

INVEST FACTS

FEBRUARY 2019

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



Individual Awards

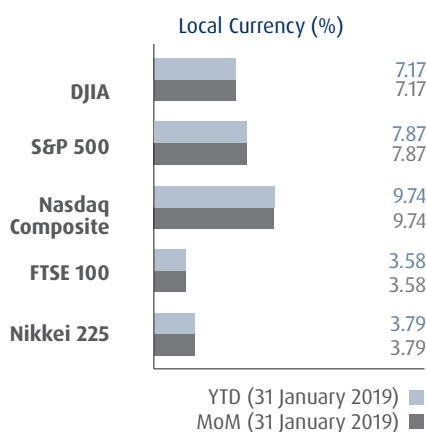
- ★ **Hong Leong Growth Fund:** Equity Malaysia Diversified - Malaysia Provident, 3 Years
- ★ **Hong Leong Dividend Fund:** Equity Malaysia Income - Malaysia Provident, 3 Years

Equities

- **Global:** Global markets were quick off the blocks to put a torrid 2018 behind and started 2019 with a strong rally. Some of the catalysts for the rally included more dovish statements from the Federal Reserve (Fed) and a more reconciliatory approach by the United States (US) towards China with regards to the ongoing trade negotiations. The Dow Jones Industrial Average Index rose 7.2% and the broader S&P 500 Index rose 7.9%. The Euro Stoxx Index rose 5.3% and the FTSE 100 Index rose 3.6%.
- **Asia Pacific:** Regional markets also rose in tandem with global markets as the more dovish tone from the Fed raised investors' risk appetite. In the region, Hong Kong and Korea were the leaders while Malaysia and India markets were the laggards.
- **Malaysia:** The local market was the lone outlier among regional peers as it posted a negative return during the month. The FTSE BM KLCI declined 0.4% to close at 1,684 points. The broader market outperformed as the FTSE BM EMAS Index rose 1.2% to close at 11,661 points. Small caps outperformed as the FTSE BM Small Cap Index rose 7.2% to close at 12,109 points.

Global

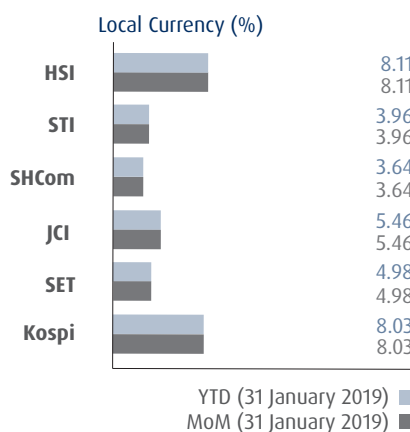
- The US labour market posted a strong job growth in January 2019 with the nonfarm payrolls adding 304,000 jobs, up from 222,000 jobs in December 2018 and beating market forecasts. Meanwhile, the unemployment rate rose to 4.0% in January 2019 from 3.9% in December 2018.
- Manufacturing activity in the US picked up momentum in January 2019 as the Institute for Supply Management (ISM) Manufacturing Index rebounded to 56.6 from 54.3 in December and exceeded market expectations.
- During the monetary policy meeting in January 2019, the European Central Bank (ECB) opted to keep its interest rates unchanged, in line with market expectations.
- In a widely expected move, the Bank of Japan (BoJ) decided to keep its interest rates unchanged during the monetary policy meeting in January 2019, in line with market expectations.



Source: Lipper For Investment Management

Asia Pacific

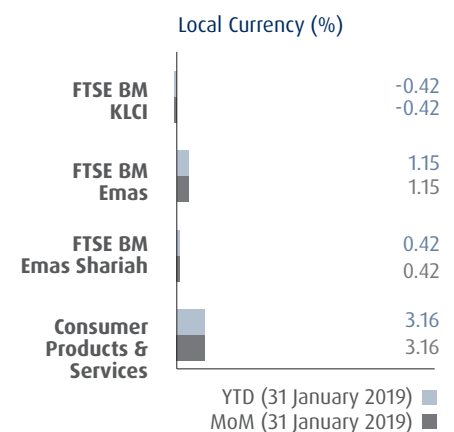
- China's economy expanded at a pace of 6.4% year-on-year in the fourth quarter of 2018 and fared in line with market consensus. This fourth quarter GDP reading is slightly lower than the 6.5% growth in the third quarter of 2018 and marks a full-year growth of 6.6% (versus 2017:6.8%).
- According to the National Bureau of Statistics of China, the Official Manufacturing Purchasing Managers' Index (PMI) posted a reading of 49.5 (versus December 2018's 49.4) and fared slightly higher than market expectations. In the services sector, the Official Services PMI rose to 54.7 in January 2019 from 53.8 in December 2018.
- Bank Indonesia wrapped up the monetary policy meeting in January 2019 by keeping its benchmark interest rate unchanged at 6.00%, in line with market forecasts.
- Indonesia's economic growth rose slightly to 5.18% year-on-year in the fourth quarter of 2018 from 5.17% in the previous quarter and came in slightly higher than market forecasts.



Source: Lipper For Investment Management

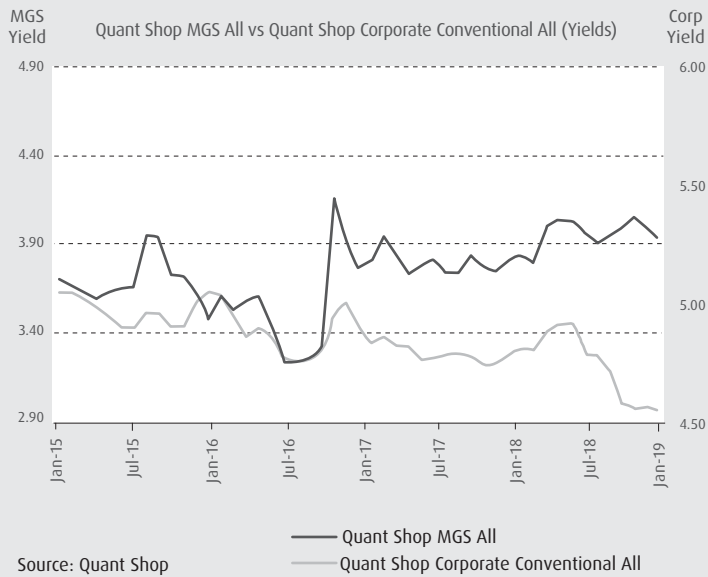
Malaysia

- During the Monetary Policy Committee (MPC) meeting in January 2019, Bank Negara Malaysia (BNM) opted to keep the benchmark interest rate unchanged at 3.25%, in line with market expectations.
- Headline inflation remained muted in December 2018 as the Consumer Price Index (CPI) posted an increase of 0.2% year-on-year, unchanged from its November's reading and lower than the consensus estimate.
- Thanks to faster growth in manufacturing production and rebound in mining production, the Industrial Production Index (IPI) growth rose to 3.4% year-on-year in December 2018 from 2.6% in November and beat market expectations.
- Export growth rebounded to 4.8% year-on-year in December 2018 from 1.6% in November and exceeded market consensus.



Source: Lipper For Investment Management

Fixed Income



- As widely expected, the US Fed left the target of its key policy rate unchanged at the first Federal Open Market Committee (FOMC) meeting of the year. Treasuries rallied on the US government shutdown and the ongoing trade war tension between US and China. Local government bonds continue to be in demand, driven by both local and foreign investors. As expected, BNM maintained its policy rate, but cautioned on downside risk to growth.
- In the primary sovereign market, the reopening of the 5-year Government Investment Issue (GII) printed a decent bid-to-cover ratio of 1.97 times while the 10.5-year new GII issue saw an impressive bid-to-cover-ratio 4.06 times. Pengurusan Air SPV Berhad, Dananinfra Nasional Berhad and Malayan Banking Berhad were some of the significant primary issuers that tapped the bond market during the month.

Market Outlook & Strategy

Equities

Global

- It appears some progress has been made in resolving the trade dispute between US and China.
- The employment numbers in US are well ahead of expectations but inflation remains under control. January also saw the longest US government shutdown being finally resolved at the end of the month.
- In Europe, Italy fell into recession after registering negative growth for the final two quarters of last year.

Asia Pacific

- Recent China economic data was lacklustre as the country's economic growth is clearly deteriorating. In light of the slowing economy, the People's Bank of China announced that it would cut its Reserve Requirement Ratio in order to free up more liquidity in the Chinese economy.
- We expect more easing measures should there be any further slowdown in the economy.
- For the Funds, we look to increase exposure in countries or sectors that will benefit from improving economic growth.

Malaysia

- February could be a rocky month for the local market as the upcoming results season may disappoint expectations given the global growth slowdown towards the end of last year.
- We prefer to be invested in blue-chip stocks that are trading at attractive levels, selected consumer stocks and export stocks.

Fixed Income

Malaysia

- Malaysia's headline inflation averaged at 1.0% in 2018. For 2019, inflation is expected to average moderately higher though much will also depend on global oil prices.
- We expect trading volume to ease due to the upcoming Chinese New Year holidays.
- BNM is likely to maintain its policy rate in the near-to-medium term as the central bank continues to be accommodative in its policy stance.
- On portfolio positioning, we look to remain defensive by reducing duration and to maintain a higher holding in corporate bonds to minimise marked-to-market volatility.



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 be informed that all fees and charges incurred by our products and services are not subjected to Sales & Services Tax, which comes into effect on 1 September 2018.

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