

# HLA Venture Managed Fund (HLAVMF)

Mar 2019

## Fund Features

### 1. Investment Objective

The objective of the fund is aim to provide investors with prospects for long-term capital appreciation through diversification in various capital instruments including equity, government securities, private debt securities, money market instruments and foreign assets as well as derivatives. This fund aims to outperform the benchmark comprising of FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBM KLCI) and Maybank 12-month fixed deposit rate in a ratio of 50:50.

### 2. Investment Strategy & Approach

This fund will participate in both fixed income and equity markets as well as benchmarked against the FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBM KLCI) and Maybank 12-month fixed deposit rate in equal proportion. This fund is suitable for investors who are willing to take moderate risk.

### 3. Asset Allocation

The fund will invest up to a maximum 50% of its NAV in equities.

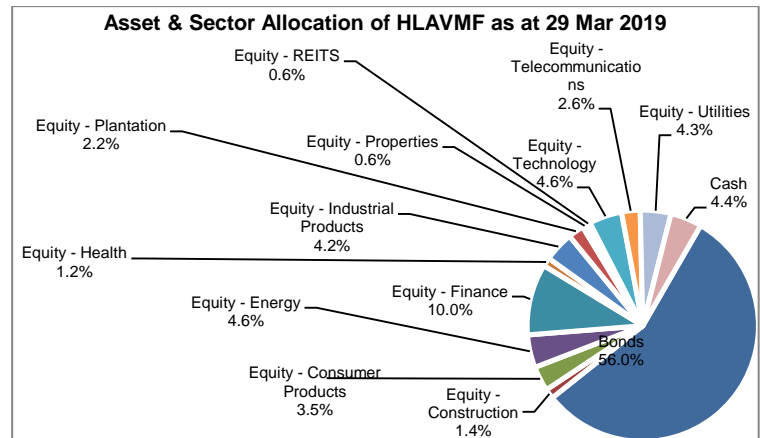
### 4. Target Market

This fund is suitable for investors who are willing to take moderate risk.

## Fund Details

Unit Price (29/3/2019)	:RM2.0829
Fund Size (29/3/2019)	:RM238.0mil
Fund Management Fee (effective as at 01/03/2017)	: 1.23% p.a. (capped at 1.25%)
Fund Manager	:Hong Leong Assurance Berhad
Fund Category	:Managed
Fund Inception	:07 April 2004
Benchmark	:50% FTSE Bursa Malaysia KLCI Index (FBM KLCI)&50% 12-month Fixed Deposit Interest Rates
Frequency of Unit Valuation	:Daily

The Company reserves the right to change the cap of Fund Management Fee (% p.a.) by giving the Policy Owner ninety (90) days prior written notice. The Fund Management Fee will be reviewed monthly and will be revised if the previous month end actual asset allocation deviates by more than ten percent (10%) of the initial asset allocation.

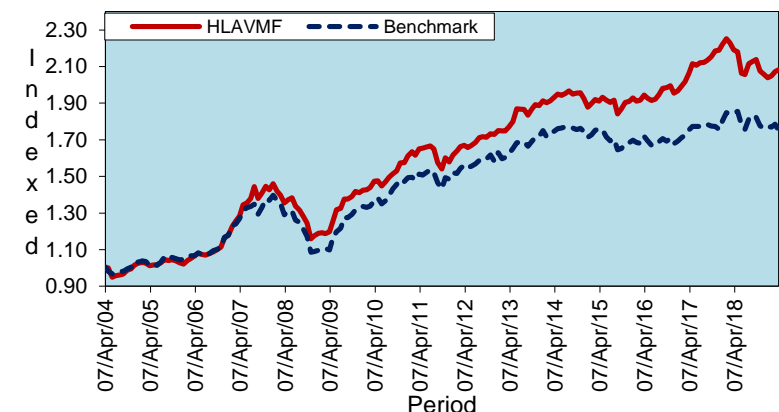


## Top 5 Holdings for HLAVMF as at 29 Mar 2019

		%
1.	MAYBANK	EQ 5.0
2.	M'SIAN GOVERNMENT SECURITIES 0	FI 4.5
3.	TENAGA	EQ 4.3
4.	CIMB	EQ 4.2
5.	MALAYSIA AIRPORTS HOLDINGS 1	FI 4.2
<b>Total Top 5</b>		<b>22.2</b>

FI : Fixed Income  
EQ : Equities

## Historical Performance



	YTD	1 month	1 year	3 years	5 years	10 years	Since Inception
HLAVMF	2.18%	0.49%	-4.89%	7.13%	7.78%	73.94%	108.29%
Benchmark*	-1.14%	-1.91%	-5.31%	1.87%	0.24%	59.39%	74.21%
Relative	3.32%	2.40%	0.42%	5.26%	7.54%	14.55%	34.08%

\*Source: Bloomberg, Maybank

# HLA Venture Managed Fund (HLAVMF)

## Market Review, Outlook & Strategy - Equities Market

Regional markets in general were positive in March. While Beijing cut its GDP growth target from 6.5% to a range of 6-6.5% citing negative impact from the trade war and falling consumer demand, policymakers also announced a slew of tax cuts totalling about US\$300b with an increase in infrastructure financing by about US\$320b to fund key projects as counter-measures to boost the local economy. The Premier also emphasised that the government could still use reserve requirements and interest rates measures to provide further support to economic growth. The recent FOMC meeting also saw the Fed reiterating its dovish stance with a more accommodative outlook. News that the central bank did not foresee any interest rate hikes added to the better sentiment. The European Central Bank has also pushed back its policy tightening plan to 2020 to promote growth. However, Brexit fears continue to snowball in Europe with lawmakers divided and Prime Minister Theresa May's exit plan rejected for the third time. UK now has until April 12 to propose a plan for the EU leaders to consider.

Malaysia on the other hand was the worst performing market in the region with a YTD decline of 2.8%, likely due to continued sluggish corporate earnings and stretched valuations. Bank Negara Malaysia's cautious outlook was reflected in the revision downward of local economic growth from 4.9% to 4.3-4.5%. The Invest Malaysia conference held in March again failed to provide any excitement for investors in terms of any potential growth policies in the pipeline. Foreign net selling accelerated to an amount of RM1.6b.

The FBM KLCI was down 3.8% mom to close at 1,643.63 pts. It underperformed the broader market. FBM Emas was down by 2.3% to 11,553.84 pts and FBM Shariah declined by 0.4% to 11,688.06 pts. FBM Small Cap recorded a +1.3% mom to close at 12,711.30 pts in March.

Going forward, investors will continue to monitor the latest developments on the ongoing US-China trade talks, Brexit development and the China Belt and Road Forum. On the local front, all eyes will be on the release of the Felda White Paper, local developments from the ongoing Parliament sitting as well as the upcoming power sector market structure reform plan. We remain defensive, seeking high dividend yielding stocks at palatable valuations as well as stocks that have been oversold with potential earnings turnaround prospects.

## Market Review, Outlook & Strategy - Fixed Income Market

The fixed income market has been buoyant so far in 2019 and momentum pumped up in March as bond investors turned increasingly downbeat about economic growth, and therefore inflation and the likelihood of central banks cutting interest rates. The ongoing subdued sentiment has been largely validated by disappointing economic data in China, Europe and the US, and the marked dovish shift by the European Central Bank whom have suggested the possibility of restarting its quantitative easing programme when necessary. This was also largely fuelled by the Fed dropping plans to raise interest rates this year and scaling back its balance sheet reduction programme. As such, the US yield curve inverted as investors sharply marked down their expectations for growth, inflation and interest rate hikes.

At home, local government bonds (govvies) also rallied on the back of BNM's dovish tilt cautioning downside risk to growth. The latest BNM Annual Report which was released on 27<sup>th</sup> March 2019 saw the official real GDP growth forecast revised downwards to a range of 4.3%-4.8% from 4.9% previously. The MGS curve shifted lower with the 3y steeply lower by 21bps, 12bps lower at the 10y, 19bps lower at the 20y and 13bps lower at the ultra-long 30y. On a separate note, the Malaysian government's debut issuance of the 10 year Samurai bonds of JPY200bil/MYR7.3bil received some decent interest, clocking in a 1.6x bid-cover ratio.

Corporate bond issuance started the year on a decent pace with a gross amount of RM24.9 billion in 1Q2019, albeit lower than the high base of RM29.6bil in 1Q2018. Similar to the previous month, the month of March was also eventful for fresh issuances following a compression in yields and robust demand domestically for corporate papers. Some of the prominent new issuances in March are primarily those from the government guaranteed space. This include the PTPTN's 10-30 year papers with a total issuance size of RM3billion, AA1-rated Sabah Development Bank Bhd with an issuance size of RM540 million and RM600mil by SME Corp.

There are reasons to believe that the market might be overreacting to bearish headlines about the global economy. For one, China's economy is slowing but not in an abrupt manner, Europe remains weak but still seems unlikely to face a recession and finally the US economy is still expanding albeit expected to be at a slower pace. The Fed fund futures market indicate that market players are looking at a one or more cut in 2019 in the face of slower but still resilient growth. As the current Fed fund futures pricing is already dovish, indicating 25bps cut in 2019 and an additional reduction in 2020, we are expecting a short-term rebound in yields on some opportunity for profit-taking and bigger yield spike should upcoming economic indicators point to a less severe economic slowdown than that expected by the market.

Following the dovish rhetoric by global central banks on economic slowdown worries and BNM's expectation of more sluggish growth, a rate cut has been widely discussed and is perhaps the core driver of the MGS rally in March. Nonetheless, as expectation of a rate cut by BNM is being increasingly priced in by the market, an eventual OPR cut may not add much momentum to the current rally unless BNM signals an even more dovish stance in its upcoming appearances. As such, we opine that further downward shift in the MGS curve would need sizeable foreign interest which would hinge on potential risk-on appetite for emerging market papers or policy-related domestic catalysts.

Corporate bond issuance is expected to continue its momentum on the back of financing needs for infrastructure projects such as MRT2 and LRT3 and resilient domestic demand for corporate papers. While the government is reviewing the project delivery partner model of Pan Borneo Highway, Work Minister Baru Bian reassured that ongoing package contracts will continue and the government would not terminate those projects. Additionally, the momentum in upcoming issuances is also likely to be fuelled by reasonably large refinancing needs for maturing papers and those that are due to be callable this year. In view of the above, we will gradually take profit on the govvies and switch to corporate bond for yield enhancement purposes.

# HLA Venture Managed Fund (HLAVMF)

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

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Benchmark</b>	22.5%	11.6%	2.9%	7.0%	7.3%	-2.6%	-1.3%	-0.8%	6.6%	-1.9%
<b>HLAVMF - Gross</b>	22.9%	15.7%	1.6%	10.3%	11.4%	-0.7%	4.3%	3.4%	15.4%	-7.6%
<b>HLAVMF - Net</b>	19.8%	13.2%	0.3%	8.3%	9.3%	-1.9%	2.7%	2.0%	12.9%	-8.3%

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.

### 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 will cover the nature and scope of the investment authority that is exercisable by various parties in managing the Company's investments. Besides this, sensitivity and stress testing is conducted to inform the Company's management the profit & loss profiles of their investments under different pre-defined risk scenarios and the necessary action to be taken if the potential losses exceed the Company's risk tolerance level.

### Basis of Unit Valuation

- 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.
- 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.
- The maximum value of any asset of any fund shall not exceed the following price:
  - The last transacted market price at which those assets could be purchased or sold on the business day before the valuation date; or
  - 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.
- 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 Managed 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.