

HLA Venture Income Fund (HLAVIF)

Jul 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

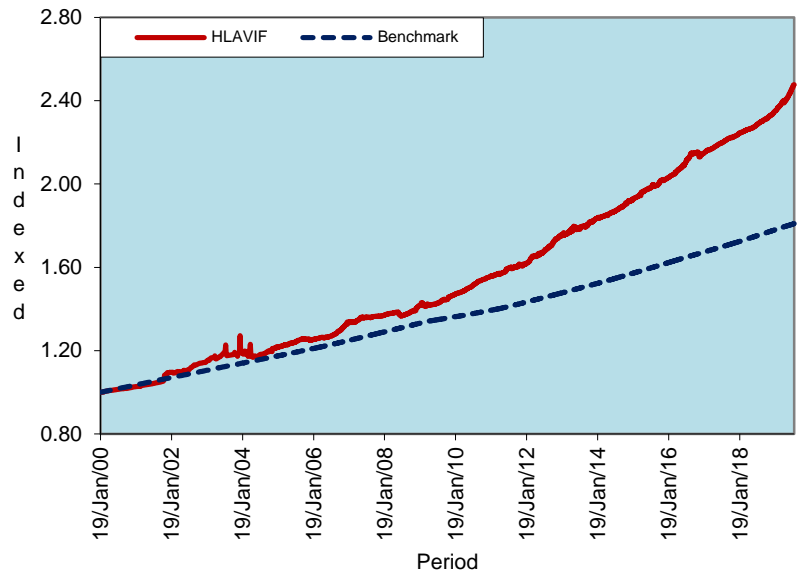
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Fund Details

Unit Price (31/7/2019)	:RM2.4776
Fund Size (31/7/2019)	:RM188.5mil
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.

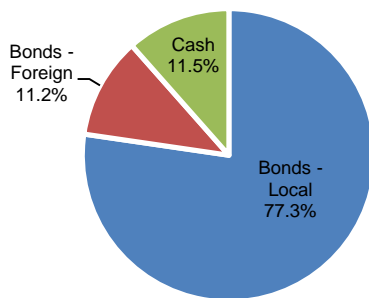
Historical Performance



	YTD	1 month	1 year	3 years	5 years	10 years	Since Inception
HLAVIF	5.79%	1.18%	8.14%	17.08%	32.17%	73.28%	147.76%
Benchmark*	1.78%	0.27%	3.15%	9.65%	16.84%	34.08%	80.96%
Relative	4.01%	0.91%	4.99%	7.43%	15.33%	39.20%	66.80%

*Source: Maybank

Asset Allocation of HLAVIF as at 31 Jul 2019



Top 5 Holdings for HLAVIF as at 31 Jul 2019

	%
1. MALAYSIA INVESTMENT ISSUE 3	10.8
2. WESTPAC BANKING CORP 2	9.1
3. MALAYAN BANKING BERHAD 3	5.5
4. M'SIAN GOVERNMENT SECURITIES 1	5.3
5. ALLIANCE BANK MALAYSIA BHD 1	4.6
Total Top 5	35.3

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Market Review

After an eventful close to the first half of the year, the month of July saw UST yields consolidating on key tenors as market players were clearly taking a wait-and-see approach ahead of the Fed's appearance at the end of the month. As expected, the Fed initiated a 25bps rate cut but its guidance which was not as dovish as expected saw the US market clock in a volatile close to the month. In Europe, the situation was quite the opposite. The European Central Bank got the ball rolling by indicating that a significant degree of monetary stimulus is both needed and forthcoming after signs were accumulating that the Eurozone is in danger of slipping into recession. Adding salt to the wound were renewed worries about a no-deal Brexit which became more apparent when Boris Johnson replaced Theresa May as the new prime minister of the United Kingdom. During his campaign, Johnson pledged to renegotiate the withdrawal agreement brokered during months of arduous negotiations between Theresa May and EU leaders or leave the bloc on the UK's scheduled departure date of October 31 without a deal.

In July, Fitch Ratings reaffirmed Malaysia's sovereign rating at A- with a stable outlook, premised on higher than peer-median growth rates, a net external creditor position that is well supported by the country's steady current account surpluses and large external assets. That said, wider fiscal deficit and debt levels are negative for the credit profile, but are offset somewhat by steps announced in the national budget to improve fiscal transparency and public debt management. For the month of July, the Malaysian government securities ("MGS") curve flattened with yields lower by 4-13bps across the curve. The longer end of the curve exhibited steeper declines in yield with the 30-year MGS closing 13bps lower at 4.19%, outperforming the rest. Market players were positioning themselves for a more accommodative monetary policy guidance at the end of the month by the Fed following a dovish shift initiated by the European Central Bank.

Corporate bond curves continued to inch lower on the back of resilient investor demand and higher-yielding quality issuers in the corporate bond space. Prominent issuances include Prasarana's RM850 million government-guaranteed Sukuk of 15 and 20 year papers at 3.92% and 4.09% respectively, close to the secondary levels. Interestingly, the final pricing came in at the low end of the indicative pricing range despite historical tight spreads as the issuance was not as large as the usual size for government guaranteed papers and favourable supply technicals in the local bond market. The sale of Bumitama Agri Ltd's two-tranche deal garnered strong interest which saw the 5 and 7 year papers priced at 4.10% and 4.20%, respectively. Additionally, the said issuer decided to exercise the upsize option raising a total of RM700 million from a planned issuance size of RM500 million given favourable market demand.

Market Outlook & Strategy

On the global front, it is worth noting that about one-third of the global government bond market and one quarter of global aggregate bond market have negative yields. As such, we expect investors to continue to flood the US bond market as it remains one of the few safe haven markets that is providing positive returns. The recent Fed appearance had also dampened hopes for a more accommodative stance for the rest of the year which also in part adds to the appeal for the US bond market. As the trade negotiations between the two economic powerhouses again showed some signs of stress, we continue to opine that markets will maintain their overweight stance on fixed income until further clarity is obtained from the ongoing trade negotiations and the eventual outcome of Brexit discussions.

On the local front, while domestic liquidity remains supportive, we continue to think that the risk-reward for MGS is currently less appealing. Key event to watch for the month is the potential statement by FTSE Russell on whether the MGS would remain a constituent of its flagship World Government Bond Index. In the event that MGS gets excluded from the index, we estimate an additional RM33 billion of foreign outflows from MGS, largely due to selling by passive funds. While the potential selloff in the event of exclusion will inevitably cause some knee-jerk reaction, it is unlikely to threaten domestic macro-stability as domestic liquidity remains ample. On the contrary, we are of the view that the anticipated selloff in MGS would potentially be a favourable window for investment and trading opportunities.

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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.