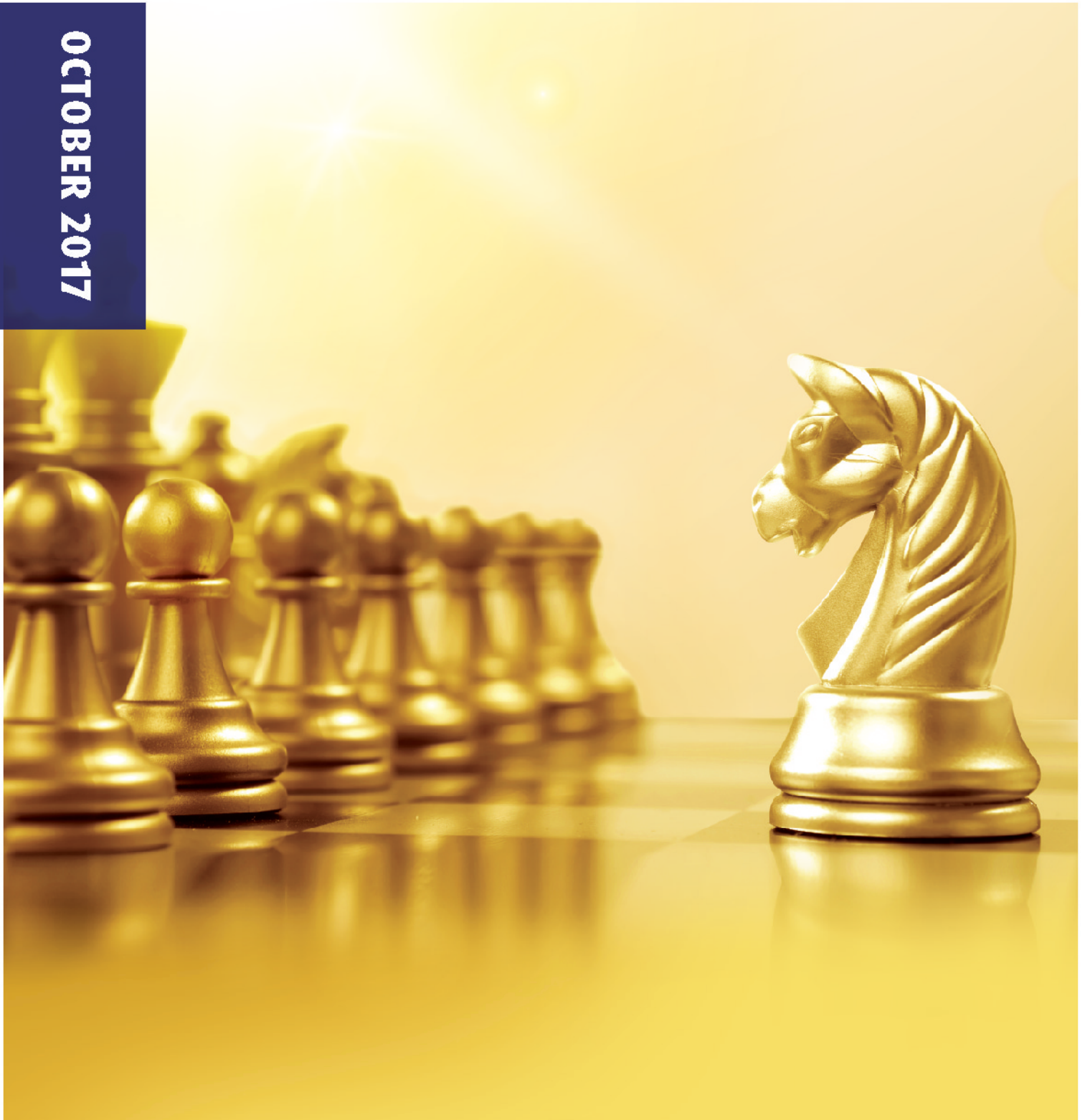


# INVEST FACTS

OCTOBER 2017



# Equities

- **Global:** The US market continued with its relentless climb higher during the month as investors moved back to 'risk-on' mode following expectations of improved economic growth and tax reform. It was a good month for European markets as the US market positive sentiment spilled over to Europe. The Dow Jones Industrial Average Index rose 2.1% and the broader S&P 500 Index rose 1.9%. The Euro Stoxx Index rose 5.1% and the FTSE 100 Index declined 0.8%.
- **Asia Pacific:** Regional markets went through a month of consolidation after a prolonged period of positive returns. Japan and Thailand led the region with the largest gains during the month while Taiwan and Singapore were the laggards. Thailand's SET index set a new-record high after breaking the 1,600 strong resistance level. The strong rally reversed its year-to-date underperformance vs the region, supported by improvements in macroeconomic outlook and improving consumption outlook.
- **Malaysia:** The local market posted negative returns for the month due to negative investor sentiment following the disappointing reporting season in the previous month. The FTSE BM KLCI declined 1.0% to close at 1,756 points. The broader market outperformed as the FTSE BM EMAS Index declined 0.6% to close at 12,531 points. Small caps outperformed as the FTSE BM Small Cap Index rose 1.2% to close at 16,951 points.

## Global

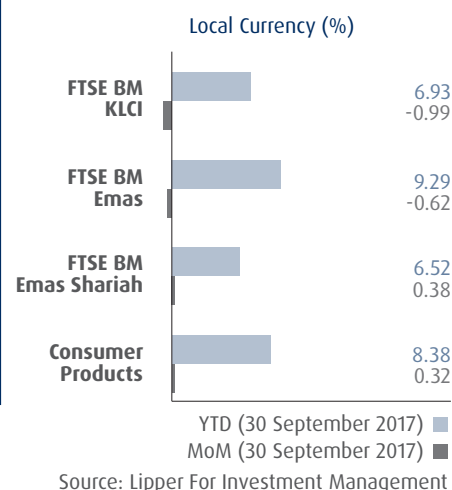
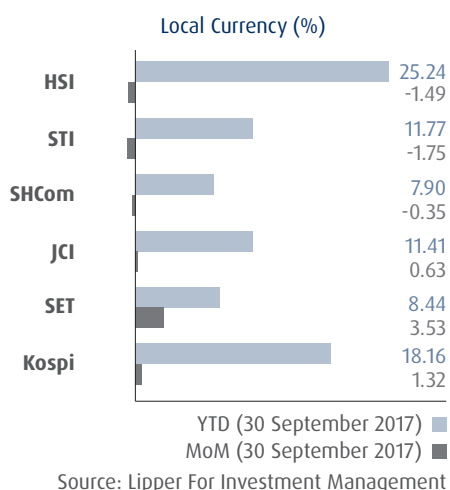
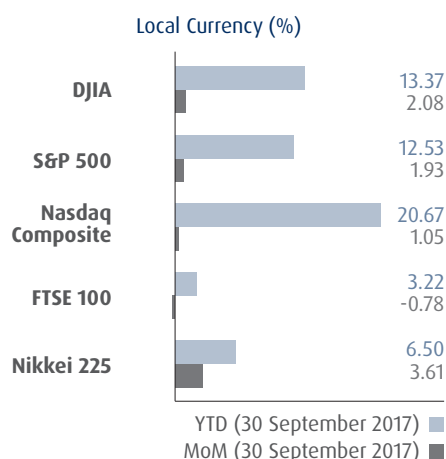
- In the US, final gross-domestic-product (GDP) data showed that the US economic growth accelerated to an annual rate of 3.1% in the second quarter from a 1.2% growth in the first quarter of 2017 and beat market expectations of a 3.0% increase.
- The US manufacturing sector continued to expand at a robust pace in September. The ISM Manufacturing Index surged to 60.8 in September from August's 58.8 and exceeded market forecasts. Meanwhile, the ISM Non-Manufacturing Index also rose to 59.8 in September from 55.3 in August and beat market consensus.
- Eurozone's GDP growth revised up to 2.3% year-on-year in the second quarter of 2017 from the previous estimate of 2.2% and came in higher than the expected growth of 2.2%.
- During the monetary policy meeting in September, the Bank of Japan (BoJ) decided to keep its monetary policy unchanged, in line with market expectations.

## Asia Pacific

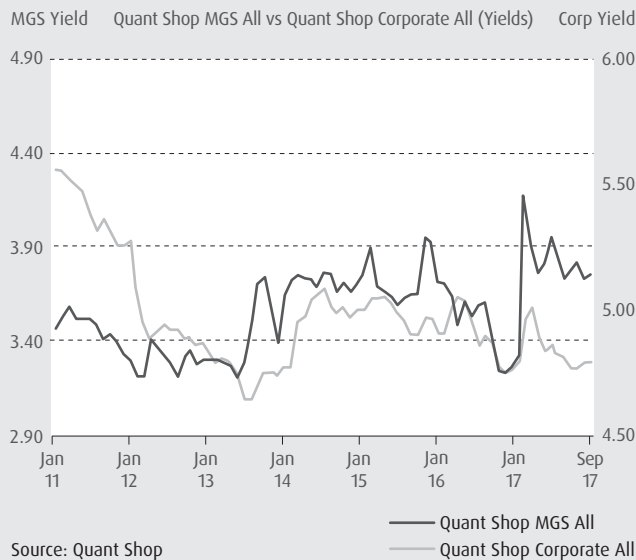
- The People's Bank of China (PBoC) slashed its targeted reserve requirement ratio (RRR) for some banks that have met certain criteria to encourage more lending to small businesses and the agricultural sector.
- Manufacturing activity in China accelerated in September as the Official Manufacturing Purchasing Managers' Index (PMI) posted a higher reading of 52.4 compared with August's 51.7 and overshot market expectations. In the services sector, the Official Services PMI rose to 55.4 in September from 53.4 in August.
- After a 25-basis-point cut in the 7-day Reverse Repo Rate in August 2017, Bank Indonesia rolled out a fresh round of interest rate cut in September by slashing its key benchmark interest rate to 4.25% from 4.50%.
- Thanks to a strong growth in the electronic and non-electronic shipments, Singapore's non-oil domestic exports (NODX) growth surged to 17.0% year-on-year in August from 7.6% in July and exceeded market expectations.

## Malaysia

- The Asian Development Bank (ADB) upgraded Malaysia's GDP growth forecast for this year to 5.4% from the previous estimate of 4.7%.
- Lifted by higher petrol prices, headline inflation rebounded in August with the Consumer Price Index (CPI) posting a rise of 3.7% year-on-year compared with July's 3.2%, higher than market consensus of a 3.4% rise.
- The Industrial Production Index (IPI) growth accelerated to 6.1% year-on-year in July from 4.0% in June and exceeded market expectations of a 5.1% increase.
- Malaysia's exports continued to post a robust growth of 21.5% year-on-year in August albeit at a slower pace compared with July's 30.9% and beat market estimates of a 20.0% rise.



# Fixed Income



- The recent Federal Open market Committee (FOMC) statement took on a more hawkish stance causing Treasuries to sell off. The 2-year US benchmark rose to its highest level over the last 8 years at 1.44%.
- Domestically, the recent improvement and stability of the Ringgit has improved market liquidity and renewed foreign investors' interest in the local bond market. Yield curve on the short-dated papers traded declined by 6-10 basis points (bps) whilst the longer tenured papers fell by 4-6bps due to supply of longer duration papers.
- The 15-year Government Investment Issue (GII) garnered a muted cover of 1.73 times whilst the 5-year Malaysian Government Securities (MGS) posted a slightly higher cover of 1.90 times. A total of RM8.7 billion of corporate bonds was issued in August bringing the year-to-date value of issuance to RM66.3 billion. Issuers such as DanaInfra Nasional Berhad and Southern Power Generation Sendirian Berhad are looking to tap the market in the next quarter.

## Market Outlook & Strategy

### Equities

#### Global

- Recent economic data from the US suggest that the economic expansion should remain on track.
- The damage done to the Caribbean and the southern states in the US by the recent hurricane season may result in some volatility in the economic data in the near term.
- Growth continues to improve in Europe as the European Central Bank (ECB) forecast economic growth of 2.2% for this year, the fastest since 2007. A rebound is expected in the consumption sector as improving labour market supports consumer confidence.

#### Asia Pacific

- The PBoC in China announced a targeted reserve requirement ratio (RRR) cut for banks that have met certain criteria regarding their exposure to affordable financing. Credit ratings agency, Standard and Poor's, cut China's rating by one point to A+, citing mounting debt and credit problems.
- In Japan, Prime Minister Shinzo Abe called a snap general election to take advantage of the weak opposition and support for his hard line views against North Korea.
- For the Funds, we look to increase exposure in countries or sectors that will benefit from improving economic growth.

#### Malaysia

- October may see some market rebound after the cautious sentiment following the poor earnings results season spilled over to September.
- 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

- In September, Federal Reserve Chair Yellen reiterated a gradual rise in interest rates is the most appropriate policy approach even in the midst of higher uncertainty about inflation.
- Her comments reinforced the central bank's forecast for another hike this year and investors have begun shifting its near-term rate expectations.
- We reaffirm our view that the Federal Reserve will hike its rate at the end of the year and for Bank Negara Malaysia to maintain its policy rate for the remainder of the year.
- We look to remain defensive in the sovereign bond market but may add on any market dip. We are constructive in the corporate bond space.



## 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 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	23/08/17
Hong Leong Income Management Fund Replacement Information Memorandum		02/11/15
	First	23/06/16
	Second Third	08/02/17 17/03/17
Hong Leong Islamic Institutional Income Management Fund II Replacement Information Memorandum		02/11/15
	First	01/04/16
	Second Third	08/02/17 17/03/17
	Fourth	23/08/17
Hong Leong Wholesale Bond Fund Second Replacement Information Memorandum		02/11/15
	First Second	23/06/16 08/02/17
Hong Leong Dana Al-Izdihar Prospectus		20/06/17