

HLA Venture Income Fund (HLAVIF)

May 2019

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

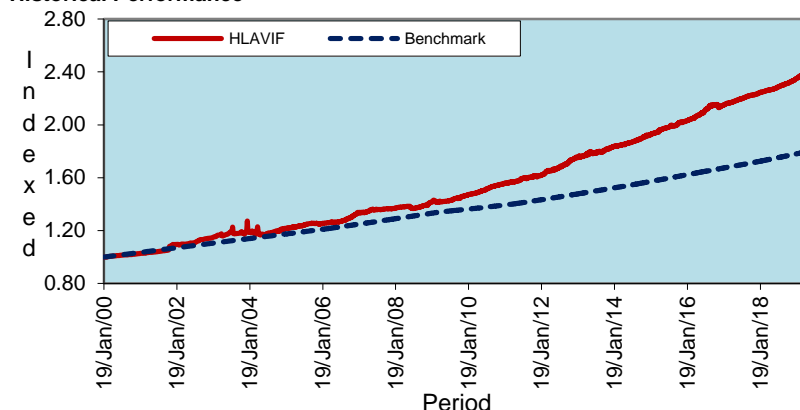
This fund is suitable for investors who have low to moderate risk profile

Fund Details

Unit Price (31/5/2019)	:RM2.4208
Fund Size (31/5/2019)	:RM174.4mil
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
HLA VIF	3.36%	0.87%	6.60%	16.24%	30.11%	70.31%	142.08%
Benchmark*	1.28%	0.23%	3.19%	9.66%	16.91%	33.91%	80.07%
Relative	2.08%	0.64%	3.41%	6.58%	13.20%	36.40%	62.01%

*Source: Maybank

Market Review

A slew of concerns which include the impact of escalating global trade war on global growth, tensions between Italy and the European Union, and the lack of clarity over how Britain will exit the European Union had collectively played their part in sending global yields lower. Investors around the world flocked to safe haven government bonds, dragging benchmark UST yields to 20-months low. The 10 year UST yield saw a significant plunge of approximately 37bps and is on its way to meet its next support level of 2.04%. The yield difference between the 3-month bills and 10-year notes also dived further into negative territory. The inversion – if it persists – is often viewed as a reliable indicator that a recession is likely to follow in the next 1-2 years. The corporate bond space, however, does not look as daunting as portrayed by the movement in Treasuries, despite a recent uptick in global volatility. Corporate bond yields have in contrast, fallen in May even as credit spreads widened.

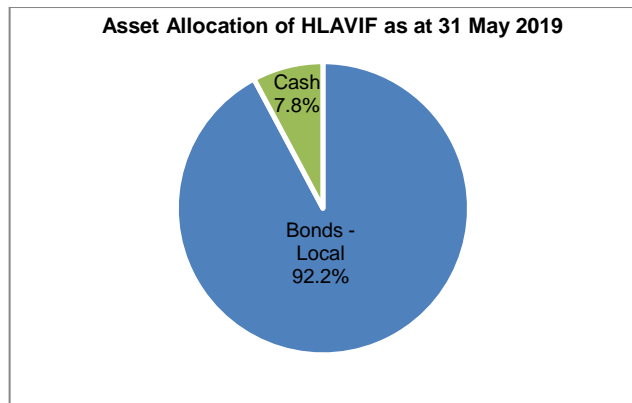
At home, local govies or Malaysian government securities ("MGS") also benefited from the bullish run of the UST and traded lower by 4 to 10bps compared to last month. On a separate note, BNM announced several initiatives to improve the onshore foreign exchange and bond market liquidity, likely in response to FTSE Russell's sudden announcement last month. As widely expected, BNM is not lifting the ban on offshore ringgit non-deliverable forwards trading and effort is focused on its intention to develop and deepen the onshore financial market. These market-friendly measures sent yields lower by about 2-4 bps in certain tenors for the day when the announcement was made. It is also worth highlighting that Malaysia, alongside Singapore and Vietnam, was added to a watchlist for currency manipulation by the US Treasury which BNM has subsequently refuted and reiterated Malaysia's commitment to a floating exchange rate regime. Despite the allegation, local govies were largely unshaken.

Secondary trading activity in the corporate bond space was rather mixed for the month of May. Investors' interest seems to favour the government guaranteed papers as well as papers from the AA space. Some of the prominent issuances that have joined the unrated league include the RM607 million Damansara Uptown Retail Centre Sdn Bhd and Sunway Berhad's RM150 million unrated perpetual bonds with coupon of 5.8%. For the rated papers, we saw the likes of RHB Islamic Bank Berhad tapping the market with its RM500million of AA3-rated issuance with a coupon of 4.32% and Putrajaya Bina Sdn Bhd's RM380 million AAA-rated 10-12 year bonds with coupons ranging between 4.15%-4.25%.

Market Outlook & Strategy

Consistent with our outlook for the previous month, we still think that the fixed income market remains a relatively attractive option for the rest of the year. We continue to expect market players to maintain their overweight stance on bonds given the slew of market-moving events that has put the global growth outlook on a weaker path. While the policy announcements and geopolitical battles have reignited investors' view for a rate cut in 2019, we think that the Fed will continue to maintain its current policy stance unless the impact on growth and inflation is more detrimental than expected. As the escalating trade tension is certainly looking increasingly gloomy with more industries and countries being affected, pressure on global growth is on the cards and more emerging countries are calling for the US to reconsider its negotiation with China with regards to their trade policies.

On the local front, we think that the liberalisation measures taken by BNM should be viewed positively by foreign investors. That said, the presence of external risk factors and considering the extent to which MGS has rallied year-to-date; further strength may be capped by profit-taking. While the risk of exclusion of MGS from the World Government Bond Index is partially mitigated by the said liberalisation measures, it is however unlikely to threaten the macro-stability given the depth of domestic funds. Our strategy is to constantly deploy the available cash in primary corporate bond issuances that are fundamentally strong for yield pick-up and trade on govies as and when the opportunity arises. We would continue to be proactive in making adjustments to our trading and investment strategies to take advantage of the ever-changing market dynamics and developments.



Top 5 Holdings for HLA VIF as at 31 May 2019

	%
1. M'SIAN GOVERNMENT SECURITIES 0	12.3
2. MALAYAN BANKING BERHAD 3	5.9
3. M'SIAN GOVERNMENT SECURITIES 1	5.9
4. M'SIAN GOVERNMENT SECURITIES 0	5.6
5. ALLIANCE BANK MALAYSIA BHD 1	5.0
Total Top 5	34.7

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HLA Venture Income Fund (HLAVIF)

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

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Benchmark	2.3%	2.3%	2.8%	3.1%	3.1%	3.2%	3.2%	3.1%	3.0%	3.3%
HLAVIF- Gross	4.7%	7.0%	4.8%	10.0%	5.4%	5.8%	6.5%	6.9%	5.3%	5.6%
HLAVIF - Net	3.8%	5.9%	3.9%	8.7%	4.5%	4.8%	5.5%	5.8%	4.4%	4.6%

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 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.