

HLA Venture Income Fund (HLAVIF)

Apr 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

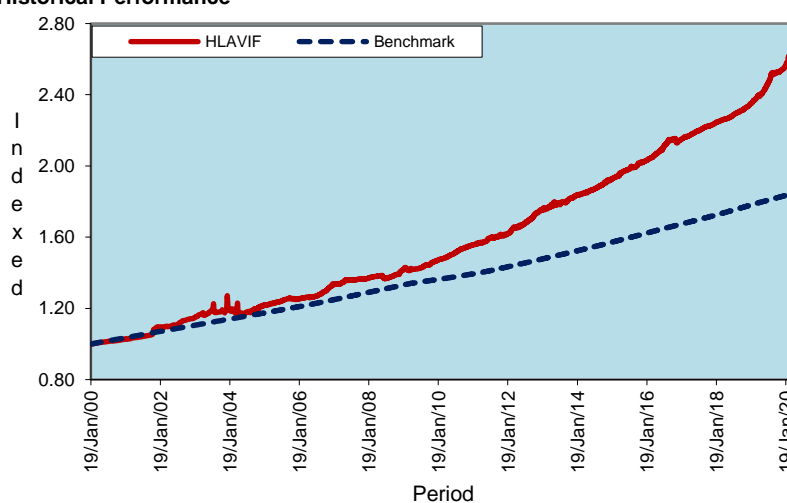
This fund is suitable for investors who have low to moderate risk profile

Fund Details

Unit Price (30/4/2020)	:RM2.6695
Fund Size (30/4/2020)	:RM279.3mil
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

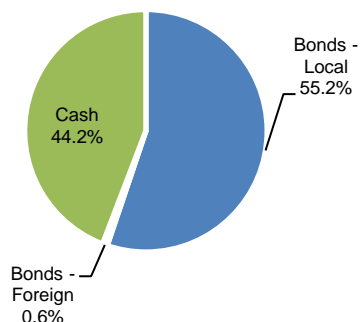
The Company reserves the right to change the Fund Management Fee (% p.a.) by giving the Policy Owner ninety (90) days prior written notice.

Historical Performance



	YTD	1 month	1 year	3 years	5 years	10 years	Since Inception
HLAVIF	4.69%	3.19%	11.23%	22.66%	35.98%	79.03%	166.95%
Benchmark*	0.20%	-0.41%	2.17%	8.77%	15.73%	33.89%	83.57%
Relative	4.49%	3.60%	9.06%	13.88%	20.24%	45.14%	83.38%

Asset Allocation of HLAVIF as at 30 Apr 2020



Top 5 Holdings for HLAVIF as at 30 Apr 2020

	%
1. M'SIAN GOVERNMENT SECURITIES 2	7.6
2. MALAYAN BANKING BERHAD 3	6.9
3. UNSECURED CREDIT FACILITIES	4.8
4. M'SIAN GOVERNMENT SECURITIES 0	4.4
5. M'SIAN GOVERNMENT SECURITIES 1	3.9
Total Top 5	27.5

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Market Review

After a major move seen in March, movement in the US Treasury ("UST") yields remained largely rangebound in the month of April with the 10-year UST yields oscillating between 0.56% to 0.77% before it closed the month at 0.64%. The US Federal Reserve's ("Fed") statement of unlimited support has evidently provided a great amount of liquidity cushion against large swings that occurred when the Covid-19 crisis found its way into paralysing the deeply liquid financial market. Henceforth, the spotlight for April was anchored on Fed's willingness to buy corporate debt including those with junk grades. The unprecedented support by the Fed with no clear caps and conditions had indirectly led Boeing (rated BBB-) – the airplane manufacturer- to issue a whopping USD25 billion in bond offering to shore up liquidity. Since the World Health Organization declared the coronavirus a pandemic, corporations issued USD265 billion in debt through April 27, twice as much than the same period last year. Notably, given the Fed's success in supporting the markets, central banks around the world have also jumped onto the bandwagon, albeit less aggressive relative to that of the Fed.

On the local front, the Malaysian Government Securities ("MGS") yields compressed 40-60bps across the curve on the back of huge downward pressure in oil prices as gloomy forecasts for oil demand during the coronavirus pandemic flared up. The short to belly MGS curve outperformed the long end curve on high expectations for a 50bps rate cut by BNM in May 2020. It is worth noting that the snapback in MGS yields in April was evidently as quick as the selloff in seen in the prior month.

Activity also picked up in the local corporate bond market with increased demand across the various rating bands. Prominent issuance for the month is Danum Capital Berhad's RM2 billion multi-tranche issuance which was upsized from an initial target of RM1.5 billion.

Market Outlook & Strategy

At this current juncture, while unprecedented measures by major central banks have provided immense confidence to the market, we expect to see persistent economic weakness as the global pandemic necessitated longer-than-expected lockdowns. While some major economies are gradually reopening, we opine that the risk of a second wave should not be completely ruled out. Henceforth, we would not be surprised to see default rates being revised higher should a second wave of economic lockdown play out. Moody's raised its default forecast for end-2020 to 10.6% and edge higher to 11.3% by end-March 2021 (March 2020: 3.5%) underpinned by the expectation of recessions in many large economies following the unprecedented turmoil in the financial market.

On the local front, while the MGS curve is now back to the pre-selloff levels in February, its valuation has indeed priced in the 50bps cut in OPR from 2.50% to 2%. BNM has ample policy space to adjust from the expected OPR level in May, which it has done, and the availability of unconventional monetary policy which may include direct purchase of government bonds at their disposal. As Malaysia is also directly impacted by the global oil rout given the country's status as an oil exporter, the demand and supply pressure may play out unfavourably for the country's fiscal position and in turn its credit rating going forward. That said, we think that near-term volatility on the MGS is inevitable given the abovesaid uncertainties. As such, we will continue with our active management in managing the portfolios. We will sell on strength when opportunity arises to lock in profit and gradually rebuild the position when the valuation turns cheaper again.

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

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Benchmark	2.3%	2.8%	3.1%	3.1%	3.2%	3.2%	3.1%	3.0%	3.3%	3.0%
HLAVIF- Gross	7.0%	4.8%	10.0%	5.4%	5.8%	6.5%	6.9%	5.3%	5.6%	10.2%
HLAVIF - Net	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

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- (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.