

# HLA Venture Managed Fund (HLAVMF)

Jan 2021

## 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.

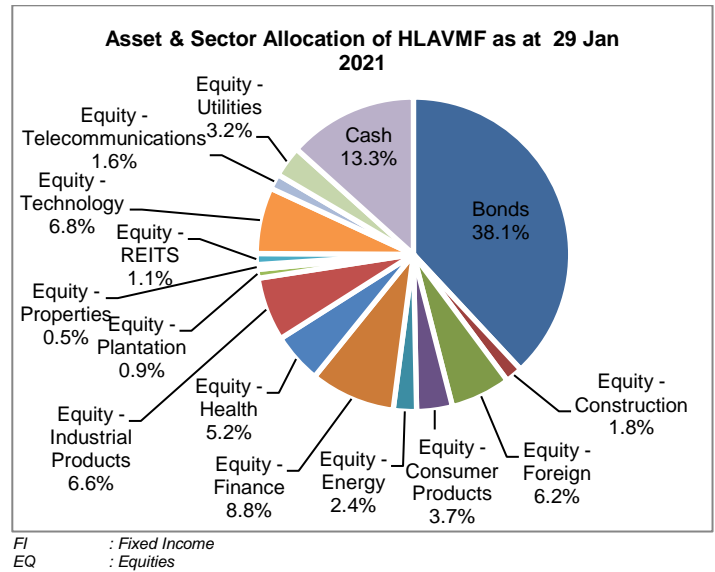
### 4. Target Market

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

## Fund Details

Unit Price (29/1/2021)	:RM2.4491
Fund Size (29/1/2021)	:RM316.4 mil
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

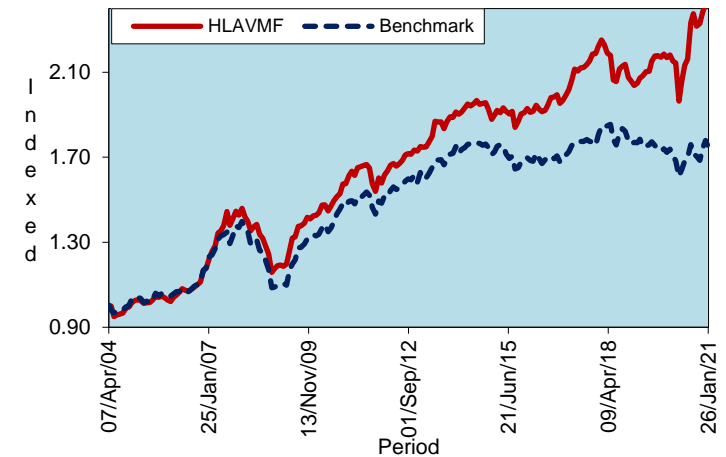
The Company reserves the right to change the cap of Fund Management Fee (% p.a.) by giving the Policy Owner ninety (90) days prior written notice. The Fund Management Fee will be reviewed monthly and will be revised if the previous month end actual asset allocation deviates by more than ten percent (10%)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



## Top 5 Holdings for HLAVMF as at 29 Jan 2021

Rank	Holder	Type	%
1.	TOPGLOV	EQ	4.1
2.	SCIB	EQ	3.6
3.	MAYBANK	EQ	3.2
4.	M'SIAN GOVERNMENT SECURITIES 1	FI	3.1
5.	CIMB	EQ	2.9
<b>Total Top 5</b>			<b>17.0</b>

## Historical Performance



	YTD	1 month	1 year	3 years	5 years	10 years	Since Inception
HLAVMF	1.29%	1.29%	13.76%	8.78%	28.16%	49.85%	144.91%
Benchmark*	-1.87%	-1.87%	2.20%	-5.50%	3.54%	16.77%	73.73%
Relative	3.16%	3.16%	11.56%	14.28%	24.62%	33.08%	71.18%

\*Source: Bloomberg, Maybank

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

## HLA Venture Managed Fund (HLAVMF)

### Market Review, Outlook & Strategy - Equities Market

Global equities ended the month of January lower despite the initial gains as sentiment was dragged towards the end of the month with concerns over expensive valuations, the rising number of Covid-19 cases and the slow inoculations of vaccines globally. However, investors should be able to take comfort from better-than-expected US 4Q20 earnings driven by IT and Banks. Macro wise, US GDP declined by 3.5% in 2020 (the first decline since the global financial crisis) and consensus now expects the US economy to grow between 4-5% in 2021. The US Fed has also kept its monetary policy on hold at its January meeting with no changes to its forward guidance on interest rates and asset purchases as well as indicating that rising inflation would not be a concern for now. Policies are expected to remain accommodative with an expected growth acceleration later this year. During the month, we also saw the tug of war between individuals and professional investors. Retail frenzies drove up the share prices of the likes of GameStop Corp and AMC Entertainment Holdings Inc while some of Wall Street's titan hedge funds had to lick their wounds following a series of short-squeeze events. The ruckus has also caused some hedge funds to change their shorting strategy to avoid the limelight. Volatility will continue to be high as trading sentiment has become more emotional with retailers ganging up on the hedgies.

The FBM KLCI was unfortunately the second worst performing market in Asean after Philippines. At the start of the year, we saw the resumption of regulated short selling on Bursa and the glove counters bore the brunt of sell-down during the first four trading days of the year. Sentiment was further spooked with rising Covid-19 cases and rumours of the reimposition of MCO. This materialised on 13th January beginning with 6 states but the situation has since deteriorated with cases hitting above 5k per day that has resulted in the whole country (except Sarawak) being placed under MCO. However, the economic losses per day under MCO 2.0 is around 40% less than the earlier MCO as more businesses are allowed to operate in some form. The Yang Di-Pertuan Agong also assented to the PM's request to declare a State of Emergency to suspend all political activities until 1st Aug, thereby giving some stability on the political front. On the vaccine side, Malaysia has so far signed agreements equivalent to ~81% of the population to be inoculated with various vaccine manufacturers, but immunisation will likely span over several phases beginning with front-liners from March, elderly/those with co-morbidities from May and the rest from August 2021.

Foreign and local institutions were net sellers of banks and rotated partially into healthcare stocks. Local retailers maintained their bullish stance on the market, net purchasing close to RM600m worth of stocks across most sectors except for healthcare (RM-195m) and technology (-RM19m). The FBMKLCI underperformed the broader market in the first trading month of 2021 with a larger decline. The KLCI declined by 3.7% mom to 1,566.40 pts. FBM Shariah Index, FBM Emas and FBM Small Cap indices were down by 2.2% mom, 3.4% mom and 2.5% mom respectively. KLTEC Index saw a +17.6% mom gain in January following the record-breaking capex plan commitments by large global foundries.

Regionally, investors will be following closely the roll-out of the vaccination programme in the developed world particularly in the US as well as prospects of another fiscal stimulus amounting to US\$1.9 trillion by newly-elected President Joe Biden. Domestically, the current high daily Covid-19 cases is straining the healthcare system to a breaking point. There could potentially be more cases involving foreign workers who are yet to be reported as only c.15% of the 1.7m foreign workers have done the mandatory Covid-19 screening since 1 Dec 20. Nevertheless, the government has reassured that it will not implement a total lockdown even under the worst-case scenario. With the current state of emergency lasting until Aug 21, this provides some sort of political stability until then. We will continue to be invested in both Covid-19 and recovery beneficiaries, skewing more towards the recovery theme.

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

The yields of U.S. Treasury ("UST") increased by 6,16 and 19bps respectively for the 5, 10, 30 years tenors in January 2021, driven primarily by optimism over the prospects of economic recovery. Such sentiments were underpinned by positive vaccine developments coupled with the election of Joe Biden and the Democrats taking control of both houses in Congress. Subsequent to his election, the president elect announced a proposed 1.9 trillion USD stimulus to cushion the economic ramifications brought about by the pandemic. The proposal shored up hopes for economic recovery and was reflected in the increase of UST yield. Additionally, the Federal Reserve's vocal stance of maintaining its dovish stance is also attributable to the increase in yields during the month.

On the local front, trading activities for govies market was more robust with RM74.1 billion traded in January 2021 compared with RM40.2 billion recorded in December 2020. On a monthly basis, the yield curve was steeper in January 2021 as the 3- and 5-year MGS yields declined by 3bps while yields for 10-, 15-, and 30-year MGS increased by 5bps, 10 bps and 9bps respectively. The demand for shorter term MGS was anchored on bearish sentiments of overall economic prospects given the continued spike in Covid-19 infections during the month. Additionally, the movement control order (MCO) 2.0 and its potential extension have also pressured prospects of economic recovery in the near term. Long end curve was hit by the expectation of a 25bps cut in OPR in the Jan 20th Monetary Policy Meeting ("MPC") which did not materialize as central bank held rates steady at 1.75%. Over the final week of January 2021, govies yield held steady, supported by Moody's reaffirmation of Malaysia's sovereign rating.

The corporate bond segment saw yields declining month on month across most of the tenors. Interest in the segment was driven primarily by hunts for yield given current low govies yields. In January 2021, Quasi and AAA bonds accounted for 55% of total traded volume, reflecting the demand for more liquid bonds. As of end January 2021, the spread for AAA 10Y bonds against MGS of similar tenor stood at 62bps or tighter by 6bps month on month. On the primary front, some prominent new issuances for the month were Danga Capital (RM2 billion, AAA) and Cagamas Berhad (RM110 million, AAA).

In the near term, the focus will center on the infection rate of Covid-19 and the MCO which was recently extended to 18 February from the initial 26 January. Additionally, eyes will also be S&P rating which has Malaysia's sovereign on a negative outlook. The timeline, progress and efficacy of the nation's vaccine programme will also exert considerable influence over yield movement. Over the near term, yield could be driven further down on renewed talks of OPR cuts in March as prolonged lock down may impact economic data and recovery pace which has been reiterated by BNM as rate decision factors. We will closely monitor the economic data releases and should strategically take profit when the sovereign market rally.

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

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Benchmark</b>	2.9%	7.0%	7.3%	-2.6%	-1.3%	-0.8%	6.6%	-1.9%	-1.8%	2.3%
<b>HLAVMF - Gross</b>	1.6%	10.3%	11.4%	-0.7%	4.3%	3.4%	15.4%	-7.6%	9.0%	13.1%
<b>HLAVMF - Net</b>	0.3%	8.3%	9.3%	-1.9%	2.7%	2.0%	12.9%	-8.3%	7.0%	10.8%

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**

**Hong Leong Assurance Berhad** 198201014849 (94613-X)

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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:

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

### 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 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.