top Holdings

1	PUTRAJAYA BINA SDN BHD 24.03.2023	23%
2	P. TABUNG PENDIDIKAN TINGGI 26.03.2021	15%
3	RHB ISLAMIC BANK BERHAD 15.05.2024	15%
4	HONG LEONG ISLAMIC BANK 17.06.24	15%
5	PROJEK LEBUHRAYA USAHASAMA BERHAD 120138	14%

Historical Performance



	1 month	YTD	1 year	3 years	5 years	since inception
i-Income	0.75%	-6.96%	-6.96%	0.65%	2.18%	7.05%
Benchmark	1.36%	2.53%	2.53%	2.65%	2.62%	6.67%
Relative	-0.61%	-9.49%	-9.49%	-2.00%	-0.44%	0.38%

*Source: Bloomberg

Market Review, Outlook & Strategy

Equity Market Review

July was another volatile month with US President Donald Trump on one hand trying to resolve trade battles with the European Union by agreeing to suspend new tariffs amidst ongoing trade negotiations with President of the European Commission Jean-Claude Juncker. On the other hand, he stepped up pressure on China by announcing 10% tariffs on another US\$200b of Chinese imports. Meanwhile, China tried to shore up investor confidence by announcing its intent during the State Council meeting to pursue a more proactive fiscal policy whilst introducing various monetary and fiscal measures to arrest the pace of deleveraging. US technology stocks (FAANGS) also saw severe month end weakness following disappointing guidance by Facebook, followed by Intel and Twitter. However, in general the earnings season continued to show underlying strength of these companies. Finally, crude oil prices softened by 8% to US\$68.43/barrel due to concerns that the rising trade war tension could potentially dampen demand.

Domestically, Malaysia is still undergoing a period of adjustment under the new government. Since the transition of power, there has been the departure of several heads at major local government-linked companies (GLC) like Telekom, Malaysia Airports and MRCB. At end July, there was a shake-up at Khazanah Nasional where the entire board of directors offered their resignations. Prime Minister Tun Mahathir was quick to announce the appointment of the new Board of Directors. However, as and when these announcements are made, markets remain uncertain over the leadership and future direction of the affected GLC's.

During the month, the Shariah index improved by 5.9% mom to close at 12,810.75 pts on the back of recovery in the telco sector and selected energy counters. Similarly, broader markets also recovered in tandem. The KLCI gained 5.5% mom, FTSE Emas was up by 5.6% mom in July and the FTSE Bursa Small Cap index also posted an increase of 5.4% mom in July. The Ringgit depreciated by 0.7% mom against the US\$ to RM4.0652.

Both regional markets and local markets are expected to continue to experience volatility due to short term uncertainties. Domestically, the 100 day anniversary for Pakatan Harapan's win at the 14th General Election will be on 18 August 18. As such, we can expect more newsflow on restructuring like the takeover of Syarikat Pengeluaran Air Selangor Sdn Bhd (SPLASH) and also the review on mega projects such as the KL-Singapore High Speed Rail and East Coast Rail Link. We remain defensive – preferring to hold and buy blue chips that exhibit sustainable earnings with steady dividend yield. We will also re-look some of the sectors that have intrinsic value that have de-rated substantially post the outcome of the general election.

Fixed Income Market Review

For the month of July, a bear-steepening yield curve was the dominating theme for US Treasuries (UST). This was as investors were wary over the potential of a full-blown trade war, weak corporate earnings as in the case of Facebook as well as China's ability to trigger capital flight via a UST selloff as they remain the largest holders of UST's. Key central banks presented hawkish statements with the Fed reaffirming another two rate hikes for 2018 at the recent FOMC and European Central Bank's President Draghi reiterating his commitment to end its quantitative easing programme despite lingering global trade threats. However, before the month end, global bond yields spiked over speculation that the Bank of Japan (BoJ) intended to alter its yield curve control policy causing the biggest jump in Japanese government bond yields in 2 years. The impact reverberated in other markets which saw soaring yields. UST then eased after the Trump-Juncker meeting where they both agreed to work towards "zero-tariffs". The month closed with global bond markets rallying post BoJ's guidance that killed the speculation over Japan heading towards sooner-than-expected tightening in its monetary stance.

Despite the tumultuous global landscape, local govies saw better interest during the month after a relatively heavy foreign sell-off in the previous month. Compared to June, there was a downward shift in the govies yield curve in July, predominantly supported by strong buying activity among local institutional players due to ample domestic liquidity and the compression of the government guaranteed bond spread against MGS (Malaysian Government Securities). Market interest in the corporate bond space also saw active trading especially on the Government Guaranteed and AAA segment due to short supply in the Private Debt Security (PDS) primary market. The prominent new issuances during the month were Chellam Plantations (Sabah), UOB Bank (Malaysia) Tier 2 Subordinated Medium Term Note and Affin Banks' Perpetual AT1 CS.

Outlook

We are keeping a close watch on key market-moving events globally. In the US and Europe, the central bank meetings and the release of labour and price indicators are expected to be highly scrutinized for guidance of inflation expectations. As the markets digest a series of data releases in August, we expect some volatility. Major downside risk continues to be anchored on the unresolved trade tensions between US and China as investors shy away from emerging markets.

Over the next month, we are of the view that local yields should be relatively stable, supported by ample liquidity amidst strong domestic institutional participation. Nonetheless, over the medium term, the global macro setting and policy developments by the newly-elected government are key factors that will dictate the direction of local bond yields. On the monetary front, we do not expect any interest rate hike by Bank Negara Malaysia for the rest of 2018 as growth is expected to moderate. Doubts over Pakatan Government's ability to meet the fiscal deficit target of 2.8% in 2018 would be another major factor that may lead to further fund reversals from local govies, albeit at a lower magnitude barring any negative surprises in the global financial markets.

Strategy

We will continue to focus on primary issuances for yield enhancement and better allocation. Meanwhile, we will also consider taking profit on some shorter corporate bonds and replacing them with longer primary papers.

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

- 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.
- 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.
- The maximum value of any asset of any fund shall not exceed the following price:
 - The last transacted market price at which those assets could be purchased or sold on the business day before the valuation date; or
 - 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.
- 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.