

HLA Venture Income Fund (HLAVIF)

May 2021

Fund Features

1. Investment Objective

The objective of the fund is to achieve high principal security and steady income by investing in fixed-income instruments. Returns will be comparable to prevailing interest rates but correspondingly, the risks will be significantly lower than that for equities investment.

2. Investment Strategy & Approach

This fund focuses on fixed income securities and money market instruments as well as benchmarked against Maybank's 3 months fixed deposit rate. This fund is suitable for investors who have low to moderate risk profile.

3. Asset Allocation

The fund will invest up to 100% of its NAV in fixed income instruments.

4. Target Market

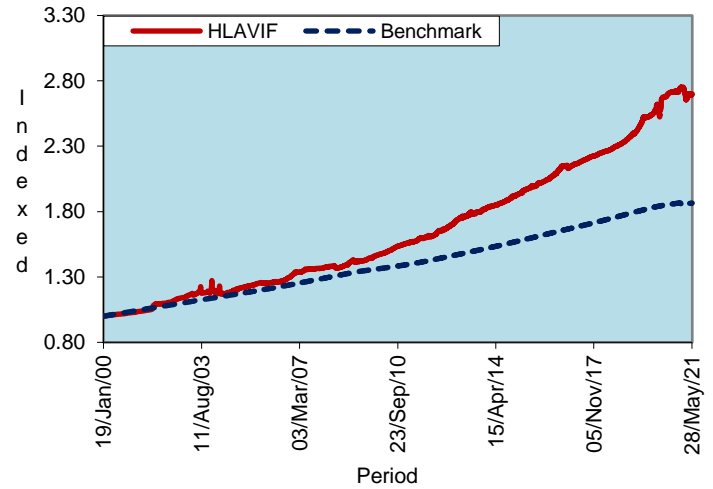
This fund is suitable for investors who have low to moderate risk profile

Fund Details

Unit Price (31/5/2021)	:RM2.6999
Fund Size (31/5/2021)	:RM416.5 mil
Fund Management Fee	: 0.50% p.a.
Fund Manager	:Hong Leong Assurance Berhad
Fund Category	:Bond
Fund Inception	:19 Jan 2000
Benchmark	:3-month Fixed Deposit Interest Rates
Frequency of Unit Valuation	:Daily

The Company reserves the right to change the Fund Management Fee (% p.a.) by giving the Policy Owner ninety (90) days prior written notice.

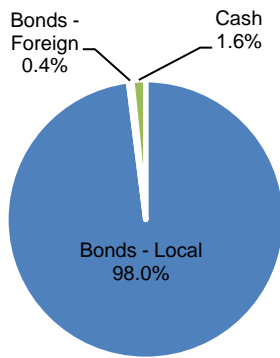
Historical Performance



	YTD	1 month	1 year	3 years	5 years	10 years	Since Inception
HLAVIF	-1.76%	0.11%	0.91%	18.89%	29.64%	71.30%	169.99%
Benchmark*	0.28%	0.14%	0.88%	6.88%	13.58%	32.59%	86.51%
Relative	-2.04%	-0.03%	0.03%	12.01%	16.06%	38.71%	83.48%

Notice: Past performance of the fund is not an indication of its future performance.

Asset Allocation of HLA Venture Income Fund as at 31 May 2021



Top 5 Holdings for HLA Venture Income Fund as at 31 May 2021

	%
1. M'SIAN GOVERNMENT SECURITIES 0	14.5
2. MALAYSIA INVESTMENT ISSUE 3	12.4
3. M'SIAN GOVERNMENT SECURITIES 1	11.5
4. M'SIAN GOVERNMENT SECURITIES 1	11.4
5. MALAYSIA INVESTMENT ISSUE 3	7.6
Total Top 5	57.5

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Market Review

U.S. Treasury (“UST”) yields have continued to ease in May as inflation expectations receded due to rather uninspiring economic data. The 5-, 10- and 30-year UST yields declined by 6, 4 and 2 bps m-o-m respectively as at end May. Fears of inflationary pressure were placated largely by the release of non-farm payroll data which came in far below market expectations. US added 266k jobs in April 2021, a far cry from consensus estimates of about an addition of 1 million new jobs. Subsequent to the release of said data, the UST market experienced a knee-jerk reaction with 10-year UST falling to a low of 1.47% (end-April: 1.63%). Additionally, lacklustre US retail sales in April which was flat m-o-m compared to a growth of 10.7% recorded a month prior also applied downwards pressure of yields. Also holding rates steady is the Fed’s continued assurance that ultra-accommodative policy will remain as current inflationary pressures, if any, are transient in nature.

On the local front, govies yields recorded mixed performance across different tenures with a more pronounced upwards steepening bias. The yields on the 3-, 10-, 15- and 30- tenors increased by 19, 6, 13 and 4 bps while the 5- and 7- tenors decreased by 1 and 2 bps. The announcement of MCO 3.0 did induce some immediate risk off sentiments with yield of the 10Y tenor declining to 3.02% in early May (end-April: 3.18%). Such sentiments however have abated throughout the month with the 10Y tenor settling at 3.23% as at end May. April’s inflation reading of a 4.7% increase y-o-y helped support the general upwards movement of yields in May. Additionally, stronger than expected GDP for 1Q2021 was also supportive of the nation’s trajectory towards economic recovery. Malaysia’s GDP for 1Q2021 contracted by 0.5% y-o-y, narrower than consensus expectations of a 0.9% contraction. A pronounced risk-off sentiment arising from continued increase in daily infection rates and the accompanying movement restrictions seems to have yet to take hold in the local bond market.

In the corporate bond segment, investors continued to prefer defensive bonds with strong credit profiles. As such, AAA and GG bonds continued to make up the bulk of daily transactions. Some prominent new issuances during the month are Danainfra Nasional Berhad (RM2.0 billion, GG) and Cagamas Berhad (RM1.9 billion, AAA).

Market Outlook & Strategy

The UST’s performance over the near term would largely hinge on investors’ perception of inflationary pressures and expectations of subsequent monetary policy changes. Key in influencing such perceptions and expectations are chief economic data which would be closely monitored to gauge the progress of the US’s economic recovery. President Biden’s latest proposal of USD 6 trillion for fiscal year 2022’s budget could result in additional public debt supply in the market, potentially pushing yields upwards.

On the domestic front, the newly announced total lockdown, envisioned to be similar to the first lockdown in March 2020, is taking place in June. The tighter restrictions on business activity are expected to induce risk-off sentiments and drive-up demand for safe haven assets. On the supply side, additional issuance of public debt could arise as result of the latest RM40.0 billion aid package dubbed as the ‘Pemerksa Plus’ of which RM5.0 billion will constitute direct fiscal injection. Close attention will be directed to daily infection rates and likelihood of extensions in the lockdown period to assess the potential impact of the nation’s economic landscape. We are cautiously optimistic on the local bond market and prepare to lock in profit at the right level when bonds rally.

Actual Annual Investment Returns for the Past Ten (10) Calendar Years

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Benchmark	2.8%	3.1%	3.1%	3.2%	3.2%	3.1%	3.0%	3.3%	3.0%	1.5%
HLAVIF - Gross	4.8%	10.0%	5.4%	5.8%	6.5%	6.9%	5.3%	5.6%	10.2%	9.0%
HLAVIF - Net	3.9%	8.7%	4.5%	4.8%	5.5%	5.8%	4.4%	4.6%	8.9%	7.8%

Net returns are adjusted for tax and fund management fees.

Those are the actual returns in the past ten (10) years, or since inception if shorter, and are strictly the performance of the investment-linked fund. Thus, the returns are not earned on the actual premium paid of the investment-linked product.

Notice: Past performance of the fund is not an indication of its future performance.

Investment Risks

All investments carry risks. Policy Owners must be prepared to accept certain degree of risk associated with this Investment. The following are the non-exhaustive list of risks associated to this fund.

1. Market Risk

Market risk stems from the fact that there are other economy-wide perils, which threaten all businesses. It is mainly caused by uncertainties in the economy, political and social environment.

2. Liquidity Risk

Liquidity risk is the risk that the fund invested cannot be readily sold and converted into cash. This may arise when the trading volume is low and/or where there is a lack of demand for the security.

3. Credit Risk

This refers to the possibility that the issuer of a security will not be able to make timely payments of interest or principal repayment on the maturity date. The default may lead to a fall in the value of the funds.

4. Interest Rate Risk

The level of interest rates has an impact on the value of investments. Any increase in rates will lead to a fall in the value of securities, thus affecting the value of the funds.

5. Country Risk

The foreign investment of a fund may be affected by the political & economic conditions of the country which the investments are made.

6. Currency Risk

This risk is associated with investments that are denominated in foreign currencies. Fluctuation in foreign exchange rates will have an impact on the value of the funds.

Risk Management

The company has in place its Authorized Investment Framework which forms part of the Risk Management process. The authority framework covers the nature and scope of the investment authority that is exercisable by various parties in managing the Company’s investments. The potential investment risks that are taken into consideration in managing the fund include economic conditions, liquidity, qualitative and quantitative aspects of the securities. The investment manager(s) have put in place the following controls to reduce the risks through:

- having a flexible tactical asset allocation
- investing in a wide range of companies across different sectors
- setting prudent investment limits on various exposures
- taking into account the liquidity factor in selecting securities
- engaging in the hedging of foreign currency exposure where appropriate

HLA Venture Income Fund (HLAVIF)

Basis of Unit Valuation

1. The assets of every fund are to be valued to determine the value at which units of a particular fund can be liquidated or purchased for investment purposes.
2. The unit price of a unit of a fund shall be determined by the Company but in any event shall not be less than the value of fund of the relevant fund (as defined below), divided by the number of units of the given fund in issue on the business day before the valuation date, and the result adjusted to the nearest one hundredth of a cent.
3. The maximum value of any asset of any fund shall not exceed the following price:
 - (a) The last transacted market price at which those assets could be purchased or sold on the business day before the valuation date; or
 - (b) In the case of securities for which market values are not readily available, the price at which, in our Investment Manager's opinion, the asset may have been purchased on the business day before the valuation date; plus any expenses which would have been incurred in its acquisition.
4. To ensure fair treatment to all unit holders, the cost of acquiring and disposing of assets is recouped by making a transaction cost adjustment to the net asset value per unit.

Exceptional Circumstances

The Company reserves the right to defer the payment of benefits (other than death benefit) under this Policy for a period not exceeding six (6) months from the date the payment would have been normally effected if not for intervening events such as temporary closure of any Stock Exchange in which the fund is invested which the Company, in its discretion, may consider exceptional.

Basis of Calculation of Past Performance

The historical performance of the fund is calculated based on the price difference over the period in consideration compared to the older price of the period in consideration.

$$\frac{\text{Unit Price}_t - \text{Unit Price}_{t-1}}{\text{Unit Price}_{t-1}}$$

Others

HLA Venture Income Fund is managed by Hong Leong Assurance Berhad (HLA). Any amount invested in this fund is invested by HLA on behalf of Policy Owner in equity, fixed income, collective investment scheme, foreign asset, derivatives and money market instrument/s. If the financial institutions and/or corporations issuing the equity, fixed income, collective investment scheme, foreign asset, derivatives and money market instruments defaults or insolvent, the Policy Owner risks losing part or all of his/her amount that were invested into the instruments on his/her behalf by HLA.

THIS IS AN INSURANCE PRODUCT THAT IS TIED TO THE PERFORMANCE OF THE UNDERLYING ASSETS, AND IS NOT A PURE INVESTMENT PRODUCT SUCH AS UNIT TRUSTS.

Disclaimer:

Policy Owner must evaluate your options carefully and satisfy yourself that the investment-linked fund chosen meets your risk appetite. Past performance of the fund is not an indication of its future performance. The intention of this document is to enable Policy Owner to better understand the fund features and details in order to assist Policy Owner to making an informed decision. This document shall not be construed as professional advice on investment choices.