

# INVEST FACTS

NOVEMBER 2018

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



**Individual Awards**

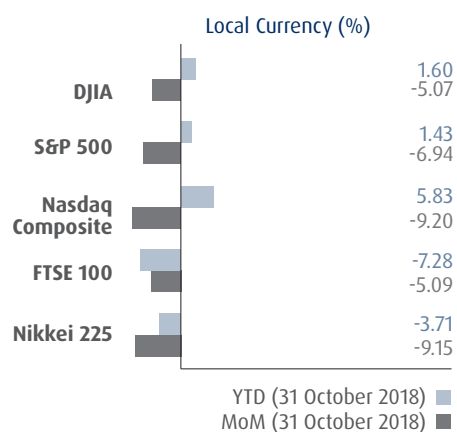
- ★ **Hong Leong Growth Fund:** Equity Malaysia Diversified - Malaysia Provident, 3 Years
- ★ **Hong Leong Dividend Fund:** Equity Malaysia Income - Malaysia Provident, 3 Years

# Equities

- **Global:** It was a torrid month for global markets despite strong economic fundamentals, impressive earnings season and strong global employment environment. The sharp move through the 3.2% level in the United States (US) 10-year Treasury yield during the month dampened investors' sentiment. The Dow Jones Industrial Average Index declined 5.1% and the broader S&P 500 Index declined 6.9%. The Euro Stoxx Index declined 5.9% and the FTSE 100 Index declined 5.1%.
- **Asia Pacific:** The sell-off accelerated in the region as concerns over China's slowdown grew. Other issues troubling the markets were the sharp rise in the US 10-year Treasury yield and rising trade tensions between the US and China. In the region, Philippines and Indonesia were the leaders while Korea and Taiwan were the laggards.
- **Malaysia:** Malaysia market succumbed to the regional sell-off but to a lesser extent. The FTSE BM KLCI declined 4.7% to close at 1,709 points. The broader market underperformed as the FTSE BM EMAS Index declined 6.1% to close at 11,770 points while the small caps underperformed as the FTSE BM Small Cap Index declined 11.4% to 12,726 points.

## Global

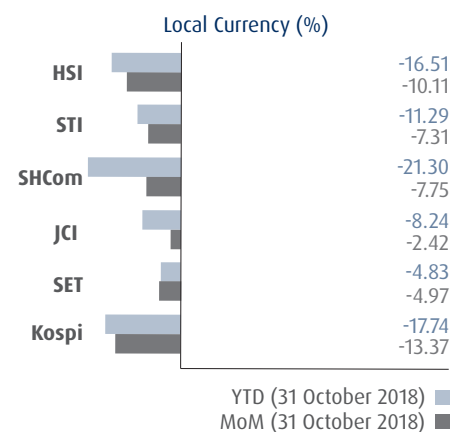
- In the US, the preliminary gross domestic product (GDP) estimates showed that third-quarter GDP expanded at an annual pace of 3.5% and fared better than market expectations.
- The US labour market posted a strong job growth in October with the nonfarm payrolls adding 250,000 jobs, up from 118,000 jobs in September and beating market forecasts. Meanwhile, the unemployment rate stood at a low level of 3.7% in October.
- Eurozone's manufacturing sector posted a slower pace of expansion in October with the final Markit Manufacturing Purchasing Managers' Index (PMI) decelerating to 52.0 from 53.2 in September.
- In a widely expected move, the Bank of Japan (BoJ) decided to keep its monetary policy unchanged and cut its inflation forecasts for the fiscal years 2019 and 2020 to 1.4% and 1.5% from 1.5% and 1.6% respectively during the monetary policy meeting in October.



Source: Lipper For Investment Management

## Asia Pacific

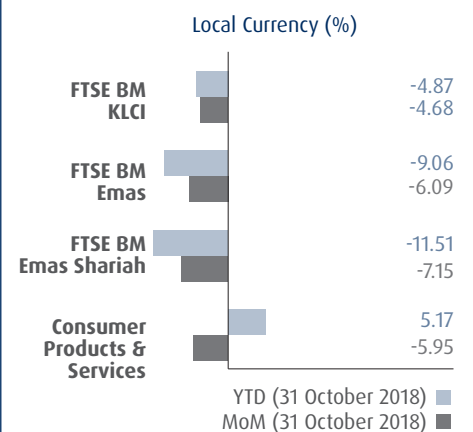
- China's economic growth slowed to 6.5% year-on-year in the third quarter of 2018 from 6.7% in the previous quarter and missed market expectations.
- Manufacturing activity in China decelerated in October as the Official Manufacturing PMI posted a lower reading of 50.2 compared with September's 50.8 and fared lower than market expectations. In the services sector, the Official Services PMI also slid to 53.9 in October from 54.9 in September.
- After a series of aggressive interest rate hikes in recent months, Bank Indonesia decided to keep its benchmark interest rate unchanged at 5.75% during the monetary policy meeting in October.
- Singapore's economy posted a 2.6% growth year-on-year in the third quarter of 2018, down from 4.1% in the previous quarter but performed slightly higher than market expectations.



Source: Lipper For Investment Management

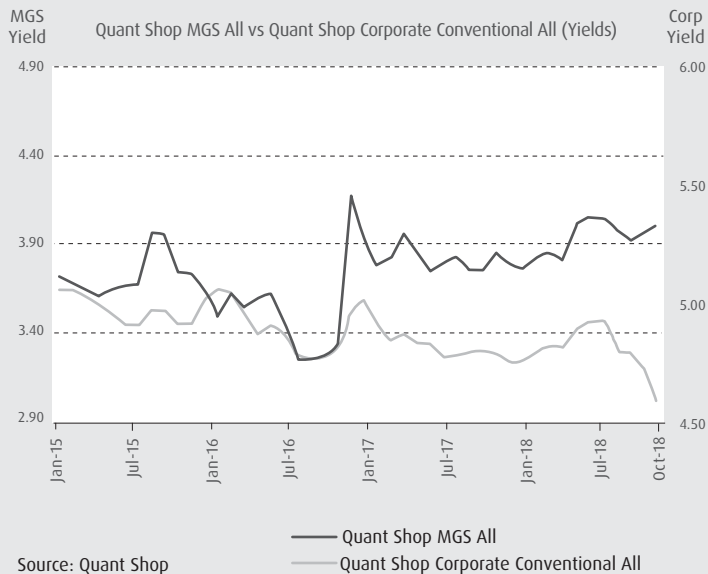
## Malaysia

- During the Monetary Policy Committee (MPC) meeting in November, Bank Negara Malaysia (BNM) opted to keep the benchmark interest rate unchanged at 3.25%, in line with market expectations.
- Thanks to a rebound in commodity exports and higher growth in manufactured exports, export growth rebounded to 6.7% in September year-on-year from -0.3% in August and fared in line with market consensus.
- Headline inflation rose slightly higher in September as the Consumer Price Index (CPI) posted an increase of 0.3% year-on-year compared with August's 0.2% but came in below market forecasts.
- The Industrial Production Index (IPI) growth rose to 2.3% year-on-year in September from 2.2% in August and matched with the market expectations.



Source: Lipper For Investment Management

# Fixed Income



- Risk assets tumbled in October due to the continuation of trade war between China and US and steep rise of interest rates. Investors feared the rise of rates may cause risk assets to be repriced. Local government benchmark yields rose in tandem with US Treasury yields. Sovereign yields rose on concerns of the country's budget deficit and any potential review of the sovereign rating by the international rating agencies. The sovereign market liquidity remained muted as investors await the unveiling of the Malaysian Budget on 2 November 2018.
- In the sovereign bond market, there was decent demand despite a larger-than-expected issuance size of the Government Investment Issue (GII) 10-year re-opening and the 20-year re-opening. Both tenders garnered a decent demand of 1.6 times and 2.2 times respectively. Primary corporate bond space was dominated by Telekom Malaysia Berhad and Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA) with a total issuance of RM4 billion from both issuers.

## Market Outlook & Strategy

### Equities

#### Global

- The positive economic momentum in the US remains intact.
- The US economy shows no signs of weakness as unemployment rate falls to lowest level in almost 50 years while consumer confidence remains close at record highs.
- Recent economic indicators in Europe appear weaker than expected. Investors' focus remains on the budget discussion between Italy and the European Commission.

#### Asia Pacific

- China's economy remains robust but showing signs of slowing. The latest GDP numbers are slightly lower than expectations but remain firm.
- The government continues to implement measures to support economic growth whilst ensuring no further aggravation of financial imbalances.
- For the Funds, we look to increase exposure in countries or sectors that will benefit from improving economic growth.

#### Malaysia

- After a month of market turmoil, there is a likelihood of a technical market rebound. The upcoming Budget 2019 is expected to provide some clarity on the financial situation of the country and boost investor confidence.
- 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 inflation continued to moderate to 0.30% in September due to the Goods & Services Tax (GST) holiday period and the deceleration in transport, food and beverage cost.
- Going forward, we expect headline inflation to rise incrementally due to the Sales & Services Tax (SST) effect.
- However, we do not expect BNM to shift its monetary policy in the near-to-medium term as the trade war between US and China is expected to cause a slowdown in global trade, which may adversely affect the local manufacturing industry.
- On portfolio positioning, we look to remain defensive by reducing duration and maintaining higher holdings 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