

# HLMT i-INCOME FUND

April 2020

## 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.

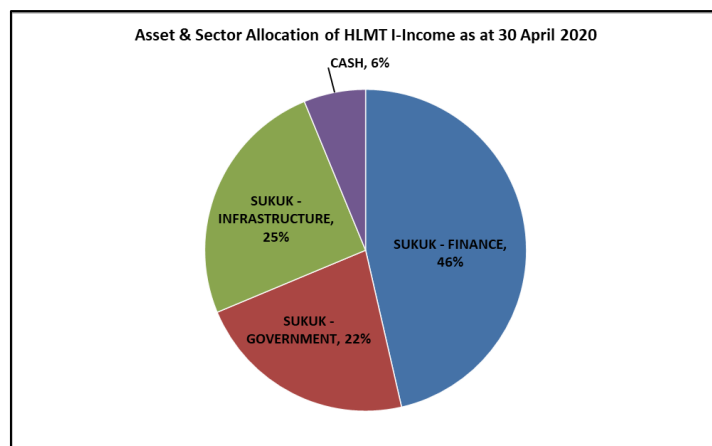
Asset	Ranges
Shariah-Compliant Equities	0%-20%
Islamic Fixed income securities/cash	80%-100%

### 4. Target Market

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

## Fund Details

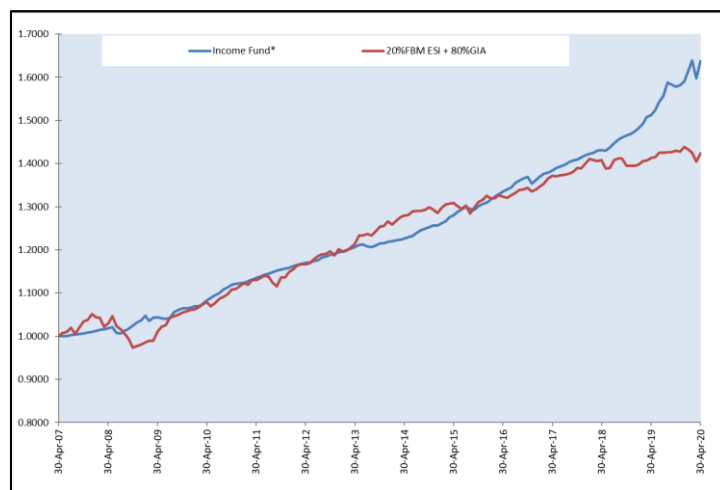
Unit Price (30/04/2020)	RM 1.6373
Fund Size (30/04/2020)	RM4.6mil
Fund Management Fee	1.00% p.a
Fund Manager	Hong Leong Assurance Berhad
Fund Category	Sukuk
Fund Inception	April 2007
Benchmark	20% FBM Emas Shariah Index + 80% GIA
Frequency of Unit Valuation	Daily



## Top 5 Holdings as at 30 April 2020

1	MBSB BANK 19.12.2031	14%
2	MALAYSIA INVESTMENT ISSUE 04.08.2037	13%
3	PROJEK LEBUHRAYA USAHASAMA BERHAD 12.01.2038	13%
4	MALAYAN BANKING BHD 31.01.2031	12%
5	AMISLAMIC BANK BERHAD 18.10.2028	11%

## Historical Performance



	1 month	YTD	1 year	3 years	5 years	since inception
i-Income	2.49%	2.99%	8.27%	5.75%	5.03%	63.73%
Benchmark*	1.39%	-0.95%	0.78%	1.27%	1.70%	42.44%
Relative	1.11%	3.94%	7.49%	4.48%	3.32%	21.29%

\*Source: Bloomberg

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

### **Equities Market**

Global equities saw a sharp recovery in April as fear of the unknown receded somewhat, driven by news of additional stimulus (the US announced the fourth relief bill which was an additional US\$484b Covid-19 relief package) coupled with flattening of the infection curves across countries signaling that they would be preparing to reopen their economies soon. The unlimited quantitative easing by the central banks has thrown a lifeline to risky assets. Despite both China and the US reporting dismal GDP numbers, market sentiment was buoyed by Gilead's announcement of positive data from its Phase-3 trials for antiviral drug - Remdesivir. For the first time in history, WTI May futures fell into negative territory on concerns that crude storage worldwide will reach its maximum capacity as demand declines.

Over in Malaysia, the Movement Control Order (MCO) was first implemented on 18 March and since then extended to MCO Phase 2 (1-14 April), MCO Phase 3 (15-28 April) and MCO Phase 4 (29 April – 12 May). The Ministry of International Trade and Industry estimated that the economy was operating at only 45% of its operating capacity during the implementation of MCO throughout April. The government announced a fourth Covid-19 related stimulus package of RM10b to assist the SME sector. On a positive note, the MCO saw the infection curve flatten and the government has since announced some relaxation measures to allow more businesses to resume operations in May. Bank Negara released their 2020 GDP forecast of between -2% and 0.5% with headline inflation averaging between -1.5% to 0.5%.

On a relative basis for the month of April, the FBM Emas Shariah was +7.8% mom, outperforming the KLCI Index's +4.2%. The FBM Emas recorded a gain of 6.2% mom in April, while the Small Cap index outperformed the other indexes with a gain of 20.2% mom. In April, Malaysian equities saw foreign outflows to the tune of US\$612m (representing a 51% mom decline). Cumulatively, Jan to Apr 20, total net outflow was US\$2.4b and foreign ownership of Malaysian equities is now estimated at around 21.6% vs 22.3% as at end 2019.

Going into May, we think markets will continue to be volatile with concerns over earnings disappointment in the upcoming results season, current low crude oil price and the potential resurgence of the US-China trade war. Domestically, Bank Negara has cut the Overnight Policy Rate by 50 bps to 2% (back to GFC lows) to help support the local economy. Market will be watching the upcoming Parliament sitting which will reconvene for one day (instead of 15 days) due to the Covid-19 and this will be the first Parliamentary sitting following the change in government in February. We continue to stay defensive in this current volatile trading environment sticking to companies which offer resilient earnings and dividend prospects with strong cash flow profile to weather the economic downturn.

### **Fixed Income Market**

The sentiment in the local bond market continued to be weak in the beginning of the month of April but it reversed in the second half of the month. The govies' yields compressed 40-70bps across the curve on the back of huge downward pressure in oil prices with gloomy forecasts for oil demand amid the coronavirus pandemic. The short to belly of the govies' curve outperformed the long end curve on high expectations for a 50bps rate cut by BNM in May 2020. It is worth noting that the snapback in the govies yields during the month was as quick as the selloff seen in the prior month due to thin liquidity.

Activity also picked up in the local corporate bond market with increased demand across the various rating bands. Prominent

issuance for the month is Danum Capital Berhad's RM2 billion multi-tranche issuance which was upsized from an initial target of RM1.5 billion.

Toward end of April, the govies curve has moved back to near pre-selloff levels in February, its valuation has indeed priced in more than 25bps rate cut. Most economists have forecasted a 50bps rate cut in the May's MPC meeting and on 5th May, BNM cuts OPR rate by 50bps to 2% as expected by a majority. Subsequent to the recent cut, we are of the view that BNM still have room to adjust from the current OPR level. Besides, the availability of unconventional monetary policy which may include outright purchase of government securities, reverse repo and SRR reduction will provide a good support to the local bond market too.

Nevertheless, we are still mindful on the outlook of Malaysia's sovereign rating since the country is also directly impacted by the global oil rout given the country's status as an oil exporter. Going forward, the demand and supply pressure may play out unfavourably for the country's fiscal position and in turn its credit rating. That said, we think that near-term volatility on the MGS is possible given the abovesaid uncertainties despite a further OPR cut.

Since the portfolio is quite well invested, we may consider taking some profit for financial year end and wait for opportunity to reinvest into some primary bonds.

### **Actual Annual Investment Returns for the Past Five (5) Calendar Years**

Year	Net Annual Returns
2015	4.19%
2016	4.00%
2017	4.25%
2018	3.88%
2019	7.81%

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.

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.

## 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-Income Fund is managed by Hong Leong Assurance Berhad. Any amount invested in this fund is invested by Hong