

HLA Venture Income Fund (HLAVIF)

January 2022

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

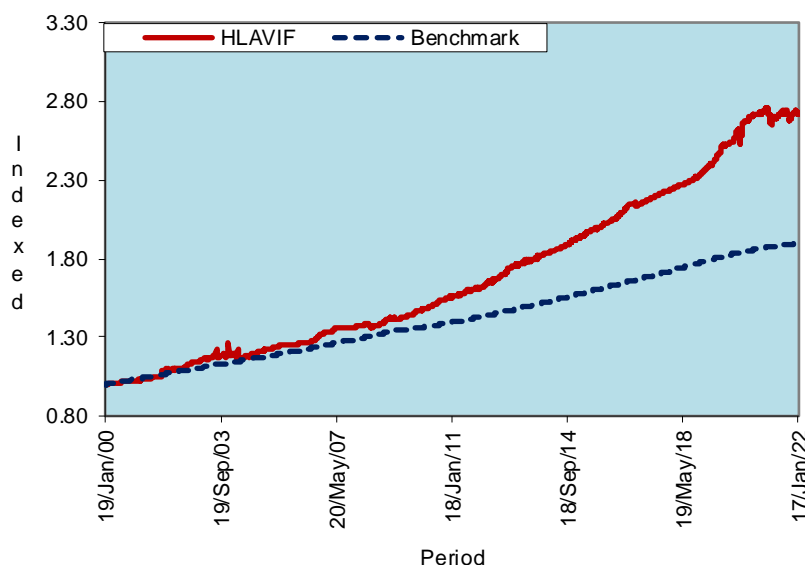
This fund is suitable for investors who have low to moderate risk profile

Fund Details

| | |
|-----------------------------|---------------------------------------|
| Unit Price (31/1/2022) | :RM2.7260 |
| Fund Size (31/1/2022) | :RM487.3 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.

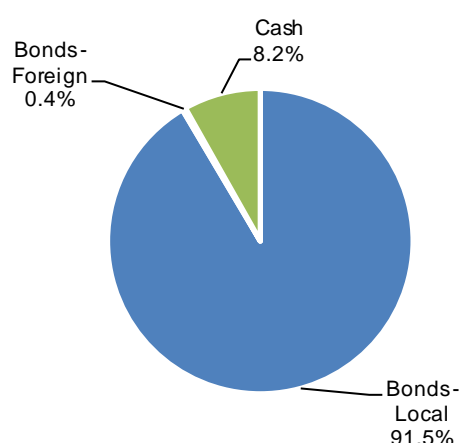
Historical Performance



| | YTD | 1 month | 1 year | 3 years | 5 years | 10 years | Since Inception |
|------------|--------|---------|--------|---------|---------|----------|-----------------|
| HLAVIF | -0.38% | -0.38% | -0.90% | 15.65% | 26.49% | 67.83% | 172.60% |
| Benchmark* | 0.14% | 0.14% | 1.72% | 6.72% | 13.54% | 32.57% | 90.24% |
| Relative | -0.52% | -0.52% | -2.62% | 8.93% | 12.96% | 35.25% | 82.36% |

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

Asset Allocation of HLAVIF as at 31 Jan 2022



Top 5 Holdings for HLAVIF as at 31 Jan 2022

| | % |
|-----------------------------------|------|
| 1. M'SIAN GOVERNMENT SECURITIES 0 | 12.2 |
| 2. M'SIAN GOVERNMENT SECURITIES 1 | 12.0 |
| 3. MALAYSIA INVESTMENT ISSUE 3 | 10.4 |
| 4. M'SIAN GOVERNMENT SECURITIES 1 | 9.5 |
| 5. MALAYSIA INVESTMENT ISSUE 1 | 8.3 |
| Total Top 5 | 52.3 |

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HLA Venture Income Fund (HLAVIF)

Market Review

The new year began with a resounding shift in tone with regards to inflation and anticipated policy action by the Fed. The 2-, 5-, 10- and 30-year UST yields increased by 45, 35, 27 and 20bps m-o-m as fear of rising inflation became more pronounced coupled with the increasingly hawkish tone of the Fed. US CPI which came in at 7% in December 2021, the highest 12 month jump since 1982, contributed to a shift in the previous consensus view that inflation was transitory and there is no real need to aggressively alter policy measures in lieu of it. The gradual emergence of a more hawkish Fed, which signalled an acceleration of the tapering timeline and three or more rate hikes in 2022, was largely responsible for the increase in yields during the period. Additionally, talks of the Fed's desire to trim its balance sheet, which could result in them offloading their UST holdings, also did not bode well for yields during the period. The 10-year UST which has hovered around the 1.80% level during the month, briefly touched 1.90% in the third week, the highest it has been since January 2020.

On the domestic front, govies yields took cue from the movement in the UST market with the 10-, 15- and 30-year MGS increasing by 8, 15 and 15 bps m-o-m, respectively. There were no significant macroeconomic drivers, as infection numbers remained stable and economic activity continued operating without much encumbrance. The public policy front was also relatively muted during the month. The first MPC meeting of the year was met with jittery sentiment, as yields on the 10-year MGS jumped close to 13bps ahead of the meeting, in anticipation of a similar hawkish tilt to that of its US counterpart. Subsequent to the relatively neutral tone of the MPC, which emphasised caution in forecasting future growth while acknowledging downside risks, the 10-year MGS eased by about 6bps. We observed that international players' confidence in the domestic bond market remained stable, as evidenced by net foreign inflows of RM6.3 billion in December 2021.

In the corporate bond segment, some prominent new issuances during the month were MEX 1 Capital Berhad (RM1.13 billion, A2), Cagamas Berhad (RM1.03 billion, AAA) and Dialog Group Berhad (RM500 million, AA2).

Outlook & Strategy

Over the near term, movement in the UST would likely be influenced by the tone and stance of the Fed. We believe the days of labelling inflation as transitory is over and the Fed will be more attentive to price pressures. We believe market participants are anticipating tighter monetary policy action with some players even expecting more than three rate hikes in 2022.

On the domestic front, the MGS will likely continue to track the movement in the UST market. Fundamentally, the continued resumption of economic activity coupled with stable infection rates and encouraging vaccination rate, should keep risk-off sentiment at bay. However, risk-off sentiment could resurface should any evolution in Covid virus result in renewed economic deterioration. As such, we will maintain a vigilant approach on credit selection when investing in corporate bonds. For govies, our strategy is to bargain hunt during primary auctions should the level become more appealing while maintaining the portfolio's current duration.

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

| Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|-----------------------|-------|------|------|------|------|------|------|-------|------|-------|
| Benchmark | 3.1% | 3.1% | 3.2% | 3.2% | 3.1% | 3.0% | 3.3% | 3.0% | 1.5% | 1.7% |
| HLAVIF - Gross | 10.0% | 5.4% | 5.8% | 6.5% | 6.9% | 5.3% | 5.6% | 10.2% | 9.0% | 0.1% |
| HLAVIF - Net | 8.7% | 4.5% | 4.8% | 5.5% | 5.8% | 4.4% | 4.6% | 8.9% | 7.8% | -0.4% |

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.

- 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 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:

- having a flexible tactical asset allocation
- investing in a wide range of companies across different sectors
- setting prudent investment limits on various exposures
- taking into account the liquidity factor in selecting securities
- 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.