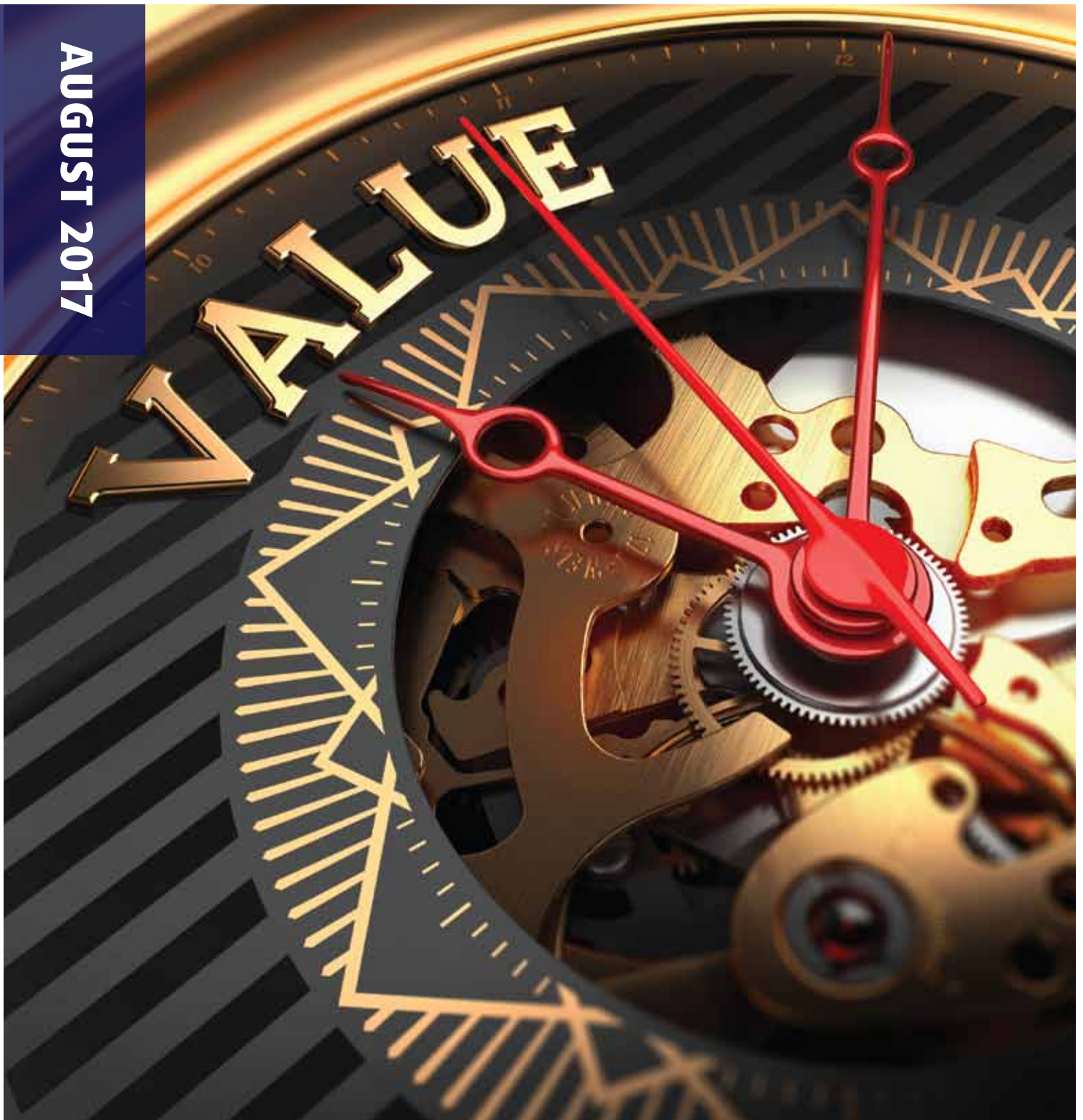


# INVEST FACTS

AUGUST 2017

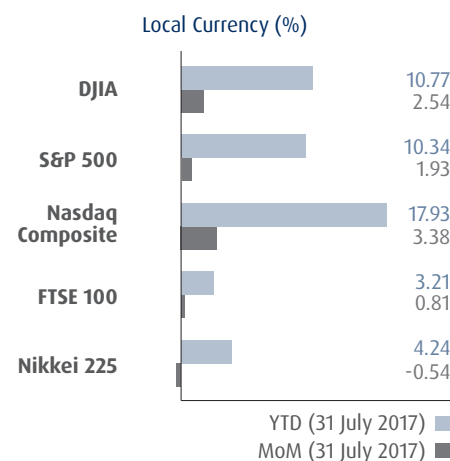


# Equities

- **Global:** US equity markets continued with its bull run as investors have largely swept aside the escalating political drama while focusing on the improving economic outlook in the US. Euro market also trended upwards as more investors are starting to acknowledge the strength of the Eurozone economy. The Dow Jones Industrial Average Index rose 2.5% and the broader S&P 500 Index rose 1.9%. The Euro Stoxx Index rose 0.2% while the FTSE 100 Index rose 0.8%.
- **Asia Pacific:** Regional markets posted another strong performance during the month as the MSCI AC Asia Pacific Ex-Japan Index rose. Hong Kong and India posted the largest gains during the month while Japan and Malaysia were the laggards. The Australian Dollar, Korean Won and Thai Baht were the best performing currencies in the region. The Australian Dollar strength was supported by robust manufacturing data from China. Commodities also posted a strong performance during the month with the WTI crude up 9% during the month.
- **Malaysia:** The local market was trading within a narrow range during the month due to lack of catalyst. The FTSE BM KLCI declined 0.2% to close at 1,760 points. The broader market underperformed as the FTSE BM EMAS Index declined 0.4% to close at 12,553 points. Small caps underperformed as the FTSE BM Small Cap Index declined 1.0% to close at 17,275 points.

## Global

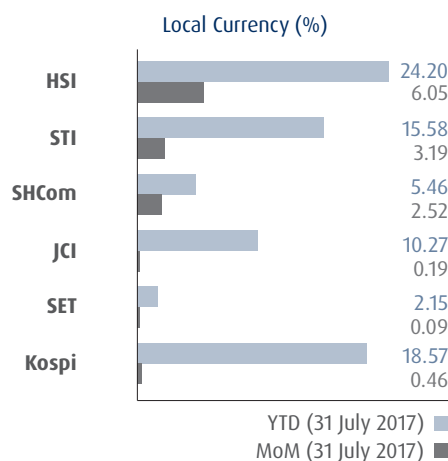
- In the US, a preliminary gross-domestic-product (GDP) report showed that the US economic growth accelerated to an annual rate of 2.6% in the second quarter from a revised 1.2% growth in the first quarter of 2017 and fared almost in line with market expectations.
- The US labour market posted a better-than-expected job growth in July with nonfarm payrolls creating 209,000 jobs, above the market forecast of 183,000 jobs. Meanwhile, the unemployment rate dipped to 4.3% in July from June's 4.4%.
- The Eurozone economy expanded at a solid pace of 2.1% year-on-year in the second quarter compared with an increase of 1.9% registered in the first quarter of 2017 and matched market forecasts.
- During the monetary policy meeting in July, the Bank of Japan (BoJ) opted to stand pat on its monetary policy and stimulus program while raising growth forecasts for fiscal years 2017/18 and 2018/19 to 1.8% and 1.4% from 1.6% and 1.3%, respectively.



Source: Lipper For Investment Management

## Asia Pacific

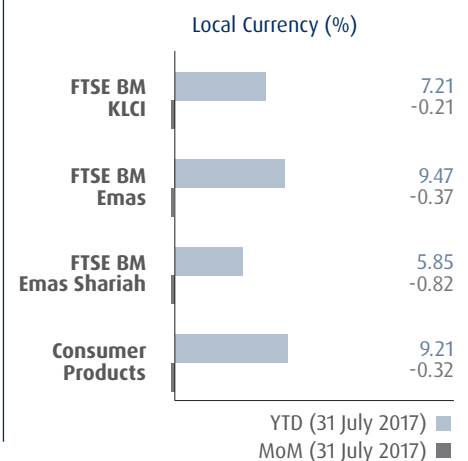
- China's economy expanded at the pace of 6.9% year-on-year in the second quarter of 2017 (Q1 2017: 6.9%) and fared higher than the market consensus of a 6.8% growth.
- The Caixin China Manufacturing Purchasing Managers' Index (PMI) posted a higher reading of 51.1 in July compared with June's 50.4 and beat market expectations. Meanwhile, retail sales growth also came in higher than expected and grew at a faster pace of 11.0% in June compared with an increase of 10.7% in May.
- Bank Indonesia wrapped up the monetary policy meeting in July by keeping its benchmark interest rate unchanged at 4.75%, in line with market forecasts.
- Singapore's economy posted a better-than-expected growth in the second quarter of 2017 with the real GDP expanding at a pace of 2.9% year-on-year and exceeding the market consensus of a 2.5% growth.



Source: Lipper For Investment Management

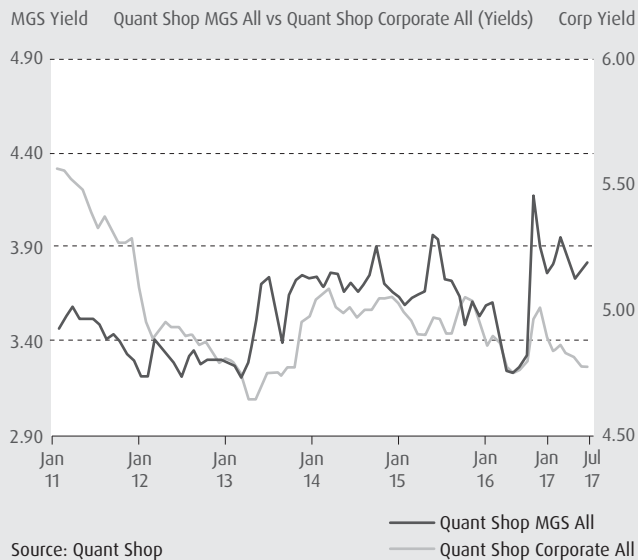
## Malaysia

- Headline inflation decelerated further in June with the Consumer Price Index (CPI) posting a rise of 3.6% year-on-year compared with May's 3.9%, below market consensus of a 3.9% rise.
- As expected, Bank Negara Malaysia (BNM) decided to keep the Overnight Policy Rate (OPR) unchanged at 3.00% during the Monetary Policy Committee (MPC) meeting in July.
- Malaysia's exports growth posted a weaker-than-expected number in June, slowing to a pace of 10.0% year-on-year from 32.5% in May and missing market expectations of a 18.3% growth.
- Dragged by moderation in manufacturing and electricity production, the Industrial Production Index (IPI) rose at a slower pace of 4.0% year-on-year in June compared with a 4.6% rise in May but exceeded consensus estimate of a 3.0% rise.



Source: Lipper For Investment Management

# Fixed Income



- Despite firmer domestic data, local government and corporate bonds traded range bound and remained thin as investors were cautious ahead of the Federal Open Market Committee's (FOMC) meeting at month end.
- There were three government bond tenders during the month, 7 and 10-year Malaysian Government Securities (MGS) and a 30-year Government Investment Issue (GI). All three tenders remained supported with decent covers.
- In the primary corporate bond market, Cagamas Berhad issued RM1 billion of bonds while the remainder of the primary issuances was led by SPR Energy (M) Sendirian Berhad and BEWG (M) Sendirian Berhad, the inaugural ringgit denominated sukuk issued by a Chinese conglomerate for a water infrastructure project.

## Market Outlook & Strategy

### Equities

#### Global

- US economic growth picked up in the second quarter, backed by improving consumer spending. Growth outlook appears solid as corporate earnings growth remains strong.
- In Europe, above-trend economic expansion appears sustainable and corporate earnings outlook is positive.

#### Asia Pacific

- China's recent economic data beat expectations as second quarter 2017 GDP grew 6.9% year-on-year.
- Retail sales were strong and infrastructure investment increased, suggesting that China's growth momentum remains solid.
- For the Funds, we look to increase exposure in countries or sectors that will benefit from improving economic growth.

#### Malaysia

- Historically, August has been the worst performing month for the FTSE BM KLIC. We view any stock market correction as an opportunity to add to our investment positions ahead of a potential rebound in the fourth quarter.
- We maintain our preference for blue-chip stocks that are trading at attractive levels, selected construction and consumer stocks that may benefit from government pump-priming.

### Fixed Income

#### Malaysia

- The Federal Reserve (Fed) has signalled the reduction of its balance sheet will start relatively soon, of which most market participants anticipated as soon as September. The central bank remains on course meet its target of one more hike at the end of the year.
- In the local government bonds market, we anticipate near term weakness on poorer sentiment due to impending details on balance sheet reduction by the Fed.
- Local inflation continues to moderate to 3.6% in June compared with a 3.9% in May, largely contributed by transportation costs.
- We reaffirm our view that BNM will maintain its policy rate for the rest of the year.
- We look to be opportunistic in the sovereign bond market by adding to position on any dips.



## Your Trust, Our Honour

Our award recognition today would not have been possible without your support.

Group Award  
**Best Equity Award - Malaysia Provident**  
**Hong Leong Asset Management Bhd**

Individual Award  
**Best Equity Malaysia - Malaysia Provident, 3 years**  
**Hong Leong Penny Stock Fund**

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### DISCLAIMER

Investors are advised to read and understand the contents of the Prospectus and Information Memorandums listed in the table, before investing. The Prospectus has been registered, Information Memorandums deposited and Product Highlights Sheets (PHS) lodged with the Securities Commission Malaysia who takes no responsibility for the contents of the Prospectus, Information Memorandums and PHS. A copy of the Prospectus and Information Memorandums can be obtained from any of HLAM offices, agents or our authorised distributors. The PHS for the funds are also available and investors have the right to request for the PHS. You shall consider the fees and charges involved before investing. Prices of units and distributions payable, if any, may go down or up, and past performance of the funds is not an indication of the future performance of the funds. You shall also be aware of the risks associated with each fund. You are also advised to perform the suitability assessment to evaluate your risk tolerance level before making any investment decision.

Where a distribution/unit split is declared, investors are advised that following the issue of additional units/distribution, the NAV per unit will be reduced from cum-distribution NAV/pre-unit split NAV to ex-distribution NAV/post-unit split NAV. Where a unit split is declared, the value of your investment in Malaysian Ringgit will remain unchanged after the distribution of the additional units. Where unit trust loan financing is available, investors are advised to read and understand the contents of the unit trust loan financing risk disclosure statement before deciding to borrow to purchase units.

Please note that the NAV per unit, sales charge and fees displayed in this document are quoted exclusive of Goods and Services Tax. All fees and expenses incurred by the funds are subject to Goods and Services Tax at the prevailing rate.

Applications must be made on the Pre-Qualification Form\*, Account Opening Form and Investment Application Form referred to and accompanying the Prospectus and Information Memorandums. The funds may not be suitable for all and if in doubt, investors shall seek independent advice.

\*Please note that wholesale fund is for Sophisticated Investors only.

Prospectus/ Information Memorandum	Supplementary Prospectus/ Information Memorandum	Issue Date
Hong Leong Master Prospectus		30/04/17
Hong Leong Income Management Fund Replacement Information Memorandum	First	02/11/15
	Second	23/06/16
	Third	08/02/17
Hong Leong Islamic Institutional Income Management Fund II Replacement Information Memorandum		02/11/15
	First	01/04/16
	Second	08/02/17
	Third	17/03/17
Hong Leong Wholesale Bond Fund Second Replacement Information Memorandum		02/11/15
	First	23/06/16
	Second	08/02/17