

HLA Venture Income Fund (HLAVIF)

Sep 2019

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

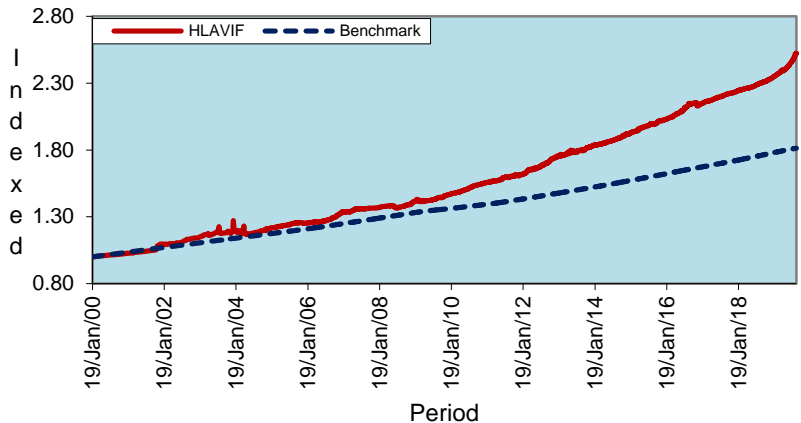
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Fund Details

Unit Price (30/9/2019)	:RM2.5214
Fund Size (30/9/2019)	:RM202.5mil
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.

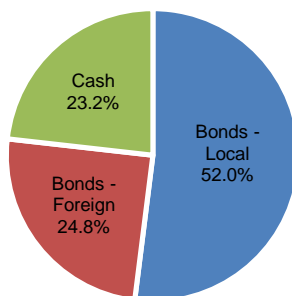
Historical Performance



	YTD	1 month	1 year	3 years	5 years	10 years	Since Inception
HLAVIF	7.66%	-0.17%	9.73%	17.29%	33.37%	74.39%	152.14%
Benchmark*	2.28%	0.25%	3.13%	9.62%	16.79%	34.27%	81.85%
Relative	5.38%	-0.42%	6.60%	7.67%	16.57%	40.12%	70.29%

*Source: Maybank

Asset Allocation of HLAVIF as at 30 Sep 2019



Top 5 Holdings for HLAVIF as at 30 Sep 2019

	%
1. WESTPAC BANKING CORP 2	9.1
2. IND & COM BK CHINA MACAU 1	8.2
3. UBS GROUP AG-	7.5
4. MALAYAN BANKING BERHAD 3	5.2
5. ALLIANCE BANK MALAYSIA BHD 1	4.3
Total Top 5	34.3

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Market Review

The 10 year US Treasuries ("UST") yield charted an uptrend in September 2019, up 17bps for the month, marking its biggest monthly rise for the year following the Fed's surprise guidance of no further cuts for 2019. Nonetheless, Q32019 wrapped up with yields lower across the curve with a more prominent decline in the longer end. The 30 year UST tumbled 42 bps between July to September, marking its biggest quarterly drop since Q4 2014. Bond yields fell on quarter-end on a confluence of heightened global uncertainties and rebalancing measures as fund managers sought replacement for government papers to maintain the average maturity of their portfolios before the end of the quarter.

For the month of September, the rally in Malaysian Government Securities ("MGS") curve finally stalled and bear-steepened with yields widening at the longer end of the curve alongside the UST-led rebound in developed market bond yields. Besides the said external forces, the biggest development for the Malaysian bond market was none other than the long-awaited FTSE Russell decision. FTSE Russell decided to keep Malaysia on the watch list until March 2020, and that sent MGS yields lower towards month end.

Trading volumes in the corporate bond space was relatively benign for the month of September. The month concluded with some interest across the government guaranteed segment to the AA-part of the curve and yields edged marginally higher. The prominent new issuance of the month was Danainfra's massive RM2.5 billion of longer-tenured 7y-30y bonds issued at coupons between 3.34%-3.90%, Maybank's perpetual securities amounting to RM2.8 billion with yields ranging between 4.08%-4.13%.

Market Outlook & Strategy

As we approach the final quarter of the year, market-moving factors continue to be driven by geopolitical risk surrounding the US-China trade rivalry which remains fairly fluid at this juncture. While some short-term relief is seen in the recent trade talks, markets are likely to take a cautiously pessimistic stance, and are expected to maintain their preference for safe havens over risky assets. Asset allocation is expected to remain defensive until markets are sufficiently convinced that the risk of either party flip-flopping on their trade negotiations is substantially diminished. Besides, markets are likely to scrutinise economic data releases to gauge for further signs of economic slowdown in their asset allocation reviews.

On the local front, the MGS curve is expected to be supported by the strong reinvestment demand from lumpy maturities and expectation of another rate cut by year end. Nonetheless, as the market has already priced in the expectation of dovish rates as well as higher PDS issuances in Q42019, opportunity for MGS rally may be capped. While the market took a breather from FTSE Russell's decision to not exclude Malaysia in its recent announcement, it is worth noting that the non-removal decision is not concrete and merely a delay as Malaysia remains on the watch list for a potential downgrade. The risk of exclusion may resurface closer to the interim review by FTSE Russell in March 2020 as BNM is unlikely to accommodate lifting the ban on offshore Ringgit non-deliverable forward trading.

On the strategy front, we are looking at opportunities to deploy our excess cash in primary corporate bond issuances that are fundamentally strong and with favourable risk-reward. As we have taken profit on some of our MGS positions, we are constantly on the lookout for favourable windows for investment and trading opportunities.

HLA Venture Income Fund (HLAVIF)

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

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Benchmark	2.3%	2.3%	2.8%	3.1%	3.1%	3.2%	3.2%	3.1%	3.0%	3.3%
HLAVIF- Gross	4.7%	7.0%	4.8%	10.0%	5.4%	5.8%	6.5%	6.9%	5.3%	5.6%
HLAVIF - Net	3.8%	5.9%	3.9%	8.7%	4.5%	4.8%	5.5%	5.8%	4.4%	4.6%

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.

- 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 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.