

HLA Venture Income Fund (HLAVIF)

Jan 2020

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

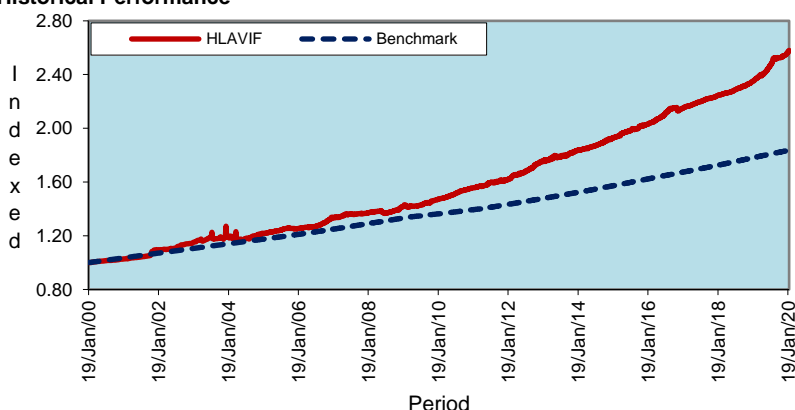
This fund is suitable for investors who have low to moderate risk profile

Fund Details

Unit Price (31/1/2020)	:RM2.5801
Fund Size (31/1/2020)	:RM242.8mil
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

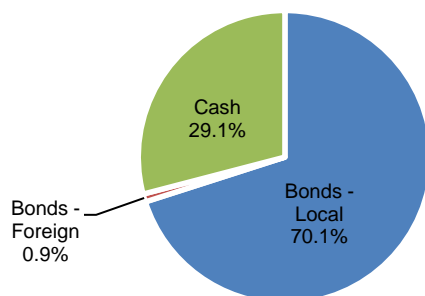
The Company reserves the right to change the Fund Management Fee (% p.a.) by giving the Policy Owner ninety (90) days prior written notice.

Historical Performance



	YTD	1 month	1 year	3 years	5 years	10 years	Since Inception
HLA VIF	1.18%	1.18%	9.46%	19.72%	33.58%	74.97%	158.01%
Benchmark*	0.23%	0.23%	3.00%	9.58%	16.68%	34.64%	83.62%
Relative	0.96%	0.96%	6.46%	10.14%	16.90%	40.33%	74.39%

Asset Allocation of HLA VIF as at 31 Jan 2020



Top 5 Holdings for HLA VIF as at 31 Jan 2020

	%
1. M'SIAN GOVERNMENT SECURITIES 3	12.7
2. MALAYAN BANKING BERHAD 3	7.9
3. MALAYSIA INVESTMENT ISSUE 1	4.7
4. MALAYSIA INVESTMENT ISSUE 3	4.5
5. MBSB BANK 2	4.2
Total Top 5	33.9

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Market Review

Global bond markets had a synchronized rally, spurred by a broad risk-off sentiment as investors grew increasingly worried about the potential economic fallout from the coronavirus epidemic that began in China. The virus has fast spread to at least 18 other countries and has dampened sentiment over global economic growth. At the 30th Jan FOMC meeting, the Federal Reserve left the fed funds rate target range unchanged at 1.5-1.75% as widely expected and cited that it would continue expanding its balance sheet in order to ensure ample reserves are in the financial system. This was followed by the BOE's announcement to keep its bank rate steady at 0.75%, ahead of the 31 Jan Brexit date. Taking cue from the global risk-off sentiment, the benchmark 30-year U.S. Treasury ("UST") yield fell below 2% for the first time since Oct 2019 whilst 10-year UST yields fell as low as 1.51%. The yield curve saw both the 3-month vs 10-year and 2-year vs 5-year UST inverted, signaling an increase in downside risks to growth and potential recession.

On a similar trend, Malaysian Government Securities ("MGS") yield curve flattened on better buying at the ultra-long end. Trading was active on the back of real money demand especially post Monetary Policy Meeting ("MPC") meeting on 22 Jan. Market was caught off guard on Bank Negara Malaysia ("BNM") decision to cut Overnight Policy Rate ("OPR") by 25bps to 2.75%. While the central bank expects domestic growth to improve in 2020, it still sees downside risks externally and domestically, including from trade policies, geopolitical risks, weakness in commodity related sectors and domestic project implementation. In reaction to the OPR cut, MGS yields shifted 8-16bps lower on the announcement day led by front-end bonds. On a MoM basis, the MGS curve bull-flattened with yields collapsing 36-38bps along the 15- to 30-years. At close, the benchmark MGS 3, 5, 7, 10, 15, 20 and 30-year yields were 2.85% (-14bps MoM), 2.96% (-23bps MoM), 3.06% (-25bps MoM), 3.13% (-18bps MoM), 3.26% (-35bps MoM), 3.42% (-35bps MoM) and 3.77% (-35bps MoM), respectively.

Corporate bond yields dropped 13-37bps in January, catching up with the slide in government bond yields. Trading volumes in the secondary market picked up to RM8.25 billion (Dec 2019: RM6.48 billion) as investors started to rebuild positions for the year. The Focus remained on the Government Guaranteed ("GG"), high-grade quasi and AAA sectors. Primary supply on corporate bonds remains tight, with only a few small issuances seen in January and mostly centered along 3 to 5 years tenure to maturity. Some of the prominent ones include Perbadanan Kemajuan Negeri Selangor ("PKNS") AA3-rated 3-year bond with 3.765% coupon totalling RM100 million, Kedah Cement Sdn Bhd (fka Lafarge Cement Sdn Bhd) A1-rated 3-year bonds with 4.60% coupon totalling RM180 million and Toyota Capital Malaysia Sdn Bhd AAA-rated 3- and 5-year bonds amounting to RM100 million each at a coupon of 3.70% and 3.80% respectively.

Market Outlook & Strategy

On the back of uncertainties caused by the coronavirus outbreak which remains unabated at the time of writing, global expectations have been recalibrated in recent days to take into account the potential downward pressure on growth globally. There are already estimates that growth in China will cripple to 2% in 2020 as a result of the related disruptions. The outbreak would definitely have a knock-on effect on both the global and local economy should it drag on longer. This could trigger a need for stronger fiscal stimulus and monetary support through further rate cuts.

We view that at the current levels, local bond yields are at new norms in terms of valuation. Further decline in yields could be a result of short-term momentum driven rally while investors are still gauging the potential effects of the current pandemic in relation to previous outbreaks such as SARS, H1N1 (swine flu) and Ebola. Given the already rich valuations, bond yields could sharply reverse should the fear of the global pandemic subside. Thus, we remain cautious on aggressively building any new investment for the portfolio on a favourable risk-reward basis. We are also of the view that this event could provide at best some trading opportunities.

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

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Benchmark	2.3%	2.8%	3.1%	3.1%	3.2%	3.2%	3.1%	3.0%	3.3%	3.0%
HLAVIF- Gross	7.0%	4.8%	10.0%	5.4%	5.8%	6.5%	6.9%	5.3%	5.6%	10.2%
HLAVIF - Net	5.9%	3.9%	8.7%	4.5%	4.8%	5.5%	5.8%	4.4%	4.6%	8.9%

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.

- 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 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.