

# HLA Venture Managed Fund (HLAVMF)

Jun 2018

## Fund Features

### 1. Investment Objective

The objective of the fund is aim to provide investors with prospects for long-term capital appreciation through diversification in various capital instruments including equity, government securities, private debt securities, money market instruments and foreign assets as well as derivatives. This fund aims to outperform the benchmark comprising of FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBM KLCI) and Maybank 12-month fixed deposit rate in a ratio of 50:50.

### 2. Investment Strategy & Approach

This fund will participate in both fixed income and equity markets as well as benchmarked against the FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBM KLCI) and Maybank 12-month fixed deposit rate in equal proportion. This fund is suitable for investors who are willing to take moderate risk.

### 3. Asset Allocation

The fund will invest up to a maximum 50% of its NAV in equities.

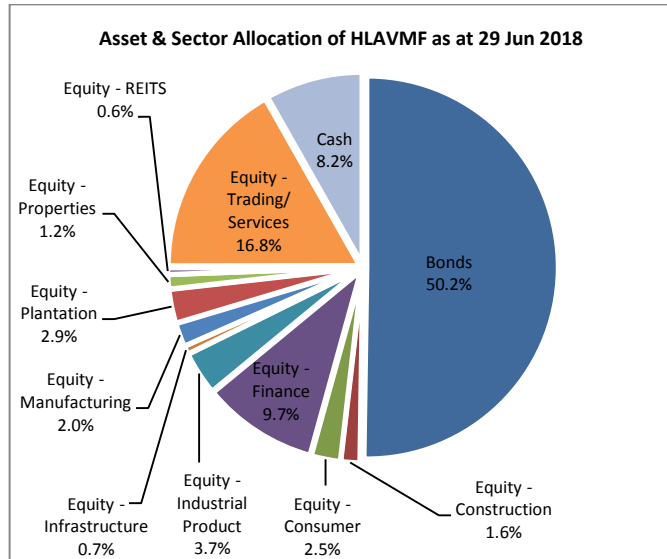
### 4. Target Market

This fund is suitable for investors who are willing to take moderate risk.

## Fund Details

Unit Price (29/6/2018)	:RM2.0556
Fund Size (29/6/2018)	:RM218.6mil
Fund Management Fee (effective as at 01/03/2017)	: 1.23% p.a. (capped at 1.25%)
Fund Manager	:Hong Leong Assurance Berhad
Fund Category	:Managed
Fund Inception	:07 April 2004
Benchmark	:50% FTSE Bursa Malaysia KLCI Index (FBM KLCI)&50% 12-month Fixed Deposit Interest Rates
Frequency of Unit Valuation	:Daily

The Company reserves the right to change the cap of Fund Management Fee (% p.a.) by giving the Policy Owner ninety (90) days prior written notice. The Fund Management Fee will be reviewed monthly and will be revised if the previous month end actual asset allocation deviates by more than ten percent (10%) of the initial asset allocation.

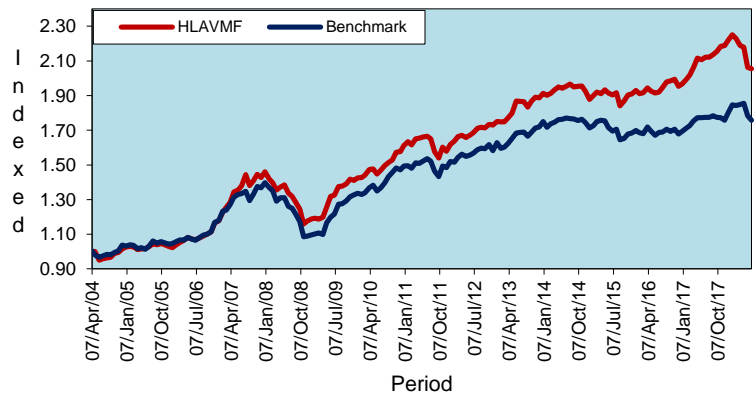


## Top 10 Holdings for HLAVMF as at 29 Jun 2018

		%
1.	MAYBANK	EQ 5.1
2.	TENAGA	EQ 5.1
3.	CIMB	EQ 4.6
4.	MALAYSIA AIRPORTS HOLDINGS 1 5.75% 13/12/2024	FI 4.4
5.	ALLIANCE BANK MALAYSIA BHD 1 5.65% 18/12/2020	FI 3.5
6.	MALAYAN BANKING BERHAD 2 6.30% 25/09/2018	FI 3.5
7.	M'SIAN GOVERNMENT SECURITIES 0 4.89% 8/06/2038	FI 3.0
8.	CIMB GROUP HOLDING 2 5.80% 25/05/2021	FI 2.3
9.	BGSM MANAGEMENT SDN BHD 2 5.25% 14/12/2020	FI 2.3
10.	HONG LEONG BANK 2 4.80% 24/06/2019	FI 2.3
<b>Total Top 10</b>		<b>36.2</b>

FI : Fixed Income  
EQ : Equities

## Historical Performance



	YTD	1 month	1 year	3 years	5 years	10 years	Since Inception
HLAVMF	-7.48%	-0.36%	-3.11%	7.95%	10.11%	53.61%	105.56%
Benchmark*	-2.58%	-1.44%	-0.90%	3.75%	4.18%	39.33%	74.93%
Relative	-4.91%	1.08%	-2.21%	4.20%	5.93%	14.28%	30.63%

\*Source: Bloomberg, Maybank

# HLA Venture Managed Fund (HLAVMF)

## Market Review, Outlook & Strategy - Equities Market

June was a volatile month for global equity markets which took the cue from the many macro and geo-political events. The decision by US President Donald Trump on the US\$50b in tariffs on Chinese imports and China's subsequent retaliation spooked investors once again. As such, emerging markets were the worst affected on the back of escalating trade war tensions as money flowed back to developed markets in particular the US, on the back of a strong US dollar. A more apparent synchronized tightening of liquidity in global markets also did not help markets. The European Central Bank signaled a close to its quantitative easing program while the Fed raised rates, followed by the guidance of 2 more hikes for the rest of the year.

Domestically, foreign selling continued with total cumulative net selling of RM7b on a year to date basis. Investors were mainly concerned over short term policy uncertainty, opting to sell ahead of any potential negative news. The government was also seen undertaking GLC reform initiatives following the resignation of heads in Telekom Malaysia, MRCB, Malaysian Airports and the chairman of PNB. The Government also announced Datuk Nor Shamsiah as the new Bank Negara governor following Tan Sri Muhammad Ibrahim's resignation. Following the retracement in oil prices which came under pressure from a proposed initiative by Opec and Russia to ease up on global supply cuts despite softening demand, the Ringgit depreciated in tandem to above RM4/US\$ level.

During the month, the KLCI fell by 2.8% mom to close at 1,691.50pts on the back of a heavy sell down in the banking and telco sectors. Similarly broader markets also fell in tandem. FTSE Emas fell 1.4% mom in June and FTSE Emas Shariah was down by 0.7% mom, FTSE Bursa Small Cap index posted an increase of 1.5% mom in June as it had fallen substantially much earlier. The Ringgit depreciated by 1.5% mom against the US\$ to 4.0385.

Going forward, regional markets are expected to be volatile in the second half of the year due to short term uncertainties especially as trade war brick bats between the two super powers continue whilst China's economy is starting to slow down. Domestically markets will also be volatile taking its cue from the region compounded by the ongoing review on mega projects, higher minimum wages, potential break up of monopolies and possible downgrade of corporate earnings. Among the key events to watch for will be the upcoming Budget 2019 in November as well as new policies introduced following the formation of the new cabinet. However, a volatile market does offer buying opportunities and themes that we still like are: 1) rising consumerism following more positive consumer sentiment, 2) elevated crude oil prices and 3) blue chips with defensive earnings quality that offers steady dividend yield.

## Market Review, Outlook & Strategy - Fixed Income Market

For the month of June, the US Treasury (UST) yield was on a whipsaw movement. Initially, UST yield was on an upward trend for the first half of the month as a result of selling pressure. This was driven by growth optimism stemming from an upbeat May nonfarm report and strong headline inflation data which rose to 2.8% yoy in May from 2.5% yoy in April. With that, the Fed rate hike cycle was reinforced. Speculation on the EU winding down its quantitative easing during its monetary meeting also added some upward pressure on yields. The Fed raised the benchmark interest rate by 25bps to 1.75%-2.00% as expected during the June FOMC meeting. It also lifted its dot plots projection for 2018 by pointing to a total of four rate hikes. Despite the hawkish tone, UST shortly reversed and rallied on the back of trade tension between the US and China after the White House announced the list of \$50bil worth of Chinese goods to be slapped with tariffs. In retaliation, China also subjected \$34bil worth of US imports to tariffs.

On the other hand, sentiment of local govies remained soft amid lingering domestic policy uncertainties, lack of fresh catalysts and weakening ringgit due to the escalating trade war sentiment which spread across EM markets. Overall, yields were higher across the curve and flows were seen skewed towards the shorter tenures. Thus, as at month end, 5 to 15 years MGS benchmark yields increased by 0.8 - 3.6 bps while the 3 years, 20 years and 30 years benchmark decreased by 9bps, 2.4 and 1.3bps respectively.

Both the primary and secondary market for Private Debt Securities and Government Guaranteed Bonds also slowed down due to the recent festive season. Interest for secondary bonds only picked up later in the month and primarily focused on the government guaranteed space. Meanwhile, there were several primary issuances at month end with the prominent ones being Ambank senior bonds, Hong Leong Financial Group, Mercedes, Public Bank AT1 and Genting Malaysia.

For the month of July, we expect the local bond market to be more active with some market participants trying to rebuild their portfolio for their new financial year. Nevertheless, the macro outlook will still play a key role in determining the direction of local bond yields. Key events to be observed for the month are the respective Bank Negara, Fed, ECB and BOJ Monetary Policy meetings although we do not expect any major change in their policy stance.

However, should there be any rally in the local govies, we expect more demand on the secondary PDS as a viable alternative. However, GGs will continue to be the top pick since market is expecting fewer GGs in the pipeline while the spread over MGS is still attractive for a low risk asset. In the primary pipeline there will be 3 govies tenders and very few corporate PDS issues namely, Public Islamic Bank's senior bond and UOB Bank's subdebt.

Our strategy is to take profit on some govies positions from earlier tenders when there is any opportunity while participating in the primary issuances for yield pick-up.

# HLA Venture Managed Fund (HLAVMF)

## Actual Annual Investment Returns for the Past Five (5) Calendar Years

Year	2013	2014	2015	2016	2017
Benchmark	7.3%	-2.6%	-1.3%	-0.8%	6.6%
HLAVMF - Gross	11.4%	-0.7%	4.3%	3.4%	15.4%
HLAVMF - Net	9.3%	-1.9%	2.7%	2.0%	12.9%

Net returns are adjusted for tax and fund management fees.

Those are the actual returns in the past five (5) 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 Managed 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.