HLA Venture Managed Fund (HLAVMF)

Sep 2020

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.

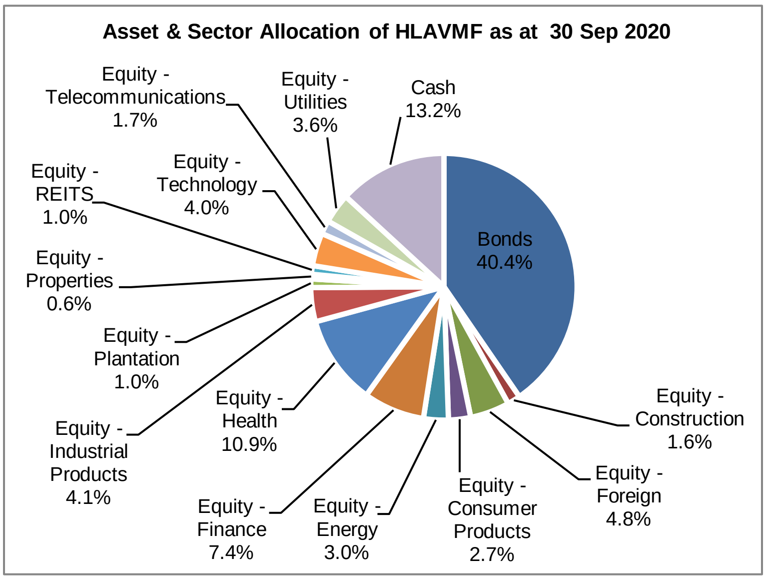
4. Target Market

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

Fund Details

Unit Price (30/9/2020)	:RM2.3168
Fund Size (30/9/2020)	: RM287.0 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.

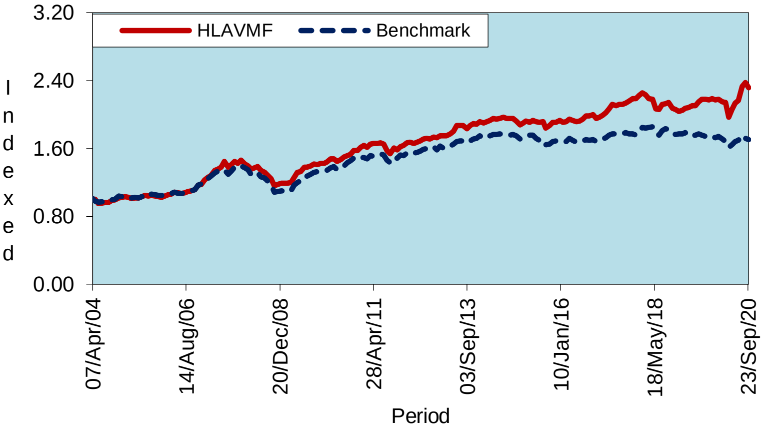


FI : Fixed Income
EQ : Equities

Top 5 Holdings for HLAVMF as at 30 Sep 2020

			%
1.	SUPERMX	EQ	5.2
2.	TOPGLOV	EQ	4.7
3.	M'SIAN GOVERNMENT SECURITIES	FI	3.2
4.	MAYBANK	EQ	3.2
5.	TENAGA	EQ	3.1
	Total Top 5		**19.6**

Historical Performance



	YTD	1 month	1 year	3 years	5 years	10 years	Since Inception
HLAVMF	6.20%	-2.48%	6.76%	7.52%	23.95%	51.49%	131.68%
Benchmark*	-1.91%	-0.59%	-1.39%	-3.91%	3.27%	17.06%	69.74%
Relative	8.10%	-1.89%	8.15%	11.43%	20.68%	34.43%	61.94%

*Source: Bloomberg, Maybank

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Market Review, Outlook & Strategy - Equities Market

Global equities succumbed to profit taking in September led by technology stocks post-results and corporate actions after five consecutive months of gains. Sentiment was also weighed by disappointing US unemployment data and rising US-China tensions over the two Chinese social media apps. Federal Reserve officials also continued to flag concerns over a weak US economy that is in need of another fiscal stimulus package. Some optimism surfaced on stimulus as the Democrats in the US House of Representatives unveiled a US$2.2 trn coronavirus relief package that includes restoring the additional US$600 per week jobless benefit with the administration resuming talks with the Democrats on closing the gap on the size of the stimulus. Elsewhere, the European Central Bank (ECB) President Lagarde said that the ECB continues to stand ready to deploy more monetary stimulus to aid recovery, if needed, and that the central bank does “not target the exchange rate”.

Domestically, Bank Negara Malaysia (BNM) left the Overnight Policy Rate unchanged at 1.75% during the recent Monetary Policy Committee Meeting after 4 consecutive cuts since the start of 2020. BNM expects economic activity to recover from the trough in Apr 20 and inflation pressures to remain muted in 2020. We also saw Malaysia being retained on the watch list of FTSE World Govt Bond Index (WGBI) with the next review in Mar 21. During the month, Prime Minister Muhyiddin Yassin also unveiled additional stimulus measures amounting to RM10b – under Kita Prihatin, which targets the B40, M40, workers and micro businesses in several sectors. The political drama continued with Anwar Ibrahim claiming to have secured the majority support to be the next PM just before the Sabah state elections while awaiting an audience with the King. Sabah’s state elections saw the GRS (coalition party of BN+PN+PBS) winning a simple majority of 38 seats unseating Warisan Plus (Warisan+DAP+PKR+UPKO) who won 32 seats and the Independents with 3 seats (who have since aligned themselves with GRS). Meanwhile Malaysia is experiencing another wave of Covid-19 with the recent spike in the number of cases. The government for now has ruled out the need to have a full lockdown like the previous Movement Control Order.

For the month of September, FBMKLCI declined by 1.3%, outperforming the broader market. FBM Emas Shariah was down by 2.0%, FBM Emas declined by 2.3% and FBMSC was down by 6.3%. Retailers continued to be net buyers at +RM1.4bn (USD335m) whilst foreign institutions remained net sellers at – RM2.0bn (USD478m). Retailers and local institutions accounted for 38% and 47% of value traded respectively, markedly higher than what it used to be before the MCO. Foreign institutions accounted for 15% of value traded.

Regionally all eyes will be on the upcoming US Presidential elections in Nov 20, where markets have not fully discounted the possibility of a long-drawn dispute if President Donald Trump refuses to concede defeat should he lose. Domestically, investors will be monitoring 1) newsflow on political developments after Datuk Seri Anwar Ibrahim’s claim that he has a “strong, formidable majority” to form a new Federal Government, 2) the outcome from the end of the loan moratorium period in September as well as the 3) recent spike in the number of cases for Covid-19. We continue to advocate a defensive trading approach favoring stocks that offer earnings certainty with dividend yields as well as stocks that are beneficiaries from the structural changes brought about and accelerated by Covid-19.

Market Review, Outlook & Strategy - Fixed Income Market

In the month of September, the US Treasury (“UST”) market bull flattened modestly with the long end yield declining by 10bps, generally led by flight to safe haven trades. The FOMC on 15th September kept rates unchanged at 0-0.25% and indicated the expectations for rates to remain at current low levels until maximum employment is achieved and inflation to exceed 2.0%. Later on, Fed followed with an economic projection update which did not show signs that inflation will exceed 2.0% before end of 2023. Hence, this suggested that interest rates will not be raised anytime soon.

The domestic bond market began the month with some pull back from profit taking after the parliament of Malaysia on 24th August approved the government's plan to raise its debt. However, as soon as Malaysia’s central bank maintained the Overnight Policy Rate (“OPR”) at 1.75% on 10th September, the selloff accelerated. Ahead of the risk events, specifically FTSE Russell decision’s on 25th September and political backdrop, we saw an abrupt upward adjustment on the entire govvies curve. This was led by the weak and long-tail auction results on 30-year Government Investment Issues (“GII”).

The long-awaited announcement from FTSE Russell finally reported that Malaysia is retained in the World Government Bond Index (“WGBI”) but it will remain on watch list for exclusion. This news somehow has supported bond market sentiment slightly. However, some pressure remains in the longer term as China is set to be included into the WGBI in stages starting next Oct-2021, with weighting anticipated around 5-6% of the index. Malaysia’s weight is pretty small at 0.4%, so some viewed that total possible long-term outflow out of Malaysia in view of China’s inclusion should be manageable. Overall, Malaysia Government Securities (“MGS”) yields shifted upward by 7-15bps across the curve, save for the 15- and 20-year MGS benchmark that have a net decline in yields of -2 and -11bps respectively as the bonds recouped from their oversold level earlier.

In corporate bond market, trading activities have been lackluster as investors were on defensive positioning while waiting for govvies yields to find its footing. On the primary front, prominent new issuances for the month were Pengurusan Air SPV Bhd’s 7-15 years AAA-rated bond with yields ranging from 2.91% to 3.65% amounting to RM765 million, Danainfra Nasional Bhd’s 7-25 years government guaranteed (“GG”) bond with yields ranging between 2.66%-4.01% totaling RM4 billion, Malaysia Rail Link Sdn Bhd’s 10-25 years GG bond with yield ranging between 2.87%-3.89% totaling RM800 million and Swirl Assets Bhd’s AAA-rated 1-10 year bonds with yield ranging between 3.20%-3.90% amounting to RM595 million.

Generally, the sentiment on the global macro environment was bearish. Also, there is a lack of positive news, such as an accommodative monetary policy and a stimulating fiscal policy to revive the sentiment. Instead, market is systematically de-risking as the US Presidential Elections is approaching and this theme is expected to continue moving into the last quarter of the year.

Market sentiment on the local front is expected to remain defensive amidst the ongoing political instability and uncertainty in the recovery of the economy. Also, the heavy primary corporate bonds pipeline as well as more supply of govvies should the government require funding needs to facilitate the stimulus package to combat the economic impact of the Covid-19 pandemic may push the yields higher. Thus, we will stay defensive. While bracing for the potential trend reversal on bond yields, we will also be mindful of the impact of any resurgence in Covid19 that could potentially protract the economic recovery and result in lower yields again.

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

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Benchmark	11.6%	2.9%	7.0%	7.3%	-2.6%	-1.3%	-0.8%	6.6%	-1.9%	-1.8%
HLAVMF - Gross	15.7%	1.6%	10.3%	11.4%	-0.7%	4.3%	3.4%	15.4%	-7.6%	9.0%
HLAVMF - Net	13.2%	0.3%	8.3%	9.3%	-1.9%	2.7%	2.0%	12.9%	-8.3%	7.0%

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.

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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 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.