

## HLMT i-INCOME FUND

July 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%

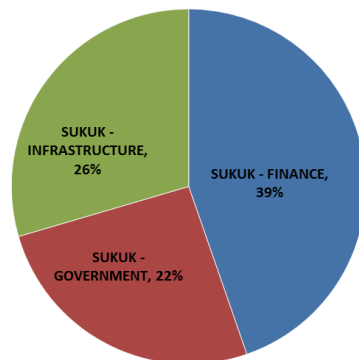
#### 4. Target Market

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

### Fund Details

Unit Price (31/7/2019)	RM 1.5561
Fund Size (31/7/2019)	RM3.8mil
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

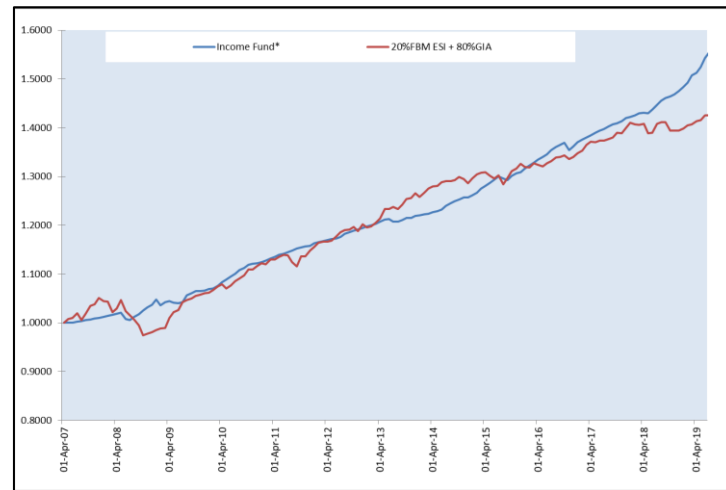
Asset & Sector Allocation of HLMT i-Income as at 31 July 2019



### Top Holdings

1	PROJEK LEBUHRAYA USAHASAMA BERHAD 120138	14%
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	0.86%	5.53%	3.88%	4.04%	3.88%	55.61%
Benchmark	0.00%	2.23%	-0.35%	1.70%	1.96%	42.56%
Relative	0.86%	3.30%	4.23%	2.34%	1.92%	13.05%

\*Source: Bloomberg

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

### **Equities Market**

Regionally, markets ended the month relatively muted following the Fed's signal to markets that the 25bps cut in its July meet was just an insurance cut and not a prelude to a long series of rate cuts. The dour mood was further exacerbated when US trade talks with China ended earlier than expected and Trump looked to potentially impose 10% tariffs on the remaining USD300 billion worth of Chinese imports which includes consumer goods such as toys and textiles for the first time starting 1 September 2019.

Malaysia was not spared from the bearish undertone ending the month worse off than its peers. This could be primarily due to local investors trimming positions ahead of the potentially weak results in August 2019 with no foreign flow support. BNM's stance on standing pat on its 3% OPR rate also did not do much for the market. The decline in the benchmark was primarily driven by banks, plantations and Petronas-related stocks. On the flipside, we saw selective positive news coming out from Genting Malaysia, Dialog and Press Metal. But these news were not able to lift markets as they were very stock-specific.

The FBM Shariah outperformed the FBM KLCI in July. FBM Shariah was down by 1.1% to 12,002.94 pts while the FBM KLCI was down by 2.2% mom to close at 1,634.87 pts. FBM Emas was down by 1.6% mom to 11,589.67 pts and FBM Small Cap was the best performing index recording an increase of 4.2% mom to close at 13,536.68 pts in July.

Going forward, the market will continue to be volatile, predominately driven by news-flow from the US-China trade war. The outlook for the local bourse is also uninspiring due to external uncertainties and the subdued domestic environment as well as prolonged weakness in commodity prices. We will continue to stick to quality names with resilient earnings and dividend yield. Among the other themes that we like are beneficiaries of government pump-priming.

### **Fixed Income Market**

In the month of July, Fitch Ratings reaffirmed Malaysia's sovereign rating at A- with a stable outlook, premised on higher than peer-median growth rates, a net external creditor position which is well supported by the country's steady current account surpluses and large external assets. Though wider fiscal deficit and debt levels are negative for the credit profile, this is somewhat offset by steps announced in the national budget to improve fiscal transparency and public debt management. For the month of July, the Malaysian government investment issue ("GII") curve bull flattened with yields lower by 2-12bps across the curve. The longer end of the curve exhibited steeper declines in yield with the 15-year GII closing 12bps lower at 3.941% while the 30 year GII closed 6bps lower at 4.003%, outperforming the rest. Market players were positioning themselves for a more accommodative monetary policy guidance at the end of the month by the Fed following a dovish shift initiated by the European Central Bank.

Corporate bond curves continued to inch lower on the back of resilient investor demand and higher-yielding quality issuers in the corporate bond space. Prominent issuances include Prasarana's RM850 million government-guaranteed Sukuk of 15 and 20 year papers at 3.92% and 4.09% respectively, close to the secondary levels. Interestingly, the final pricing came in at the low end of the indicative pricing range despite historical tight spreads as the issuance was not as large as the usual size for government guaranteed papers and favourable supply technicals in the local bond market. The sale of Bumitama Agri Ltd's two-tranche deal garnered strong interest which saw the 5 and 7 year papers priced at 4.10% and 4.20%, respectively.

Additionally, the said issuer decided to exercise the upsize option raising a total of RM700 million from a planned issuance size of RM500 million given favourable market demand.

### **Outlook & Strategy**

On the global front, it is worth noting that about one-third of the global government bond market and one quarter of global aggregate bond markets have negative yields. As such, we expect investors to continue to flood the US bond market as it remains one of the few safe haven that is providing positive returns. The recent Fed appearance had also dampened hopes for a more accommodative stance for the rest of the year which also in part adds to the appeal for the US bond market. As the trade negotiations between the two economic powerhouses again showed some sign of stress, we continue to opine that markets will maintain their overweight stance on fixed income until further clarity is obtained from the ongoing trade negotiations and the eventual outcome of Brexit discussions.

On the local front, while domestic liquidity remains supportive, we continue to think that the risk-reward for govies is currently less appealing. Key event to watch for the month is the potential statement by FTSE Russell on whether the MGS would remain a constituent of its flagship World Government Bond Index. In the event that MGS gets excluded from the index, we estimate an additional RM33 billion of foreign outflows from MGS, largely due to selling by passive funds. While the potential selloff in the event of exclusion will inevitably send some knee-jerk reaction, it is unlikely to threaten domestic macro-stability as domestic liquidity remains ample. On the contrary, we are of the view that the anticipated selloff in govies would potentially be a favourable window 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.

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

### 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.

### 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.