هوغ ليوغ م.س.أ.ج. تكافل
Hong Leong MSIG Takaful

HLMT i-INCOME FUND

August 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.

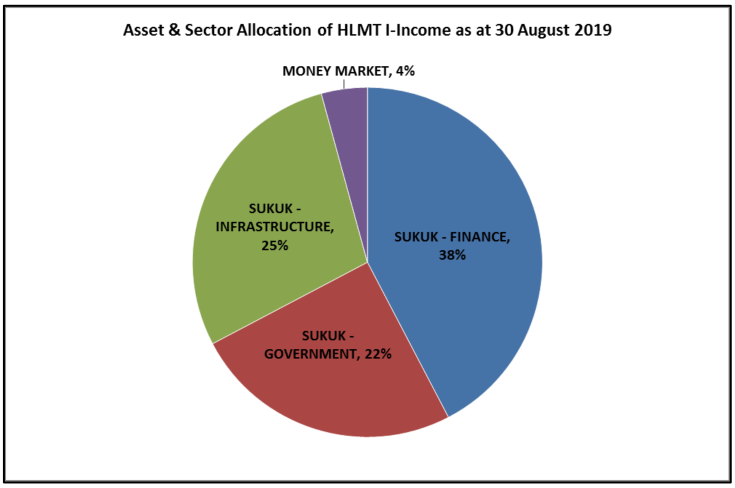
3. Asset Allocation
The indicative asset allocation for The Fund is to invest a minimum of its NAV in fixed income securities, Islamic money market instruments and liquid assets. Generally, The Fund may invest up to a maximum of 20% of its NAV in equities.

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

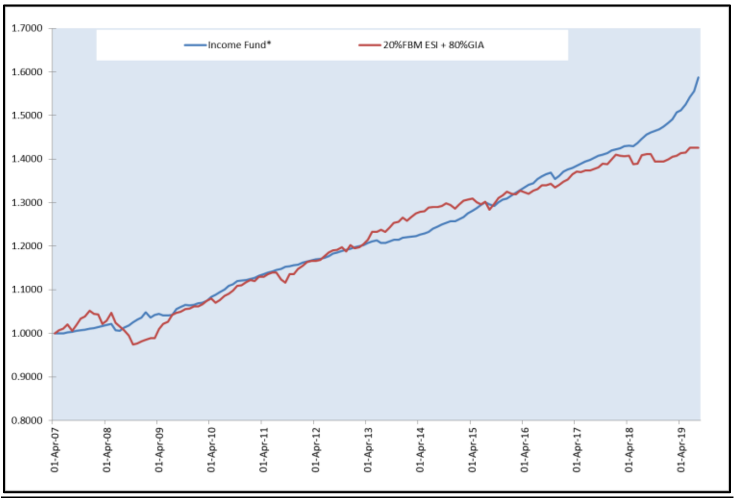
Unit Price (30/8/2019)	**RM 1.5872**
Fund Size (30/8/2019)	**RM4.0mil**
Fund Management Fee	**1.00% p.a**
Fund Manager	**Hong Leong Assurance Berhad**
Fund Category	**Sukuk**
Fund Inception	**April 2007**
Benchmark	**20% FBM Emas Shariah Index + 80% GIA**
Frequency of Unit Valuation	**Daily**



Top Holdings

1	**PROJEK LEBUHRAYA USAHASAMA BERHAD 120138**	**15%**
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	2.00%	7.64%	3.88%	4.04%	3.88%	58.72%
Benchmark	0.05%	2.28%	-0.35%	1.70%	1.96%	42.63%
Relative	1.95%	5.36%	4.23%	2.34%	1.92%	16.09%

*Source: Bloomberg

Market Review, Outlook & Strategy

Equities Market

Regional markets continued its downward spiral in August given the ongoing escalation in trade war with China's retaliation by stopping the purchase of US agricultural goods. The Chinese Yuan as a result tumbled to its lowest level in a decade as investors were worried the devaluation would continue. The US 10-year Treasury yield inversion worsened as investors were discounting a higher risk of a global recession and bet that the Fed would need to pick up its pace of interest rate cuts. Elsewhere in the UK, newly appointed Prime Minister Boris Johnson said that the Queen has agreed to his proposal to suspend Parliament and this will restrict the parliamentary oversight before the Brexit deadline which increases the probability of a hard Brexit come end-October.

The Malaysian market continued to languish during the month with 2Q19 earnings largely a disappointment with more companies missing forecasts. The earlier reduction in the Overnight Policy Rate with some impairment issues dented the banks' bottom line and plantation companies earnings continued to be dragged by the weak CPO prices. The MSCI rebalancing event which took place on 27th August saw a total net outflow of RM294m for Malaysia which was not as severe as expected as investors took advantage of the additional liquidity to trade the market. Crude oil prices slid to US$55.16/barrel (-5% mom) on the back of continued weak demand and global growth concerns. As a result, the Ringgit has also depreciated to close at RM4.2055/ US$ as at end August.

The FBM Shariah was down by 0.8% mom, outperforming the FBM KLCI's decline of 1.4% mom in August. FBM Emas and Small Cap declined by 2.1% mom and 4.9% mom respectively for the month of August.

Investors will be closely monitoring the trade situation as trade uncertainty clearly remains the most important issue for investors right now. Domestically, the next key event would be the upcoming Budget 2020. While it is not expected to be a major catalyst for the market, this budget will continue to be a 'people-friendly' budget focusing on the B40 segment and potentially more contracts would be announced to help spur the domestic economy. We continue to seek exposure in dividend yielding companies that are backed by stable earnings, weak Ringgit beneficiaries and potential pump priming beneficiaries.

Fixed Income Market

The US Treasuries ("UST") market went through a volatile month and was responsible for nearly half of 2019's year-to-date decline in the 10-year Treasury yield. The 30-year bond yield also touched its all-time low in August, piercing the 2% level for the first time in its history. The angst started when markets saw trade tensions resurface which subsequently kicked off the bond market rally in the month of August following President Donald Trump's infamous decision to impose tariffs on all remaining Chinese imports after talks between negotiators from both sides in July. This spurred a tit-for-tat escalation of import levies, drawing doubts over the possibility of a resolution to trade issues soon. On emerging markets, in the wake of Argentinian President Mauricio Macri's defeat in August, investors dumped its stocks, bonds and currency en masse, leaving investors wondering whether the country was headed for yet another default. The outcome of the election stirred speculation over the possibility that a more protectionist government would take over come December 2019 and reverse the hard-earned gains that Macri had made to regain the trust of the international markets. The debt markets are worried that his populist opponent, Alberto Fernandez and his team, will attempt to renegotiate its debt as well as its agreements with the International Monetary Fund.

In line with the movement in UST, the Malaysia govvies curve bull-flattened significantly in mid-August. The govvies yields were sharply lower led by the longer-end, driven by strong buying flows from both onshore and offshore parties. After finding support at 3.18%, the 10 year GII yield rebounded and subsequently ended the month at 3.36%.

Apart from the first week of the month, the corporate bond space was rather muted. The month kicked off with some interest across the government guaranteed segment to the AA-part of the curve as yields continued to edge lower. New issuances that flooded the market were evidently shorter in tenure. Some of the prominent new issuances of the month include the RM850 million government guaranteed issuance by Prasarana, YNH Property's unrated perpetual bonds amounting to RM263 million with a coupon of 6.85% and Sunway Treasury Sukuk Sdn Bhd's unrated papers amounting to RM160 million.

Outlook & Strategy

On the global front, the global stock of negative yielding debt papers is now in excess of USD17 trillion as rising market volatility lent urgency to the unprecedented bond rally seen thus far. In the short term, we foresee more investment grade debt papers to offer sub-zero yields, as investors hope to benefit from further bearishness that would drive yields deeper into the negative territory and favourable cross-currency hedging rates and to hedge against excessive portfolio volatility from riskier asset classes. From a relative yield standpoint, we continue to expect strong interest in UST as it remains one of the few safe havens that is still providing positive returns, albeit increasingly unappealing. Despite the relatively stretched rally in the fixed income market, we continue to opine that markets will maintain their overweight stance on safe haven assets until further clarity surfaces from the various geopolitical events globally.

On the local front, while domestic liquidity remains supportive, we maintain our view that the risk-reward for MGS is increasingly unappealing. As FTSE Russell has not announced their decision of whether to remove Malaysia from their flagship index, the local bond market is expected to be rather quiet ahead of event risks in the next couple of weeks. Key events to watch include BNM's stance on the overnight policy rate in the next Monetary Policy Committee meeting and the much anticipated decision by FTSE Russell. While the recent round of liberalisation measures announced by the central bank is viewed positively, a favourable FTSE Russell decision which is expected to crystallise on the 27th September may have been largely priced in and the risk lies with fresh surprises in their decision. Since the govvies have rallied so much, we will stay sidelined and cherry pick on 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.

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

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.