

# HLA Venture Income Fund (HLAVIF)

Mar 2020

## 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

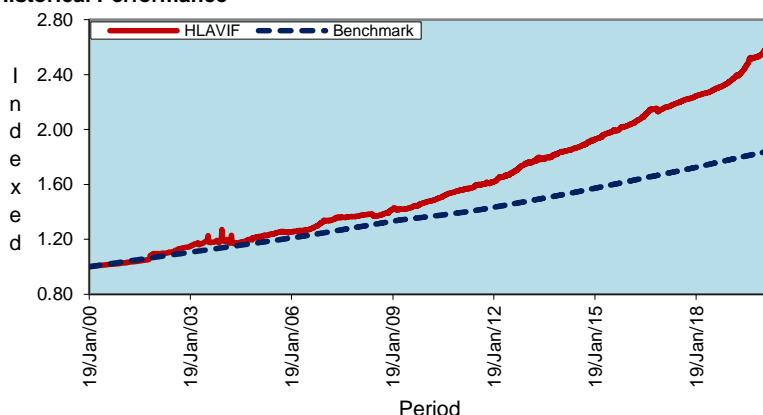
This fund is suitable for investors who have low to moderate risk profile

## Fund Details

Unit Price (31/3/2020)	:RM2.5869
Fund Size (31/3/2020)	:RM264.6mil
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

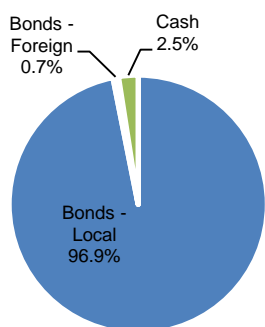
*The Company reserves the right to change the Fund Management Fee (% p.a.) by giving the Policy Owner ninety (90) days prior written notice.*

## Historical Performance



	YTD	1 month	1 year	3 years	5 years	10 years	Since Inception
HLAVIF	1.45%	-1.00%	8.08%	19.29%	32.63%	74.31%	158.69%
Benchmark*	0.61%	0.17%	2.88%	9.47%	16.51%	34.68%	84.32%
Relative	0.84%	-1.17%	5.20%	9.82%	16.12%	39.63%	74.37%

## Asset Allocation of HLAVIF as at 31 Mar 2020



## Top 5 Holdings for HLAVIF as at 31 Mar 2020

	%
1. M'SIAN GOVERNMENT SECURITIES 1	15.8
2. M'SIAN GOVERNMENT SECURITIES 0	13.1
3. M'SIAN GOVERNMENT SECURITIES 0	11.6
4. M'SIAN GOVERNMENT SECURITIES 2	7.6
5. MALAYAN BANKING BERHAD 3	7.1
<b>Total Top 5</b>	<b>55.3</b>

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### Market Review

The month of March saw a wave of extreme volatility where the 10-year US Treasury ("UST") yields completed a roundtrip between 1.2% and 0.3% in two weeks. The Covid-19 outbreak in major parts of the world caused a free fall in UST yields on flight to safety, but the subsequent funding squeeze resulted in a selloff. To avoid the broadening of liquidity and credit crunch, major central banks such as the Fed and European Central Banks have unleashed desperate measures in the form of unlimited quantitative easing.

The Malaysian Government Securities ("MGS") curve bear-steepened for the month of March, with the belly to long-end yield rising 50 to 60bps amid a selloff in durations. In general, Ringgit bonds have been weighted more heavily than regional peers, save for the twin-deficit Indonesia, as a combination of depressed crude oil prices, sovereign rating risk and domestic politics has affected the outlook on the Malaysian bond market. On a brighter note, S&P Global Ratings reaffirmed Malaysia sovereign rating with a stable outlook citing its confidence in the country's core credit strength which include its robust external position and highly credible monetary policy. As such, we have started to see foreign inflows into MGS again towards the end of March. The local corporate bond market was less robust relative to movements seen in the sovereign space. Trading volumes were more prominent in the government guaranteed papers such as Danainfra, Perbadanan Tabung Pendidikan Tinggi Nasional and Prasarana. Prominent issuances for the month include AEON Credit's A1-rated 10-year non call 5-year bonds totalling RM200 million with a coupon of 3.95% and Hap Seng Management Sdn Bhd's unrated 3- to 5-year bonds totalling RM500 million with coupon ranging from 3.85%-3.95%.

### Market Outlook & Strategy

At this current juncture, while unprecedented measures by major central banks have provided some form of confidence to the market, we expect to see another leg of volatility as the Covid-19-induced lockdown finds its way into more pronounced pressures on businesses that would eventually lead to worse-than expected economic weakness in the months to come. According to Moody's, if lockdowns around the world to contain the pandemic widespread are short and swift, the global default rate would reach 6.5% this year. However, in a more severe recession, extending into the second half of the year, defaults could surpass levels seen in the 2008 financial crisis and soar to 18.3%. The rating agency has also cut its outlook for US corporate debt from stable to negative as it anticipates a wave of corporate defaults.

On the local front, we think that near-term volatility on the MGS is inevitable given the bearish bias on the broader emerging markets, bigger government bond supply to support the local economy and pressure on Malaysia's sovereign rating as current weaknesses in the economy necessitates extensive fiscal stimulus measures. The government is facing an uphill task of balancing between supporting growth and keeping to its fiscal prudence stance. While the reaffirmation by S&P Ratings provided investors with some reassurance, views from the two other rating agencies, namely Fitch and Moody's, are expected to be closely monitored. As such, we adopt an active management in formulating our investment strategy. We will take advantage of weaknesses in the local sovereign market to lock in attractive yields; without hesitating to take profit should markets turn bullish.

# HLA Venture Income Fund (HLAVIF)

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

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Benchmark</b>	2.3%	2.8%	3.1%	3.1%	3.2%	3.2%	3.1%	3.0%	3.3%	3.0%
<b>HLAVIF- Gross</b>	7.0%	4.8%	10.0%	5.4%	5.8%	6.5%	6.9%	5.3%	5.6%	10.2%
<b>HLAVIF - Net</b>	5.9%	3.9%	8.7%	4.5%	4.8%	5.5%	5.8%	4.4%	4.6%	8.9%

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.

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