

# INVEST FACTS

MAY 2017

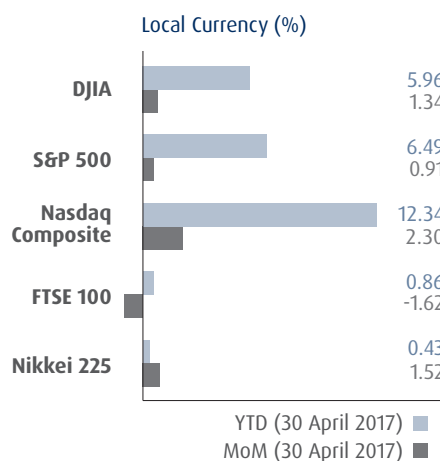


# Equities

- **Global:** Global markets rallied in April, with the MSCI World Index hitting an all-time high at the end of the month. The S&P 500 Index ended the month up 0.9% together with a strong first-quarter reporting season in the US. The Hang Seng Index and the Euro Stoxx 600 Index were the strongest performers over the month.
- **Asia Pacific:** Regional markets continued its strong performance during the month. In the region, Philippines, Malaysia and Indonesia were the top performing markets, whilst Singapore, Thailand and Australia markets were the laggards.
- **Malaysia:** The FTSE BM KLCI rose to 22-month highs, up 1.6% to close at 1,768 points, on the back of a stronger ringgit, recovering corporate earnings prospects and foreign funds inflow. Positive sentiment in the market was also boosted by strong regional markets and corporate exercises. The broader market outperformed the FTSE BM KLCI with the FTSE BM EMAS Index up 2.2% to 12,631 points.

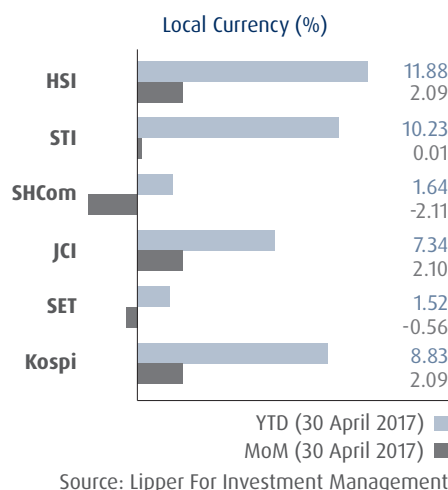
## Global

- The US labour market posted a better-than-expected job growth in April with nonfarm payrolls creating 211,000 jobs, beating market expectations. Meanwhile, the unemployment rate fell to 4.4% in April from 4.5% in March.
- In the Eurozone, the advance gross domestic product (GDP) reading showed that the Eurozone economy expanded at a steady pace of 0.5% (quarter-on-quarter) in the first quarter of 2017, in line with consensus forecasts.
- Eurozone's manufacturing sector continued to expand at a robust pace in April. The Final Markit Manufacturing Purchasing Managers' Index (PMI) climbed to a six-year high of 56.7 in April from 56.2 in March.
- As widely expected, the Bank of Japan (BoJ) wrapped up the April monetary policy meeting by standing pat on its monetary policy while raising the GDP growth forecast for the 2017 fiscal year to 1.6% from the previous projected growth of 1.5%.



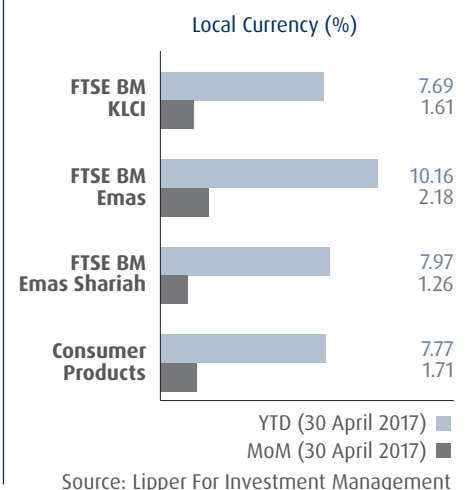
## Asia Pacific

- China's economy expanded at the pace of 6.9% in the first quarter of 2017 (Q4 2016: 6.8%) and fared slightly better than the market consensus of a 6.8% growth.
- Manufacturing activity in China slowed in April as the Official Manufacturing PMI posted a lower reading of 51.2 compared with March's 51.8 and missed market expectations. In the services sector, the Official Services PMI also grew at a slower pace of 54.0 in April compared with 55.1 in March.
- Indonesia's economic growth accelerated to 5.01% in the first quarter of 2017 from 4.94% in the fourth quarter of 2016 and in line with market consensus.
- Thanks to the improving global economy, Singapore's non-oil domestic exports (NODX) growth surged at a pace of 16.5% in March and overshot market expectations.

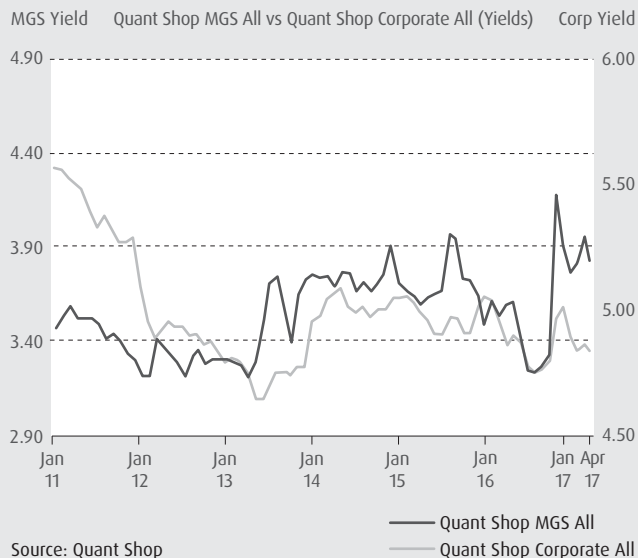


## Malaysia

- During the Monetary Policy Committee (MPC) meeting in May, Bank Negara Malaysia (BNM) decided to keep the Overnight Policy Rate (OPR) unchanged at 3.00%, in line with market expectations.
- Boosted by the recovery in commodity prices and strong expansion of manufactured exports, export growth posted a robust rise of 24.1% in March and exceeded market forecasts.
- Headline inflation accelerated further in March with the Consumer Price Index (CPI) posting a growth of 5.1% compared with February's 4.5%, almost in line with the consensus estimate of 5.2%.
- The Industrial Production Index (IPI) grew at a steady pace of 4.6% in March compared to an expansion of 4.7% registered for the month of February but slightly lower than market expectations.



# Fixed Income



- The month started off with Malaysian Government Securities (MGS) dealing in narrow ranges as the local bond market was lacking in direction despite the primary issuances. However, bond sentiment was lifted after BNM announced its dynamic Foreign Exchange hedging and short selling regulation which gave the bond market a much needed break.
- The short end of the MGS curve went down by 4-5 basis points (bps) month-on-month while the longer end of the curve moved marginally by 1-3bps. The Malaysian Ringgit (MYR) was also seen trading better at 4.30 versus 4.44 earlier in the month post BNM's announcement. There were 3 government bond auctions in the month, the 15-year Government Investment Issue (GII) and 20-year MGS and including the 5-year benchmark auction which was supported by local investors.
- In the corporate bond market, major issuers were Cagamas Berhad, Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA) and Public Bank Berhad.

## Market Outlook & Strategy

### Equities

#### Global

- Global markets continue to show improving economic outlook. First-quarter earnings season has been encouraging thus far with 80% of reported S&P earnings beating estimates and a 64% beat from companies reported in Euro Stoxx.
- Europe is expected to see one of the busiest electoral years after Theresa May's announcement of a surprise snap UK election in April. The earliest of which is the French election which will be held on May 7.
- We expect equity markets in developed countries to consolidate in the near term as likelihood of rate hikes may rise and may dampen investors' sentiment.

#### Asia Pacific

- China's first-quarter 2017 GDP growth accelerated faster than expected at 6.9%, supported by government infrastructure spending and a booming housing market.
- Indonesia saw surprise results from the second round Jakarta gubernatorial election with former education minister Anies Baswedan beating incumbent Basuki Tjahaja Purnama by a sizeable margin.
- For the Funds, we look to increase exposure in countries or sectors that will benefit from improving economic growth.

#### Malaysia

- The upcoming results season could see positive surprises which will keep the market buoyant, particularly if Ringgit continues to strengthen and global markets remain strong.
- 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

- US Treasury rallied after Trump administration proposed corporate tax reforms. As all eyes are on the next Federal Open Market Committee (FOMC) meeting in May, we still think the Federal Reserve (Fed) will continue to stand by their stance for three rate hikes this year in view of continued improvement in the US economy with stronger labour data.
- Market took BNM's announcement on short selling as a positive move as we saw the bonds market rallied post announcement.
- We think the bond market will continue to be well supported in the coming months as liquidity would improve with the new regulation.
- In March, inflation stood higher at 5.1%, which was close to market consensus of 5.2%.
- Despite this, we still think that BNM will maintain its current policy stance for the rest of the year.
- We look to be opportunistic in the sovereign bond market by adding to position on any dips.



## 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 Prospectus and Information Memorandums listed in the table, before investing. The Prospectus has 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 Prospectus, Information Memorandums and PHS. A copy of the Prospectus 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 should 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 should 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 Prospectus and Information Memorandums. The funds may not be suitable for all and if in doubt, investors should 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
Hong Leong Income Management Fund Replacement Information Memorandum		02/11/15
	First	23/06/16
	Second	08/02/17
Hong Leong Islamic Institutional Income Management Fund II Replacement Information Memorandum		02/11/15
	First	01/04/16
	Second	08/02/17
Hong Leong Wholesale Bond Fund Second Replacement Information Memorandum		02/11/15
	First	23/06/16
	Second	08/02/17