

HLMT i-INCOME FUND

January 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%

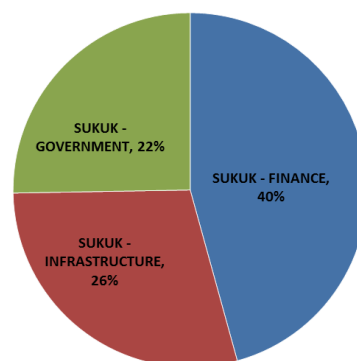
4. Target Market

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

Fund Details

Unit Price (31/1/2019)	RM 1.4831
Fund Size (31/1/2019)	RM 3,605,173.89
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

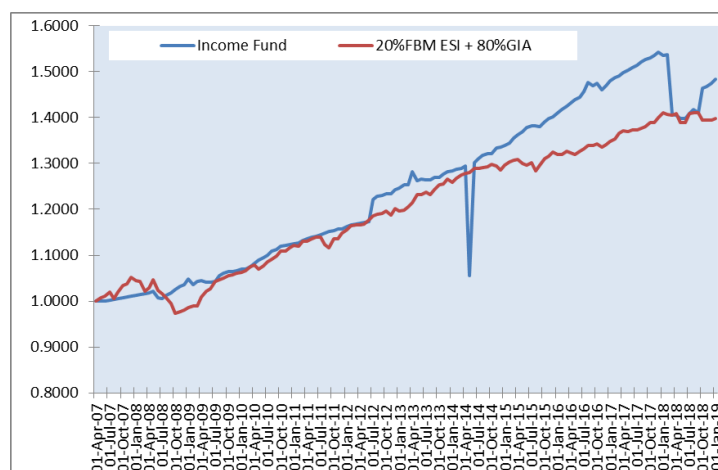
Asset & Sector Allocation of HLMT i-Income as at 31 January 2019



Top Holdings

1	PROJEK LEBUHRAYA USAHASAMA BERHAD 120138	14%
2	MALAYSIA INVESTMENT ISSUE 04.08.2037	14%
3	AMISLAMIC BANK BERHAD 18.10.2028	14%
4	MALAYAN BANKING BHD 31.01.2031	14%
5	MALAYSIA AIRPORTS HOLDINGS 15.12.2049	12%

Historical Performance



	1 month	YTD	1 year	3 years	5 years	since inception
i-Income	0.58%	-1.75%	-3.44%	1.70%	2.93%	8.16%
Benchmark	0.29%	1.83%	-0.81%	1.95%	2.14%	6.52%
Relative	0.29%	-3.58%	-2.63%	-0.25%	0.79%	1.64%

*Source: Bloomberg

Market Review, Outlook & Strategy

Equities Market

Regional markets started the year firmer, recovering from the lows seen in December and early January. The renewed optimism in equity markets was in part driven by expectations that the Federal Reserve is less inclined to pursue aggressive rate hikes for 2019 after the sharp market correction at the end of 2018. Chinese policymakers injected liquidity into the financial system and pledged to offset the economic slowdown by implementing more stimulus measures to boost consumer spending as well as there being a high chance of a trade resolution between US and China.

Domestically, the local index also recovered in tandem with regional markets despite economic data showing signs of slowing growth. During the month, Bank Negara kept its overnight policy unchanged at 3.25% while highlighting moderating global growth momentum with the ongoing trade tensions. The National Housing Policy was unveiled where affordable home prices would be capped at RM300,000 with a minimum unit size of 900 sq ft to help the B40 group. The government will also provide 1m affordable houses over 10 years. Ringgit appreciated by >1% mom crossing the USD/RM4.10 level on the back of stronger crude oil prices with WTI rebounding by close to 19% mom from the low of US\$46/barrel.

For the month, the Emas Shariah Index improved by 0.4% mom to 11,552.61 pts, outperforming the FBM KLCI which was down marginally by 0.4% mom to 1,683.53 pts. The Emas index was up by 1.2% mom to 11,660.62 pts and the Small Cap index was the best performing index appreciating by 7.2% mom to 12,108.48 pts.

We expect market volatility to persist in the coming months. Investors will continue to closely monitor the progress of the trade negotiations between the US and China as well as the negotiations between the US President and Congress come February 15. As we enter February 2019, investors will look towards the Oct - Dec 18 quarterly reporting period. We expect a lackluster reporting season given the generally weak economic environment. While negative earnings may have largely been priced in, we remain defensive into 2H 2019 preferring stocks that have been oversold as well as high quality names with earnings resilience and less risk of being adversely affected by changing policy risk.

Fixed Income Market

UST yields remained largely range bound in the month of January with momentum picking up towards the month end. Major central banks have signalled a more dovish stance of late as big corporates conveyed more subdued earnings guidance. A series of downward revisions to global growth forecast by renowned institutions such as IMF and World Bank also reaffirmed that a synchronised global growth slowdown is on the horizon. The European Central Bank also started the year acknowledging that the outlook for the Eurozone economy is somewhat softer but not pessimistic enough for another round of quantitative easing.

At home, local government bonds ("govvies") rallied between 1-9 bps across the curve with the 7- and 20- year outperforming other parts of the curve. The month of January saw some solid interest in the local government bond auctions. The 10.5 years GII 7/29 new issue which replaces the GII 10/28 as the new 10 year GII benchmark, drew keen interest with bid/cover of 4.067x, highest since 2005. While the interest for the MGS 7/26 new issue paled in comparison to the former, the bid/cover was still decent at 2.216x (average for 2018: 2.28x).

In the primary issuance space, Danainfra raised a total of RM3 billion via book building and private placement in a multi-tranche issuance to fund the Pan Borneo Highway project. The 7-year and 10-year notes were sold through book building clocking in final yields of 4.15% and 4.36%, respectively. Other notable issuances include Pengurusan Air Sdn Bhd which released both government guaranteed ("GG") and AAA-rated papers, Danum Capital Berhad's AAA-rated papers, all of which have received overwhelming response.

Moving forward, volatility remains the theme and is expected to dominate in the first half of the year. On the macro front, with slowing economic growth in some countries, fiscal concerns will be back to the fore. Local govvnies and corporate papers are expected to piggyback with the return of interest in emerging markets, albeit to a lesser degree compared to regional peers as relative valuations are less attractive in Malaysia. With foreign holdings at lows, the risk of further foreign outflows seems to be muted at this juncture. Also, OPR is expected to remain status quo unless growth turns out to be significantly lower due to external challenges.

Meanwhile from the credit perspective, market is not expecting any significant rating revisions on the downside since there is no signs of stress in the broad credit environment. Potential deterioration in credit conditions in the coming months, if any, may stem from uncertainties surrounding international trade, tightening global liquidity and importantly, China slowdown risks.

There will be about RM112 billion of local bonds maturing in 2019 and given the scarcity of bonds/sukuk issuances coupled with flush domestic liquidity in the system, bond market could continue to strengthen. Since the portfolio is fully invested, we will keep the position for roll-down return as well as to enjoy the potential of further yield compression till we find better replacement.

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.

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

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.