

# INVEST FACTS

JUNE 2018

**Double the Victory,  
Twice the Happiness.**



**Individual Awards**

★ **Hong Leong Growth Fund:** Equity Malaysia Diversified - Malaysia Provident, 3 Years

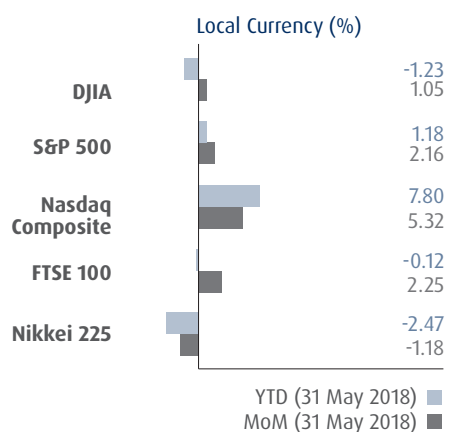
★ **Hong Leong Dividend Fund:** Equity Malaysia Income - Malaysia Provident, 3 Years

# Equities

- **Global:** Volatility continued to beset the market during the month. Geopolitical risk dominated most of the headlines during the month, in particular trade frictions between United States (US) and its trade partners, Italy's political developments and uncertainty over North Korea and Iran. Markets rebounded towards the end of the month on the back of strong economic numbers and corporate earnings in the US. The Dow Jones Industrial Index rose 1.1% and the broader S&P 500 index rose 2.2%. The Euro Stoxx Index declined 3.7% and the FTSE 100 Index rose 2.3%.
- **Asia Pacific:** Regional markets declined, contributed by the risk-off sentiment during the month as investors prefer to wait on the sidelines due to geopolitical uncertainties. Markets recovered some lost ground at the end of the month on the back of strong economic data from the US. In the region, Taiwan and Australia were the best performing markets while Malaysia and Philippines were the laggards.
- **Malaysia:** The local market saw severe foreign selling after the shock election results. The FTSE BM KLCI and FTSE BM EMAS Index declined 6.9% and 6.9% to close at 1,741 and 12,129 points respectively. Small caps outperformed as the FTSE BM Small Cap Index declined 5.3% to close at 13,801 points.

## Global

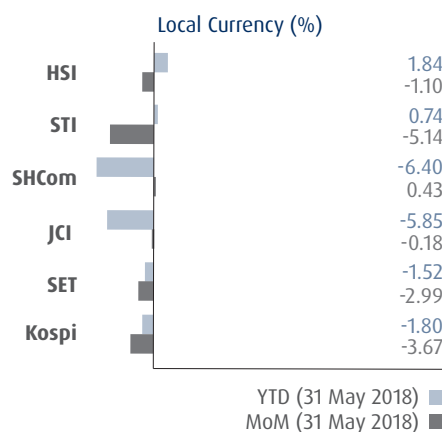
- In the US, second gross domestic product (GDP) estimates showed that GDP growth eased slightly to 2.2% in the first quarter of 2018 from the previously reported pace of 2.3% and slightly below market expectations of a 2.3% growth.
- The US labour market posted a strong job growth in May with the nonfarm payrolls adding 223,000 jobs, up from April's 159,000 jobs and beating market forecast of 188,000 jobs. Meanwhile, the unemployment rate fell to 3.8% in May from 3.9% in April.
- Eurozone's manufacturing activity posted a slower growth in May with the final Markit Manufacturing Purchasing Managers' Index (PMI) decelerating to 55.5 from 56.2 in April.
- Japan's export growth accelerated to 7.8% year-on-year in April from 2.1% in March but came in below the market consensus of a 8.1% rise.



Source: Lipper For Investment Management

## Asia Pacific

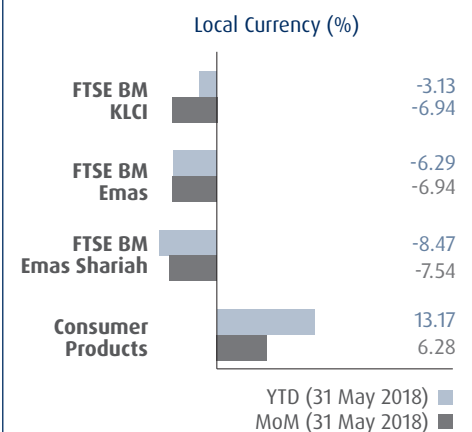
- Manufacturing activity in China accelerated in May as the Official Manufacturing PMI posted a higher reading of 51.9 compared with April's 51.4 and overshot market expectations. In the services sector, the Official Services PMI also edged up to 54.9 in May from 54.8 in April.
- China's external sector posted a better-than-expected growth in April as export growth surged to 12.9% from a year earlier compared with March's -2.7% and exceeded the market consensus of a 6.3% rise.
- After raising the benchmark interest rate by 25 basis points (bps) to 4.50% during the regular monetary policy meeting on 17 May, Bank Indonesia decided to hike its interest rate by another 25bps to 4.75% at the extraordinary meeting on 30 May to contain the Rupiah slump.
- Thailand's economy registered a strong growth in the first quarter of 2018 with the real GDP growth accelerating to 4.8% year-on-year from 4.0% in the previous quarter, above market expectations.



Source: Lipper For Investment Management

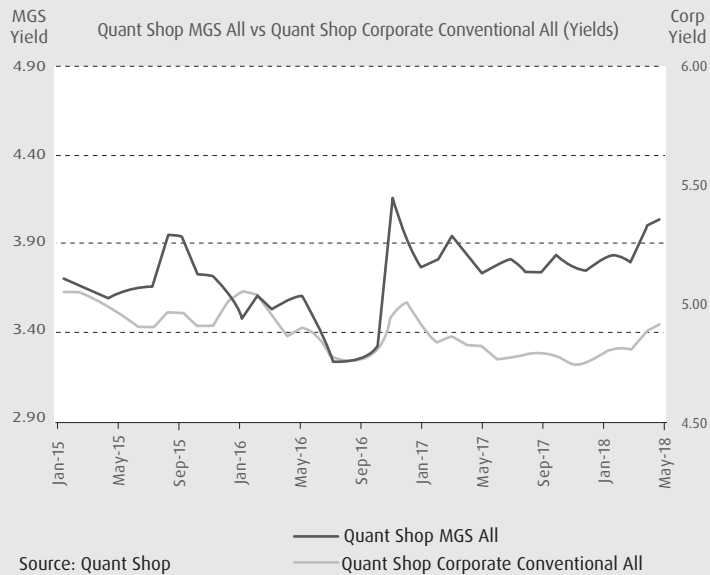
## Malaysia

- Malaysia's GDP growth decelerated to 5.4% year-on-year in the first quarter of 2018 from 5.9% in the fourth quarter of 2017 and fared below market expectations.
- Export growth posted a better-than-expected number in April, rebounding strongly to 14.0% year-on-year from 2.2% in March and exceeding market forecast of a 6.3% increase.
- Headline inflation rose slightly higher in April as the Consumer Price Index (CPI) posted a rise of 1.4% year-on-year compared with March's 1.3% but below market consensus of a 1.6% rise.
- The Industrial Production Index (IPI) rose at a faster pace of 4.6% year-on-year in April compared with a 3.1% increase in March and beat market forecast of a 4.4% rise.



Source: Lipper For Investment Management

# Fixed Income



- Risk off sentiments continued to loom over European bonds markets, heightened by Italy's parliamentary overhang.
- The local sovereign bonds suffered a sell-off as market was spooked by the announcement of the RM1 trillion debt by the Ministry of Finance. Local sovereign bond market saw some volatility where both the 10 and 30-year Malaysian Government Securities (MGS) curve shifted higher by 11-13 basis points (bps). However, this was short-lived as investors' sentiment was restored after the government announced several measures to contain the country's fiscal deficit.
- The sovereign auctions in May were mainly supported by local institutions and inter-bank investors. The 7-year reopening of the Government Investment Issue (GII) garnered the strongest bid to cover of 3.3 times whilst the rest of the auctions saw a moderate bid-to-cover ratio as investors remained cautious over the government's recent announcements. Primary corporate bond issuance remained muted except for Perusahaan Air SPV Berhad which issued 5 and 7-year bonds with a total issue size of RM2.1 billion.

## Market Outlook & Strategy

### Equities

#### Global

- The economic data in the US is strong across the board. Consumer confidence remains near the 17-year high while the manufacturing purchasing manager's index indicates an acceleration in manufacturing activity.
- US corporate earnings outlook remains positive as earnings growth in the first quarter met expectations.
- Eurozone economic outlook remains positive as the labour market still appears strong while consumer confidence remains elevated.

#### Asia Pacific

- US and China released a joint announcement to undertake measures to reduce the bilateral trade imbalance. China agreed to significantly increase its purchase of US goods.
- However, the US administration subsequently signaled its intention to publish a list of Chinese goods to be subject to tariffs. China's economic backdrop remains encouraging and fundamentals remain solid.
- For the Funds, we look to increase exposure in countries or sectors that will benefit from improving economic growth.

#### Malaysia

- We expect foreign outflow to continue in the local market after the shock 14th General Election results.
- We expect market to experience some degree of volatility in the near term as the government policies are gradually being firmed up.
- We prefer to be invested in blue-chip stocks that are trading at attractive levels, selected consumer stocks and export stocks.

### Fixed Income

#### Malaysia

- We expect US Treasuries to consolidate in the near term as Federal Reserve (Fed) policymakers continued to maintain a total of three hikes for 2018.
- We think the Fed is unlikely to go on an accelerated rate hike in view of maintaining the US growth momentum.
- Locally, inflation is likely to moderate in the coming months due to the government's abolishment of the Goods & Services Tax (GST).
- As inflation is expected to moderate in 2018, Bank Negara Malaysia (BNM) would most likelihood to maintain the Overnight Policy Rate (OPR) at 3.25%.
- We look to position defensively on the duration front to minimise volatility. We look to reduce duration and selectively add corporate bonds.



# Hong Leong Growth Fund

## Seek Potential Growth Opportunities

### HEADQUARTERS

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### DISCLAIMER

Investors are advised to read and understand the contents of the Prospectuses and Information Memorandums listed in the table, before investing. The Prospectuses have 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 Prospectuses, Information Memorandums and PHS. A copy of the Prospectuses 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 Prospectuses 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
	First Second	23/08/17 06/02/18
Hong Leong Income Management Fund Replacement Information Memorandum		02/11/15
	First Second Third Fourth	23/06/16 08/02/17 17/03/17 18/01/18
		02/11/15
	First Second Third Fourth Fifth	01/04/16 08/02/17 17/03/17 23/08/17 18/01/18
Hong Leong Wholesale Bond Fund Second Replacement Information Memorandum		02/11/15
	First Second Third	23/06/16 08/02/17 18/01/18
		20/06/17
Hong Leong Dana Al-Izdihar Prospectus	First	06/02/18