

## **HONG LEONG ASSET MANAGEMENT BHD**

## **HONG LEONG WHOLESALE INCOME FUND**

### **RESPONSIBILITY STATEMENT**

This Product Highlights Sheet has been reviewed and approved by the directors of Hong Leong Asset Management Bhd and they have collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable inquiries, they confirm to the best of their knowledge and belief, that there are no false or misleading statements or omission of other facts which would make any statement in the Product Highlights Sheet false or misleading.

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The relevant information and document in relation to the Hong Leong Wholesale Income Fund, including a copy of this Product Highlights Sheet has been lodged with the Securities Commission Malaysia under the Lodge and Launch Framework.

The lodgment of the relevant information and document in relation to the Hong Leong Wholesale Income Fund, including this Product Highlights Sheet, should not be taken to indicate that the Securities Commission Malaysia recommends the Hong Leong Wholesale Income Fund or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Product Highlights Sheet.

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This Product Highlights Sheet only highlights the key features and risks of the Hong Leong Wholesale Income Fund. Investors are advised to request, read and understand the disclosure documents before deciding to invest.

PRODUCT HIGHLIGHTS SHEET

HONG LEONG WHOLESALE INCOME FUND

BRIEF INFORMATION ON THE FUND

1. What is this fund about?

Hong Leong Wholesale Income Fund (“HLWIF” or the “Fund”) is a fixed income wholesale fund managed by Hong Leong Asset Management Bhd (the “Manager”) that aims to provide investors with a low risk investment portfolio offering a regular stream of income<sup>1</sup>.

FUND SUITABILITY

2. Who is this fund suitable for?

HLWIF is suitable for Investors who:

- are generally conservative and risk averse;
- prefer a short to medium-term investment horizon; and
- desire a regular stream of income<sup>1</sup>.

The Fund has a Product Risk Rating of ‘Low Risk’.

KEY FUND FEATURES

3. What am I investing in?

<b>Category of fund</b>	Fixed Income (Wholesale).
<b>Type of fund</b>	Income.
<b>Investment objective</b>	The Fund aims to provide investors with a low risk investment portfolio offering a regular stream of income <sup>1</sup> .
<b>Asset allocation (% of the Fund’s net asset value  (“NAV”))</b>	<ul style="list-style-type: none"> <li>• Securities issued or guaranteed by the Government of Malaysia: Minimum of 50%</li> <li>• Money market instruments and deposits: Maximum of 50%</li> </ul>
<b>Performance benchmark</b>	Malayan Banking Berhad 12 months fixed deposit rate.
<b>Investment process and strategy</b>	<p>The Fund seeks to achieve its investment objective by investing a minimum of 50% of its NAV in securities issued or guaranteed by the Government of Malaysia and a maximum of 50% of its NAV in money market instruments and deposits.</p> <p>The bond asset class will inherently experience mark-to-market volatility whenever there is a change in interest rates. To minimise mark-to-market volatility, the Fund intends to maintain a low portfolio duration by focusing short to medium tenured securities (e.g. maturities of up to 10 years) issued or guaranteed by the Government of Malaysia. The Fund will also invest up to 50% of the Fund’s NAV in money market instruments and deposits to further reduce mark-to-market volatility. To provide a regular income, the Fund will invest in a portfolio of bonds, money market instruments and deposits for accrual income. In the event a security guaranteed by the Government of Malaysia loses its guarantee, the Manager shall take steps to replace the said security within six (6) months.</p> <p>The Manager will adopt a prudent selection process and rigorous credit assessment to ensure that the Fund will only place deposits or money market instruments with credit-worthy financial institutions in Malaysia.</p> <p>The Fund’s investment with any financial institutions must have a credit rating of at least “A3” or “P2” as rated by RAM, or its equivalent ratings by another registered rating agency, at the point of investment. In the event of a downgrade in the rating of a financial institution below the minimum requirement with which the Fund has investments with, the Manager shall withdraw the invested deposits and/or sell the money market instruments within a reasonable time frame.</p>

Note:

<sup>1</sup> Income distributed will be automatically reinvested based on the Fund’s NAV per unit, computed at the close of the reinvestment date (i.e. the first Business day following the date of declaration for distributions).

<b>Distribution policy</b>	<p>The Fund intends to provide unit holders with regular income. As such, income distributions will be on a monthly basis, subject to availability of income and the amount of income available for distribution may fluctuate from time to time.</p> <p><i>Income distributed will be automatically reinvested based on the Fund's NAV per unit, computed at the close of the reinvestment date (i.e. the first Business Day<sup>1</sup> following the date of declaration for distributions).</i></p> <p>The Manager's current intention is to declare distributions out of the income and/or capital* of the Fund after deducting fees and expenses incurred by the Fund. Income distribution may be declared out of capital* if the Fund does not have sufficient net realized gains or net realized income from the current financial year. The rationale for providing for payment of distribution out of capital* is to allow for the ability to provide a stable and consistent level of distribution to Unit holders. Distribution out of capital* carries the risk of eroding the capital of the Fund and as a result the value of future returns may be diminished.</p> <p><i>Note:</i> * Capital refers to unrealised income or unrealised gain.</p>
<b>Launch date</b>	5 September 2019.

#### 4. Who am I investing with?

<b>Manager</b>	Hong Leong Asset Management Bhd [199401033034 (318717-M)].
<b>Trustee</b>	CIMB Commerce Trustee Berhad [199401027349 (313031-A)].

#### 5. What are the possible outcomes of my investment?

There are many possible outcomes associated with an investment in the Fund. Unit holders can potentially make profit either (i) when the Fund declares and pays out distributions; or (ii) when the unit holders sell their investments in the Fund when the market value of the Fund's portfolio and its NAV per unit increase. However, this also means that the market value of the Fund's portfolio and its NAV per unit may fall and as a result, unit holders may lose part of their capital. Unit holders should take note that the value of an investment in the Fund and its distribution payable (if any) may go down as well as up and are not guaranteed. Unit holders should also take note that investment in the Fund involves some degree of risk and that the value of their investment is at risk depending on the underlying investments of the Fund.

### KEY RISKS

#### 6. What are the key risks associated with this fund?

##### General risks

<b>Market risk</b>	Market risk refers to the potential losses that may arise from adverse changes in the market prices of the investments of the Fund. Prices of securities that the Fund has invested in may fluctuate in response to market developments (such as adverse changes in government regulations and policies, economic developments, investor sentiment, inflation, interest rates and exchange rates), which would then affect the Fund's NAV per unit.
<b>Non-compliance risk</b>	This is the risk where the Manager does not comply with the provisions as set out in the Deed; or the laws/guidelines that govern the Fund; or its internal procedures and policies. The non-compliance could be due to several factors such as a result of human errors and oversight system failures or fraudulent acts by the Manager. Any non-compliance may adversely affect the Fund's NAV per unit, especially in situations where the Manager is forced to sell the investments of the Fund at unfavorable prices to resolve the non-compliance. The Manager has imposed stringent internal compliance controls to mitigate this risk.
<b>Fund management risk</b>	The performance of the Fund is dependent on the experience, knowledge, expertise and investment strategies adopted by the personnel of the Manager. Lack of experience, knowledge and expertise, as well as poor execution of the investment strategy or general management of the Fund may jeopardise the unit holders' capital and returns. In view of this, proper training and stringent selection of personnel to manage the Fund is crucial towards mitigating this risk.
<b>Loan financing risk/financing risk</b>	The risk occurs when investors take a loan/financing to finance their investment. The inherent risk of investing with borrowed money includes investors being unable to service the loan repayments. In the event units are used as collateral, an investor may be required to top-up the investors existing instalment if the prices of units fall below a certain level due to market conditions. Failing which, the units may be sold at a lower NAV per unit as compared to the NAV per unit at the point of purchase towards settling the loan.
<b>Inflation risk/Purchasing power risk</b>	This refers to the likelihood that a unit holder's investments are not growing at a rate equal or greater than the inflation rate, thus resulting in the unit holder's decreasing purchasing power.

*Note:*

<sup>1</sup> 'Business Day' refers to a day (other than Saturday, Sunday or public holidays) on which the Manager is open for business and Bursa Malaysia is open for trading.

## **Specific risks**

<b>Credit/default risk</b>	<p>Credit risk relates to the creditworthiness of the issuer of the fixed income securities and the issuer's ability to make timely payments of interest and/or principal. If the issuer fails to meet its fixed income securities payment obligation in a timely manner, it will lead to a loss in principal and/or interest and result in a default on the payment of principal and/or interest accrued and cause a decline in the value of the defaulted fixed income security and subsequently affect the Fund's NAV per unit. The Fund's credit/default risk can be mitigated through a rigorous and disciplined credit research and analysis to ascertain the creditworthiness of the issuer of fixed income securities prior to the investments. In addition, the Manager may also mitigate this risk by diversifying its investments in fixed income securities across many issuers. The Manager reserves the right to deal with rating downgrade of an investment in the best interest of the unit holders including to dispose the invested fixed income securities within a reasonable time frame if the downgrade is below the stipulated minimum rating.</p>
<b>Interest rate risk</b>	<p>This risk refers to the effect of interest rate changes on the market value of the Fund's investments in fixed income securities. In the event of rising interest rates, prices/valuation of fixed income securities tends to move inversely. Meanwhile, fixed income securities with longer maturities and lower coupon rates are more sensitive to interest rate changes. This risk can be mitigated via the management of the duration structure of the fixed income securities portfolio by diversifying the investments in fixed income securities across different maturities (e.g. one year, three years and five years) and investing in short-term (i.e. less than three years) fixed income securities.</p>
<b>Single issuer risk</b>	<p>The Fund may invest a greater portion of its assets in a single issuer, and as such, the Fund is susceptible to any adverse developments affecting the single issuer held in its portfolio. Any changes in the financial condition of the single issuer may cause fluctuations in the Fund's NAV. The Manager seeks to mitigate this risk by conducting fundamental research prior to its investments, where the Manager will conduct thorough analysis of the issuer's financial statements by assessing its potential earnings growth, cash flow sustainability, debt manageability as well as historical financial performance.</p>
<b>Counterparty risk</b>	<p>The Fund's placements of deposits and/or investments in money market instruments with financial institutions are subject to the risk of the counterparty. Counterparty risk also refers to the possibility that the counterparty being unable to make timely payments of interest and/or principal payment on the maturity date. This may then lead to a default in the payment and/or interest and ultimately, affect the NAV per unit of the Fund. To mitigate this risk, the Manager will ascertain the creditworthiness of the financial institutions/counterparties of the money market instruments, deposits and negotiable instruments of deposit through a rigorous and disciplined credit research and analysis before prior to its investments.</p>
<b>Liquidity risk</b>	<p>Liquidity risk comprises two broad risk types: Market Liquidity Risk and Funding Liquidity Risk. Market Liquidity Risk is defined as the ease with which a security can be sold at or near its fair value depending on the trading volume of that security in the market. If the Fund holds a large portfolio of securities that are less liquid, these securities may have to be sold at unfavourable prices and/or withdraw deposits placed with financial institutions prior to maturity which would expose the Fund to a higher degree of market liquidity risk. As such, any premature withdrawal of deposits where interest income may be forfeited or forced sale of the Fund's investment to meet any shortfall will have adverse impact on the Fund's NAV per Unit and subsequently the value of Unit holders' investments in the Fund.</p> <p>Funding Liquidity Risk is defined as the risk that the Fund will not be able to meet efficiently both the expected and unexpected current and future cash outflow. The risk primarily involves the Fund's inability to meet redemption requests without major distortion to the portfolio allocation.</p> <p>To mitigate this risk, the Manager will employ prudent liquidity management such as cash flow and redemption monitoring to ensure that the Fund maintains reasonable levels of liquidity to meet any redemption request supplemented by a temporary defensive strategy should adverse conditions prevail. The Manager will apply Liquidity Risk Management tools inclusive of Liquidity Stress Test to assess the Fund's viability to meet expected and unexpected redemptions under adverse scenarios.</p> <p>The Manager may, in consultation with the Trustee, suspend dealing in Units under exceptional circumstances where there is sufficient reason to do so having regard to the interests of the Unit holders in an effort to further curtail the liquidity risk experienced by the Fund. Exceptional circumstances can be considered where the market value or fair value of a material portion of the Fund's assets cannot be determined.</p>
<b>Reinvestment risk</b>	<p>This risk is more prevalent during times of declining interest rates when the Fund has received its principal and interest earned from a maturing deposit and/or money market instruments. As a result, the Fund has to reinvest the above proceeds in a new deposits or money market instruments offering a lower return than the previous deposits or money market instruments.</p>

**INVESTORS SHOULD TAKE NOTE THAT THE ABOVE LIST OF RISKS MAY NOT BE EXHAUSTIVE AND IF NECESSARY, THEY SHOULD CONSULT THEIR ADVISER(S) FOR A BETTER UNDERSTANDING OF THE RISKS.**

## FEES & CHARGES

### 7. What are the fees and charges involved?

There are fees and charges involved and investors are advised to consider them before investing in the Fund.

The following table describes the charges that you may **directly** incur when you buy or redeem units:

<b>Sales charge<sup>1</sup></b>	Up to 3.00% of the NAV per unit of the Fund.
<b>Redemption charge<sup>1</sup></b>	There is NO redemption charge imposed by the Manager.
<b>Switching fee<sup>1</sup></b>	Not applicable. Switching of units is not permitted for this Fund.
<b>Transfer fee<sup>1</sup></b>	A transfer fee may be imposed on investors who transfer (either fully or partially) the units registered in their names to other persons. However, the Manager has waived the transfer fee for this Fund. The Manager reserves the right to waive or vary the transfer fee for the Fund from time to time at its absolute discretion.

The following table describes the fees that you may **indirectly** incur when you invest in the Fund:

<b>Annual management fee<sup>1</sup></b>	Up to 2.00% per annum of the Fund's NAV, calculated and accrued on daily basis.
<b>Annual trustee fee<sup>1</sup></b>	Up to 0.01% per annum of the Fund's NAV subject to a minimum of RM12,000 per annum and capped at a maximum of RM500,000 per annum, calculated and accrued on a daily basis.
<b>Other Fund expenses</b>	Custodian fee (if any), brokerage fee (if any), the Auditor's fees, and other relevant professional fees such as validation and regulatory reporting on common reporting standard ("CRS"), foreign account tax compliance act ("FATCA") and direct administration expenses.

## VALUATIONS AND EXITING FROM INVESTMENT

### 8. How often are valuations available?

The NAV per unit of the Fund is determined on each Business Day<sup>2</sup>. The daily NAV per unit of the Fund can be obtained from the Manager's website at [www.hlam.com.my](http://www.hlam.com.my) or our branch offices. Alternatively, you may contact the Customer Experience personnel at 03 – 2081 8600 ext 18603/18604 for the NAV per unit.

### 9. How can I exit from this investment and what are the risks and costs involved?

#### Cooling-off right

The cooling-off right is not applicable for this Fund.

#### Redemption of Units

- No redemption charge is imposed upon redemption of units.
- Minimum redemption of units is 100,000 units.
- No restriction on the frequency for redemption.
- Cut-off time for any redemption requests is at 4.00 p.m. on any Business Day<sup>2</sup>.
- For partial redemption, you must maintain a minimum balance of 100,000 units in the Fund. Otherwise, the Manager will automatically effect a full redemption and inform the unit holder thereafter.
- Payment will be made to you within seven (7) Business Days<sup>2</sup>.

#### Transfer of Units

- Transfer of units is allowed for this Fund either fully or partially. The minimum transfer of units is 100,000 units.

#### Switching of Units

- Switching of units is not allowed for this Fund.

#### Notes:

<sup>1</sup> All fees and charges and/or sum payable to the Manager/Trustee are subject to any applicable taxes and/or duties and at such rate as may be imposed by the government from time to time. The Manager/Trustee (where applicable) shall have the right to charge and recover from the Fund any applicable taxes and/or duties now or hereafter imposed by law or required to be paid in connection with the products or services provided by the Manager/Trustee (where applicable).

<sup>2</sup> 'Business Day' refers to a day (other than Saturday, Sunday or public holidays) on which the Manager is open for business and Bursa Malaysia is open for trading.

## FUND PERFORMANCE

### 10. Information on Fund Performance

#### (a) Average total return for the following period ended 28 February 2023

	1-year	3-year	Since launch <sup>#</sup>
HLWIF (%)	0.00	0.00	0.00
Malayan Banking Berhad 12 Months Fixed Deposit Rate (%)	2.41	2.14	2.29

#### (b) Annual total return for the financial period ended 28/29 February

	2023	2022	2021	2020 <sup>#</sup>
HLWIF (%)	0.00	0.00	0.00	0.00
Malayan Banking Berhad 12 Months Fixed Deposit Rate (%)	2.41	1.85	2.03	1.47

<sup>#</sup>The figure shown is for the period since launch of the Fund (5 September 2019)

Source: Lipper for Investment Management.

Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.

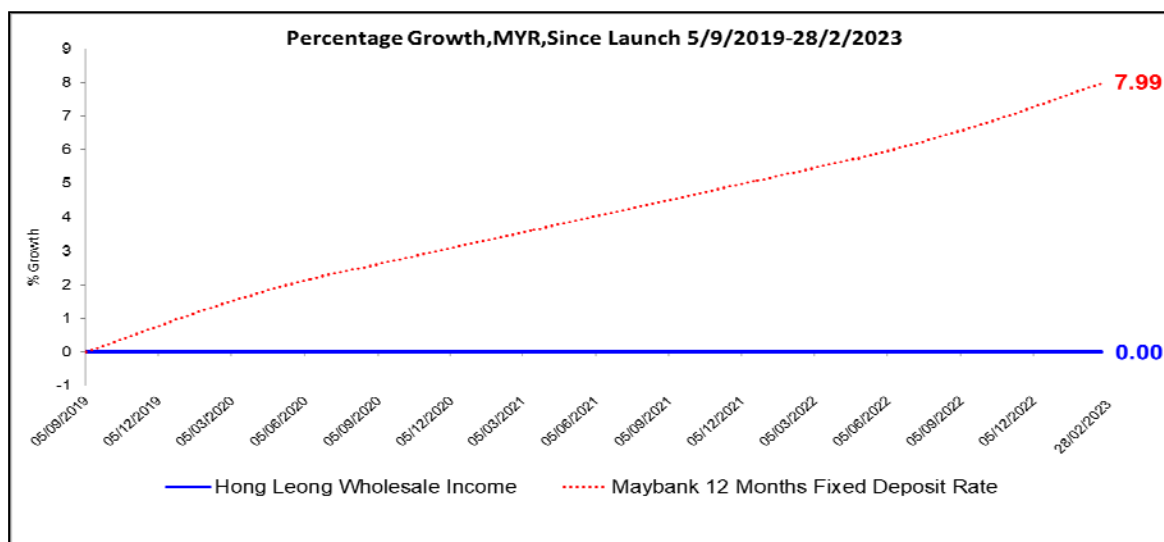
#### 1-Year performance review

The Fund posted a return of 0.00% for the financial year ended 28 February 2023 while its benchmark the Malayan Banking Berhad 12 Months Fixed Deposit Rate registered a return of 2.41%.

#### (c) Basis of calculation

Percentage Growth, NAV per unit-to-NAV per unit basis with gross income (if any) from HLWIF reinvested and in MYR terms.

#### (d) Performance in Chart



Source: Lipper for Investment Management.

Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.

Since launch, the Fund has posted a return of 0.00% while its benchmark the Malayan Banking Berhad 12 Months Fixed Deposit Rate has registered a return of 7.99%.

#### (e) Portfolio turnover ratio (PTR)

	Financial period ended 28 February		
	2023	2022	2021
PTR of the Fund (times)	-	-	-

#### (f) Distribution

Financial year	Additional Units	Cash distribution
2021	-	-

2022	-	-
2023	-	-

**INVESTORS SHOULD NOT MAKE PAYMENT IN CASH TO A UNIT TRUST CONSULTANT OR ISSUE A CHEQUE IN THE NAME OF A UNIT TRUST CONSULTANT**

**PAST PERFORMANCE OF THE FUND IS NOT AN INDICATION OF ITS FUTURE PERFORMANCE**

## CONTACT INFORMATION

### 11. Who should I contact for further information or to lodge a complaint?

1. *For internal dispute resolution, you may contact:*  
**Hong Leong Asset Management Bhd**  
Level 18, Block B, Plaza Zurich  
No. 12, Jalan Gelenggang  
Bukit Damansara  
50490 Kuala Lumpur  
Tel : 03-2081 8600  
Fax : 03-2081 8500  
Website : [www.hlam.com.my](http://www.hlam.com.my)  
E-mail : [inquiry@hla.hongleong.com.my](mailto:inquiry@hla.hongleong.com.my)
  
2. *If you are dissatisfied with the outcome of the internal dispute resolution process, please refer your dispute to the Securities Industry Dispute Resolution Center (SIDREC):*  
(a) *via phone to* : 03-2282 2280  
(b) *via fax to* : 03-2282 3855  
(c) *via e-mail to* : [info@sidrec.com.my](mailto:info@sidrec.com.my)  
(d) *via letter to* : Securities Industry Dispute Resolution Center (SIDREC)  
Unit A-9-1, Level 9, Tower A  
Menara UOA Bangsar  
No. 5, Jalan Bangsar Utama 1  
59000 Kuala Lumpur
  
3. *You can also direct your complaint to the Securities Commission Malaysia (SC) even if you have initiated a dispute resolution process with SIDREC. To make a complaint, please contact the SC's Consumer & Investor Office:*  
(a) *via phone to the Aduan Hotline at* : 03-6204 8999  
(b) *via fax to* : 03-6204 8991  
(c) *via e-mail to* : [aduan@seccom.com.my](mailto:aduan@seccom.com.my)  
(d) *via online complaint form available at* : [www.sc.com.my](http://www.sc.com.my)  
(e) *via letter to* : Consumer & Investor Office  
Securities Commission Malaysia  
3 Persiaran Bukit Kiara  
Bukit Kiara  
50490 Kuala Lumpur
  
4. *Federation of Investment Managers Malaysia (FIMM)'s Complaints Bureau:*  
(a) *via phone to* : 03-7890 4242  
(b) *via e-mail to* : [complaints@fimm.com.my](mailto:complaints@fimm.com.my)  
(c) *via online complaint form available at* : [www.fimm.com.my](http://www.fimm.com.my)  
(e) *via letter to* : Legal & Regulatory Affairs  
Federation of Investment Managers Malaysia  
19-06-01, 6<sup>th</sup> Floor Wisma Tune  
No. 19, Lorong Dungun  
Damansara Heights  
50490 Kuala Lumpur