

HLA Venture Income Fund (HLAVIF)

Jun 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

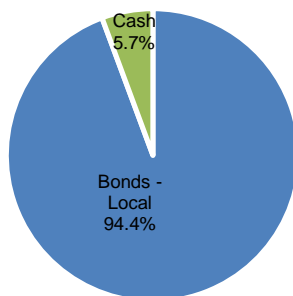
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Fund Details

Unit Price (28/6/2019)	:RM2.4487
Fund Size (28/6/2019)	:RM182.0mil
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.

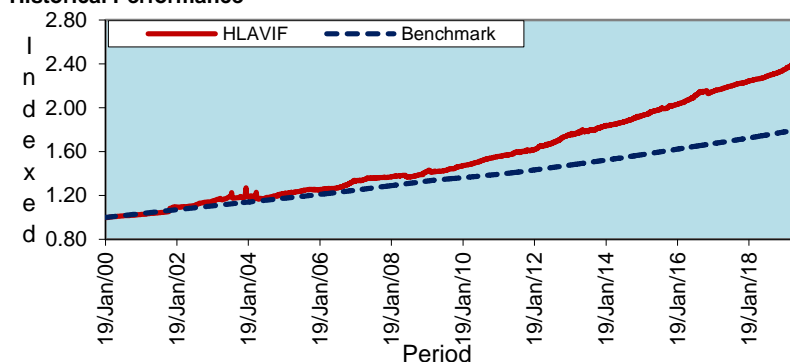
Asset Allocation of HLAVIF as at 28 Jun 2019



Top 5 Holdings for HLAVIF as at 28 Jun 2019

	%
1. M'SIAN GOVERNMENT SECURITIES 1	16.7
2. M'SIAN GOVERNMENT SECURITIES 0	12.2
3. MALAYAN BANKING BERHAD 3	5.7
4. ALLIANCE BANK MALAYSIA BHD 1	4.8
5. MALAYSIA INVESTMENT ISSUE 0	4.6
Total Top 5	44.1

Historical Performance



	YTD	1 month	1 year	3 years	5 years	10 years	Since Inception
HLAVIF	4.56%	1.15%	7.44%	16.76%	31.23%	71.91%	144.87%
Benchmark*	1.51%	0.23%	3.17%	9.62%	16.87%	33.96%	80.48%
Relative	3.04%	0.93%	4.27%	7.14%	14.35%	37.95%	64.39%

*Source: Maybank

Market Review

The month of June was rather eventful but markets are evidently seeing signs of confusion. Yields on the 10-year Treasuries continued to trend lower and made several attempts to break the psychological 2% mark. This is deemed significant because the last time the 10-year Treasuries yielded less than 2% was in November 2016, primarily weighed down by market players pricing in the possibility of multiple rate cuts by end of 2019. The persistent downtrend also came on the back of tensions between the United States and Iran after the latter shot down a US drone in the international air space. On top of that, the ongoing global trade war as well as worries about the interaction between the two economic giants ahead of the G20 meeting weighed on investors' sentiment and economies around the world. Lower yields are not unique to the United States as the said tensions and monetary policy shift globally have sparked a sharp rally in almost all Asian sovereign bonds in tandem with their global peers.

At home, local govies or the Malaysian government securities ("MGS") also benefited from the bullish run in the global sovereign bond market. The MGS curve shifted 11-25bps lower across the various tenors as markets position themselves for a rate cut by the Fed in September after the dovish tilt by global central banks.

Secondary trading activity in the corporate bond space was decent for the month of June with strong interest across the government-guaranteed papers followed by the AAA and AA space as yields trended lower on strong demand. The prominent new issuances during the month include Pengurusan Air SPV Berhad's RM1.1b of AAA-rated bonds between 5-10Y tenures with coupon of 4.00-4.15% and HLFG issued RM1.1 b Tier 2 subdebt at 4.30%. In the credit space, it is worth highlighting that Bright Focus Berhad's RM1.35 billion Sukuk Musharakah (2014/2031) saw a multi-notch downgrade to BB1 from A1 and the rating has been put on Rating Watch, with a negative outlook. The downgrade was initiated on the back of severe impairment in Bright Focus' debt-servicing metrics following further unanticipated advance by its 96.8%-held subsidiary – Maju Expressway Sdn Bhd – to the ultimate parent company (Maju Holdings Sdn Bhd), in addition to a deterioration in the highway's projected annual cashflow.

Market Outlook & Strategy

As the leaders of the two economic powerhouses attempt to commence fresh trade negotiations, we foresee UST yields to trade sideways to mildly up as market is expected to regain some confidence. While market sentiment is expected to improve, we still believe that the fixed income market remains a relatively attractive option for the rest of the year even with the recent trade truce as core issues of the trade war – dispute over intellectual property and transfer of technology have not been resolved. We continue to expect market players to maintain their overweight stance on bonds until further clarity surfaces from the trade negotiation between the two global superpowers. While the Fed decided to keep rates unchanged in June, its language has noticeably turned more dovish as key economic indicators exhibited significantly poorer showing. The recent development in trade is likely to have only slightly tempered the expectations of imminent Fed cuts as the truce that maintains current level of tariffs will likely be insufficient to turn the rapidly deteriorating economic outlook.

On the local front, while domestic liquidity remains supportive, we opine that the risk-reward for MGS is turning less favourable. With risk events ahead such as FTSE Russell's decision and uncertain outcome from US-China's renewed trade negotiation; we think that the outlook for MGS is mildly bearish. While BNM's liberalisation measures have mitigated some of the concerns of MGS being excluded from the FTSE Russell World Government Bond Index, we still think that the probability of exclusion should not be underestimated and the announcement may come in as early as in August 2019. In the event that MGS is excluded from the index, we foresee an additional RM15-20 billion of foreign outflows from MGS, largely due to selling by passive funds. That said, the exclusion, if it happens, is unlikely to threaten domestic macro-stability as domestic liquidity remains ample.

Our strategy is to constantly deploy the available cash in primary corporate bond issuances that are fundamentally strong for yield pick-up and trade on govies as and when the opportunity arises. We would continue to be proactive in making adjustments to our trading and investment strategies to take advantage of the ever-changing market dynamics and developments.

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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.