

# HLA Venture Managed Fund (HLAVMF)

**May 2017**

## 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.

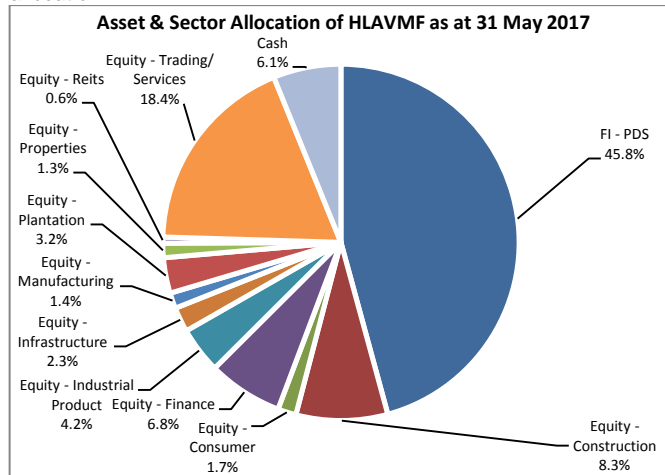
### 4. Target Market

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

## Fund Details

Unit Price (31/5/2017)	:RM2.1061
Fund Size (31/5/2017)	:RM207.2mil
Fund Management Fee (effective as at 01/09/2015)	: 1.17% 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 10 Holdings for HLAVMF as at 31 May 2017

		%
1. TENAGA	EQ	5.3
2. MAYBANK	EQ	4.1
3. MALAYAN BANKING BERHAD 2 6.30% 25/9/2018	FI	3.7
4. ALLIANCE BANK MALAYSIA BHD 5.65% 18/12/2020	FI	3.5
5. MALAYSIA AIRPORTS HOLDINGS 5.75% 13/12/2024	FI	3.5
6. RHB BANK BERHAD 4.4% 30/11/2017	FI	2.9
7. BGSM MANAGEMENT S/B 5.25% 24/12/2020	FI	2.5
8. CIMB GROUP HOLDING 2 5.80% 25/5/2021	FI	2.5
9. LEMBAGA PEMBIAYAAN PERUM 1 4.58% 16/04/2027	FI	2.5
10. HONG LEONG BANK 2 4.80% 24/06/2019	FI	2.4
<b>Total Top 10</b>		<b>32.9</b>

## Hong Leong Assurance Berhad (94613-X)

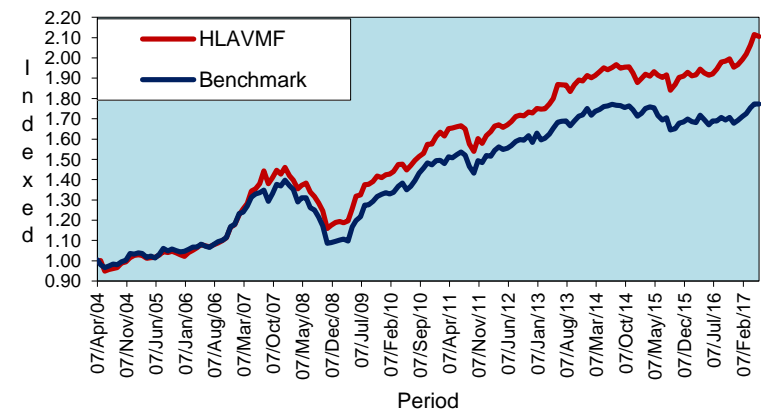
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FI : Fixed Income  
EQ : Equities

## Historical Performance



	1 month	YTD	1 year	5 years	10 years	Since Inception
HLAVMF	-0.44%	7.06%	9.97%	26.09%	55.48%	110.61%
Benchmark	0.05%	4.74%	6.14%	13.98%	33.35%	76.45%
Relative	-0.49%	2.32%	3.83%	12.12%	22.13%	34.16%

## Market Review, Outlook & Strategy - Equities Market

Equity markets started the month strong led by optimism in developed markets over stronger economic data and better corporate earnings. Crude oil prices also rallied close to US\$52/barrel following assurances from Saudi Arabia that Russia may join OPEC in prolonging the supply cuts to tackle a persistent global glut. However, emerging markets turned mixed following the abrupt dismissal of the US President's FBI chief, throwing doubts over Trump's pro-growth policies. The release of the Federal Open Market Committee meeting also indicated that policymakers thought it would "soon be appropriate" to raise rates again, with markets pricing in high probability of a June rate hike. In Malaysia, investors were taken aback by the aborted Bandar Malaysia deal at the 11<sup>th</sup> hour and on a smaller scale, the cancellation of the planned merger between UMW Oil and Gas with Orkim and Icon Offshore. Market sentiment failed to be lifted when the stronger than expected 1Q17 GDP growth of 5.6% YoY was announced. Bank Negara Malaysia also kept the overnight policy rate unchanged at 3% with a neutral tone, suggesting that they are likely to keep monetary policy accommodative and supportive of the domestic economy on the back of expectations of strengthening growth momentum. There was no shortage of corporate activity in May with the sale of a stake in Proton to Geely, proposed 1-for-1 rights by MRCB to raise RM2.2-2.9b and the potential merger between RHB and AMMB. The 1Q17 earnings season also saw more companies reporting results that were in line. Major sectors like the banks, plantation and petrochemicals saw stronger yoy earnings growth while the consumer-related sectors (both gaming and media) saw earnings misses.

For the month, the KLCI fell 0.19% or 2pts to close at 1,766pts. The broader market underperformed the KLCI, with the FBM Emas declining a higher 0.5% mom to 12,569pts. The finance sector was the best performing sector in May, rising by 1.3% mom. FBM Small cap index fell 2.3% to 17,246pts, also underperforming the KLCI. Average daily value traded on Bursa in May was 6% higher mom at RM2.99bn.

Moving into the month of June, profit taking activities may continue. While we are positive on the synchronized global recovery, we are also mindful of the external headwinds that are driving volatility with valuations running ahead of earnings delivery. Investors also seem overly sanguine on risks, of which there are many. We are repositioning our funds by taking some profit on major outperformers and look to buy on market dips of names that continue to have strong fundamentals including certainty of earnings and high yield potential.

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

Sentiment in the Malaysian Government bond market continued to be bullish for month of May. MGS yields tightened with renewed demand following BNM's recent forex measures which now allow a dynamic hedge ratio of 100% from 25% previously. With that MGS are back on foreign investors' radar with net inflows of MYR6.8b in April (Mar: -MYR26.2b). Correspondingly, external reserves rose by USD0.7b to USD96.1b (Mar: USD95.4b). As at end May, the Ringgit strengthened against the USD by 1.38% from RM4.341 at end-April to RM4.2813 at end-May, while the 5 years and above MGS benchmark were lower by 1.6-15.1bps. On the economic front, BNM kept OPR at 3.0% to support domestic economic growth. The central bank also hinted at a potential upside in 2Q17 growth, but maintains the view that headline inflation will moderate in 2H17. Malaysia's GDP expanded 5.6% YoY in 1Q17 (4Q16: 4.5%) on the back of a pickup in domestic demand and export/import growth which accelerated to 7.7% (4Q16: 3.3%) and 9.8%/12.9% (4Q16: 1.3%/0.7%) respectively. April CPI figures also moderated to 4.4% YoY suggesting inflation may have peaked in March at 5.1% YoY.

The bullishness in MGS extended to the corporate bond space. Secondary corporate bond yields followed suit to tighten but trading interest was moderate as investors may have been waiting for the primary pipeline. As such, during the month there were a few new issuances coming to the market to take advantage of the lower MGS curve. The strategy remains to focus on primary issues for yield pickup and size. However, as primary supply is expected to slow in June, we will cherry pick some secondary bonds should the yields spike due to expectations of a Fed Rate hike.

# HLA Venture Managed Fund (HLAVMF)

## Actual Annual Investment Returns for the Past Five (5) Calendar Years

Year	2012	2013	2014	2015	2016
Benchmark	7.0%	7.3%	-2.6%	-1.3%	-0.8%
HLAVMF - Gross	10.3%	11.4%	-0.7%	4.3%	3.4%
HLAVMF - Net	8.3%	9.3%	-1.9%	2.7%	2.0%

Net returns are adjusted for tax and fund management fees.

Those are the actual returns in the past five (5) 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 detailed explanation of the risk 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 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.