

HLA Venture Income Fund (HLAVIF)

October 2021

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

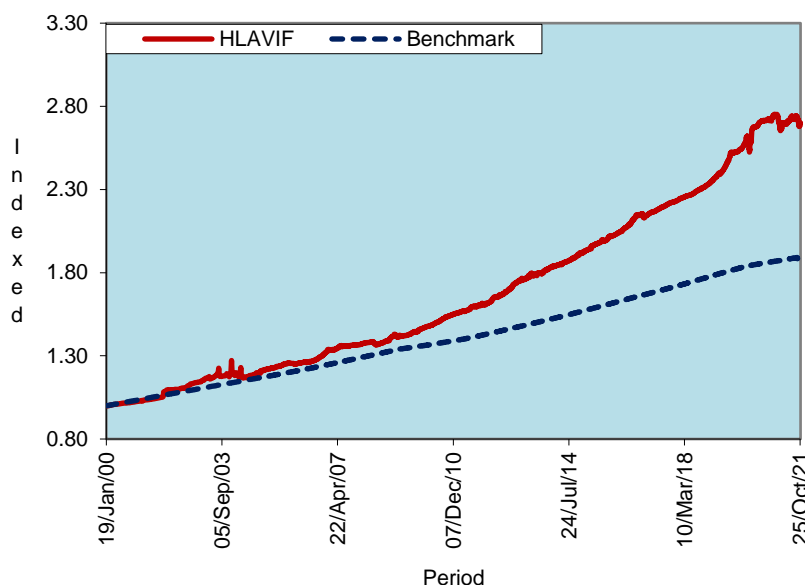
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Fund Details

Unit Price (29/10/2021)	:RM2.6992
Fund Size (29/10/2021)	:RM462.3 mil
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.

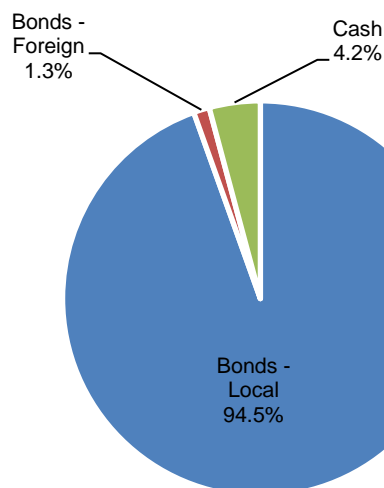
Historical Performance



	YTD	1 month	1 year	3 years	5 years	10 years	Since Inception
HLAVIF	-1.78%	-0.75%	-0.92%	16.38%	25.43%	68.17%	169.92%
Benchmark*	0.99%	0.14%	1.28%	6.66%	13.41%	32.45%	88.62%
Relative	-2.77%	-0.88%	-2.19%	9.72%	12.02%	35.73%	81.30%

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

Asset Allocation of HLAVIF as at 29 Oct 2021



Top 5 Holdings for HLAVIF as at 29 October 2021

	%
1. M'SIAN GOVERNMENT SECURITIES 0	12.8
2. M'SIAN GOVERNMENT SECURITIES 1	12.5
3. MALAYSIA INVESTMENT ISSUE 3	11.0
4. M'SIAN GOVERNMENT SECURITIES 1	10.0
5. MALAYSIA INVESTMENT ISSUE 1	8.7
Total Top 5	55.0

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Market Review

Global sovereign bond yields remain elevated with synchronised bear flattening pattern. This is on the back of sharp rise in crude oil prices with potential inflation spikes in the mind of many traders. The 10-year U.S. Treasury (UST) traded as high as 1.70% before it closed the month at 1.55%, an increase of 6bps MoM, while yield on 30-year climbed up to 2.16% before it came down to 1.99% (-11bps MoM) at close. Investors expect the Fed to carry on with bond tapering in November despite weaker than expected non-farm payroll since Powell had mentioned earlier that there was no need for a very strong job report to go ahead with tapering. In the U.K., Bank of England officials moved to reinforce signals of an imminent rise in interest rates to curb inflation. These heightened the bearish sentiment further and global bond sell-off extended with rate hike expectations being priced in.

On the local front, government bonds (MGS and GII) continued with bloodshed alongside a broader sell-off in global sovereign bonds during the month. MGS yield curve bear flattened with yield rising by 11 to 29bps MoM, with the long-end curve outperforming. Heavy supply schedule on both government bonds and government guaranteed ("GG") space coupled with uncertainty in Budget 2022 figures, also contributed to the overall weakness in the local bond market.

In the corporate bonds segment, the GG curves were marked higher similar to that of government bonds. Most of the rated-credits curves were shifted higher with the exception of the bank papers where yield moved a tad lower in October. Some prominent new issuances during the month were Cagamas (RM1.0 billion, AAA), Danainfra Nasional Bhd (RM1.9 billion, GG), Gamuda Land Sdn Bhd (RM400 million, AA3), Malaysian Resources Corporation Bhd (RM600 million, AA-), Bank Pembangunan Malaysia Bhd (RM450 million, AAA), Pengurusan Air Selangor Sdn Bhd (RM1.0 billion, AAA), Maybank Ageas Holdings Bhd (RM1.0 billion, AA2), Bank Simpanan Nasional Bhd (RM750 million, AAA).

Market Outlook & Strategy

The recent sell-off in the global bond market was mainly driven by the fear of global inflationary factors that drove investors to pare down duration and lead to bear flatten curve. Global bond yields lead by UST, is expected to be on flattening bias as overall sentiment remains weak amid the threat of persistently high inflation coupled with central banks tightening.

As for Malaysia, the 2022 budget suggested that the government will resume its consolidation path from 2022 onwards, guiding a lower budget deficit of RM97.5 billion / 6.0% of GDP (2021E: RM98.8 billion / 6.5% of GDP). The budget implied a lower estimated gross MGS/GII issuance in 2021 of RM160 billion. This translates to an estimation of an average size of RM4 billion each for the remaining five auctions. These average auction sizes are palatable compared to the larger auction amount issued earlier in the year, a marginal positive alleviating some pressure on the curve.

Looking ahead to 2022, economists forecasted the gross issuance of MGS/GII to be in the range of RM165 billion to RM170 billion, which is relatively larger than 2021E. Our strategy is to bargain hunt should supply pressure surface ahead of and during primary auctions especially if the issuances are front-loaded next year.

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

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Benchmark	2.8%	3.1%	3.1%	3.2%	3.2%	3.1%	3.0%	3.3%	3.0%	1.5%
HLAVIF- Gross	4.8%	10.0%	5.4%	5.8%	6.5%	6.9%	5.3%	5.6%	10.2%	9.0%
HLAVIF - Net	3.9%	8.7%	4.5%	4.8%	5.5%	5.8%	4.4%	4.6%	8.9%	7.8%

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**
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

HLA Venture Income Fund (HLAVIF)

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 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.