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HongLeong MSIG Takaful

HLMT i-EQUITY FUND

June 2020

Fund Features

1. Investment Objective

The objective of HLMT i-EQUITY FUND ("The Fund") is to achieve long-term capital growth through investment in Shariah-compliant securities of listed companies.

2. Investment Strategy & Approach

Investments are on Shariah-Compliant securities that offer good medium-term earnings growth. The Fund may invest up to 95% of its assets in such companies.

3. Asset Allocation

The Fund may invest up to 95% of its assets in Shariah-Compliant Equities and maximum 50% of its assets in Islamic Fixed income securities or cash.

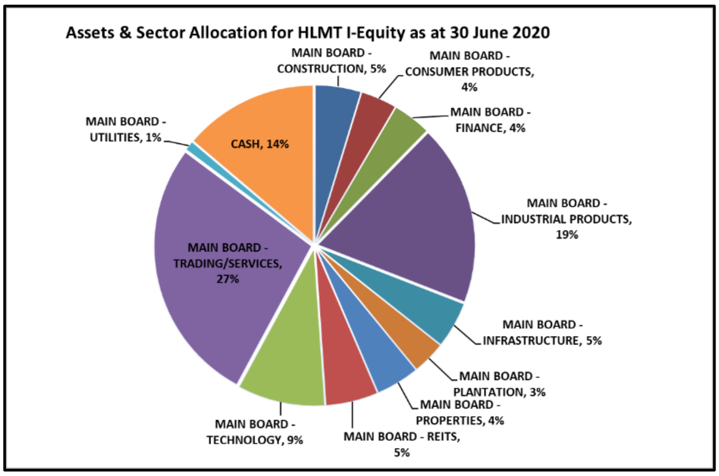
Asset	Ranges
Shariah-Compliant Equities	50%-95%
Islamic Fixed income securities/cash	5%-50%

4. Target Market

This fund is suitable for those who have a high-risk appetite with long-term investment goals.

Fund Details

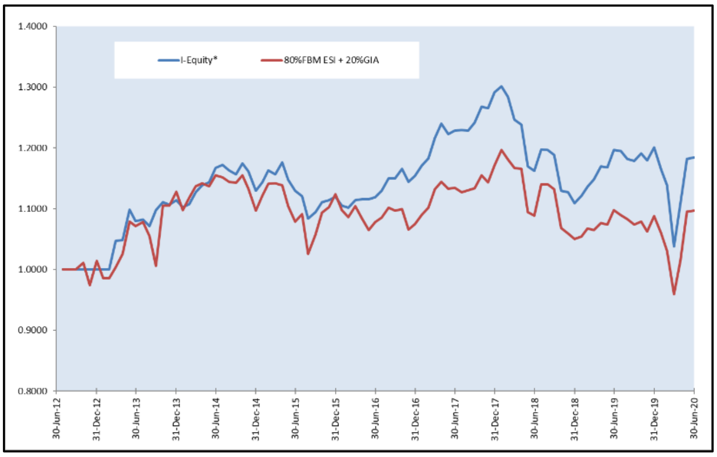
Unit Price (30/06/2020)	**RM 1.1844**
Fund Size (30/06/2020)	**RM 28.9mil**
Fund Management Fee	**1.50% p.a**
Fund Manager	**Hong Leong Assurance Berhad**
Fund Category	**Equity**
Fund Inception	**July 2012**
Benchmark	**80% FBM Emas Shariah Index + 20% GIA**
Frequency of Unit Valuation	**Daily**



Top 5 Holdings as at 30 June 2020

1	TENAGA NASIONAL BHD	7%
2	TOP GLOVE CORPORATION BHD	5%
3	PETRONAS CHEMICALS GROUP BERHAD	4%
4	IHH HEALTHCARE BHD	4%
5	SIME DARBY PLANTATION BHD	3%

Historical Performance



	1 month	YTD	1 year	3 years	5 years	since inception
i-Equity	0.19%	-1.33%	-1.02%	-1.22%	0.96%	18.44%
Benchmark*	0.12%	0.80%	-0.13%	-1.12%	0.33%	9.66%
Relative	0.07%	-2.14%	-0.89%	-0.10%	0.63%	8.78%

*Source: Bloomberg

Market Review, Outlook & Strategy

Equities Market

Regional markets were volatile in the month of June with investors oscillating between renewed risks of a second wave of the Covid-19 infections and improving macro data that was above market estimates. The recovery in the US might be bumpy as some states that reopened abruptly reached new highs of infection cases and that resulted in the state administrator dialing back the reopening plans. The US also revoked Hong Kong's special trading status as a separate entity from China due to heightened risk that sensitive US technology could fall into China's hands after the new national security law that was approved by China's NPC on 30th June. However, markets were relieved when President Trump tweeted that the US China phase 1 trade deal was still 'fully intact' following an earlier statement made by the US trade advisor Peter Navarro that the trade deal was 'over'. Risk off sentiment was also further fuelled by renewed trade tensions when the US mentioned that it was considering new tariffs on the US$3.1b exports of Germany, France, Spain and UK.

Domestically, the government unveiled a RM35b recovery stimulus package (PENJANA) at the start of the month in addition to the RM260b stimulus package announced earlier to cushion the impact of Covid-19. The added fiscal stimulus is expected to bring the budget deficit up to 5.9% and debt-to-GDP ratio to 60%. Bursa Malaysia's short selling ban is also being extended until 31 Dec 2020. This is the second extension that was supposed to end on 28 Apr and 30 Jun respectively. The Jan to Mar quarter results season was also disappointing due mainly to the restricted movement control order (MCO) effective 18 March, which disrupted operations and dented consumer sentiment. We expect the Apr to Jun quarter results to be weaker before a potential recovery towards 2H20.

On a relative basis for the month of June, the FBM Emas Shariah performance of +0.1% mom was lagging the FBM KLCI's gain of 1.9% mom. FBM Emas recorded a gain of 0.8% mom. The Small Cap index however declined by 1.7% mom. In June, Malaysian equities recorded net foreign fund outflows of close to RM3b and foreign ownership is now at 21% vs 22.3% as at end 2019. Retail participation continued to be strong with net buying of >RM1b for the month.

Volatility is expected to persist into July. Given the strong rally in the past few months, investors have every incentive to profit take; especially with the weak upcoming earnings season, recent uptick in new Covid-19 cases, further tension escalations in the US and China trade war as well as the political developments both in the US and Malaysia. However, we will continue to deploy cash during pullbacks as the recovery of the Covid-19 situation domestically appears to be under control and there could potentially be some form of pump priming activities in the upcoming Budget. We continue to be defensive, favoring stocks that offer resilient earnings and dividend prospects with strong cash flow profile to weather the economic downturn.

Fixed Income Market

US Treasury ("UST') yields saw bigger movements in early June where yields on long-dated US Treasuries climbed to the highest levels since March as hedge fund traders were betting on a continued steepening of the yield curve. Investors were buying shorter-term UST on the expectation that the Fed would continue to anchor interest rates near current low levels, while shorting 10- or 30-year bonds, ahead of an update from Fed and more sales of new government debt to fund the federal stimulus plans. The difference in yields between 5-year and 30-year UST rose to 122 bps, the widest since December 2016. That said, the volatility was rather short-lived and yields reverted back to its range as sentiment surrounding the pandemic took a turn for the worse. In the recent FOMC meeting in June, the Fed decided to hold interest rates steady at near-zero, signalling its intention to support a post-COVID economic recovery by keeping rates at the lower bound through at least 2022. While the market has evidently been comforted by the unprecedented liquidity support from the Fed as it continued to buy corporate bonds, following on a series of pledges it made, filings have revealed that the Fed is not only buying bonds of struggling companies hit hard by the coronavirus pandemic but also some of the stalwarts of the American industry.

On the local front, S&P Global Rating - an international rating agency – has revised the outlook on Malaysia's sovereign credit ratings to negative as the global pandemic has caused unprecedented challenges on multiple fronts. The rating agency sees additional downside risks to the government's fiscal metrics, given the weak global economic climate, made worse by political uncertainties on the domestic front. While Malaysia still possesses the strengths of having credible monetary policy settings, sound external position and strong medium-term growth prospects, the country also entered the pandemic phase with legacy issues such as elevated debt burden and vulnerable fiscal position and political tussle, making it more susceptible to growth and fiscal shocks than similarly rated peers. Following the said announcement by S&P Global Rating, local govvies saw a temporary knee-jerk selloff but the buy-on-dip demand cushioned the movement and subsequently recovered to levels seen prior to the announcement. All in all, in the month of June, the govvies curve steepened with better buying interest in the shorter to the belly segment of the curve compared to the longer end.

Following the abovesaid revision to the sovereign outlook, S&P Global Ratings has revised its outlook on five Malaysian banks — Maybank, CIMB Bank Bhd, Public Bank Bhd, RHB Bank Bhd and AmBank (M) Bhd — to negative from stable as it expects these banks to continue to derive external support from the sovereign over the next 12 to 24 months. Activity in the corporate bond market was robust for the month of June with interest seen across the board. The prominent new issuances for the month were Sarawak Energy's Berhad's (AAA) 10-15Y bonds amounting to RM1.9 billion with coupons ranging between 3.30-3.65% and Pengurusan Air SPV Berhad (AAA) 5-7Y bonds totalling RM1.25 billion with coupons of 3.07-3.32%.

With the latest development surrounding the Covid-19 pandemic, we expect to see persistent economic weakness as the global pandemic necessitated further delays in the reopening of major economies. Across the board globally, we will start to see one of the worst economic numbers and corporate earnings in decades as we wrap up the second quarter. Any negative surprises are expected to send volatility back into the markets. Nonetheless, positive surprises may drive flows out of safe havens into riskier assets.

On the local front, the govvies market lacks catalysts to push the curve lower, while supply and rating risks are further dimming the prospect of govvies rally. Moving forward, we envisage that OPR will pause at 1.75% for the year and if not, at most another 25bps cut in September. Subsequently, BNM will likely to normalise its policy in FY2021. This is with the assumption that no second wave of Covid-19 outbreak in Malaysia. With this outlook, we prefer to invest into primary short tenure PDS and trade on govvies for yield enhancement.

Actual Annual Investment Returns based on published price for the Past Five (5) Calendar Years

Year	Net Annual Returns
2015	-0.83%
2016	3.06%
2017	11.92%
2018	-14.17%
2019	8.26%

Notice: Past performance of the fund is not an indication of its future performance.

- Actual returns in the past five years on a net basis (net of tax and charges), or since inception if shorter (warning statement: this is strictly the performance of the investment fund, and not the returns earned on the actual contributions paid of the Investment-Linked product).
- The investment returns shall be calculated based on the unit price of the Investment-Linked fund and the formula shall be consistent with that of the benchmark indices.
- Any performance comparison of an Investment-Linked fund must be with that of a similar fund, in terms of investment objectives & focus and based on similar time frame of at least 12 months.

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 profit payments or repayment of principal.
3. **Profit Rate Risk**
   Applied to fixed income securities, prices move in the opposite direction of profit rates. If profit rates rise and the security prices fall, this will lower the value of your investment and vice versa.
4. **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.

$$\frac{\text{Unit Price}_t - \text{Unit Price}_{t-1}}{\text{Unit Price}_{t-1}}$$

Others

HLMT i-Equity Fund is managed by Hong Leong Assurance Berhad. Any amount invested in this fund is invested by Hong Leong Assurance Berhad on behalf of Participant in equity, fixed income, collective investment scheme and money market instrument/s. If the financial institutions and/or corporations issuing the equity, fixed income, collective investment scheme 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 Hong Leong Assurance Berhad.

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.