# HLA Venture Blue Chip Fund (HLAVBCF)

**Jul 2017**

## Fund Features

### 1. Investment Objective

The objective of the fund is to achieve returns comparable to the general stock market by taking average risks, with focus on well-capitalised and financially sound "blue chip" stocks to achieve a balance of capital gains and dividend income.

### 2. Investment Strategy & Approach

This fund provides participation in the stock market without taking excessive risk by focusing on fundamentally strong "blue chip" stocks listed in Bursa Malaysia and/or in any foreign stock exchanges. This fund is suitable for investors with moderate risk tolerance and expects returns that are comparable to the market as represented by the FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBM KLCI).

### 3. Asset Allocation

The fund may invest up to 95% of its NAV in equities.

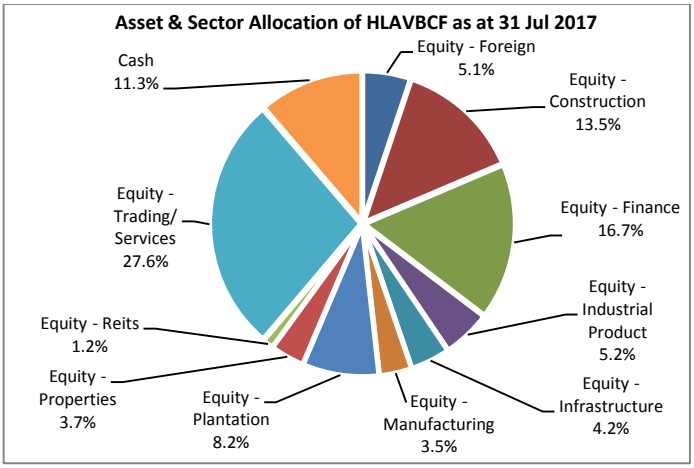
### 4. Target Market

This fund is suitable for investors with moderate risk tolerance and expects returns that are comparable to the market as represented by the FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBM KLCI).

## Fund Details

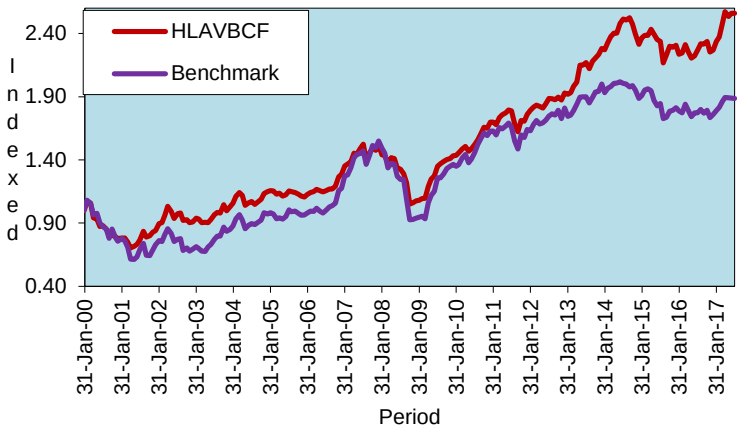
| | |
|---|---|
| **Unit Price (31/7/2017)** | : RM2.5607 |
| **Fund Size (31/7/2017)** | : RM210.2mil |
| **Fund Management Fee (effective as at 01/05/2016)** | : 1.41% p.a. (capped at 1.50%) |
| **Fund Manager** | : Hong Leong Assurance Berhad |
| **Fund Category** | : Equity |
| **Fund Inception** | : 19 Jan 2000 |
| **Benchmark** | : FTSE Bursa Malaysia KLCI Index (FBM KLCI) |
| **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 HLAVBCF as at 31 Jul 2017 | | % |
|---|---|---|
| 1. | MAYBANK | 8.3 |
| 2. | TENAGA | 6.9 |
| 3. | CIMB | 6.8 |
| 4. | YINSON | 6.2 |
| 5. | SIME | 4.9 |
| 6. | INARI | 3.6 |
| 7. | DIGI | 2.9 |
| 8. | TENCENT | 2.6 |
| 9. | GAMUDA | 2.4 |
| 10 | LITRAK | 2.3 |
| | **Total Top 10** | **46.9** |

## Historical Performance




| | 1 month | YTD | 1 year | 5 years | 10 years | Since Inception |
|---|---|---|---|---|---|---|
| HLAVBCF | -0.02% | 12.82% | 12.99% | 35.81% | 67.95% | 156.07% |
| Benchmark | -0.21% | 7.21% | 6.46% | 7.87% | 28.12% | 88.57% |
| Relative | 0.19% | 5.61% | 6.53% | 27.94% | 39.83% | 67.50% |

## Market Review, Outlook & Strategy

Regional markets remained on a steady uptrend on the back of positive economic growth globally amidst a subdued inflationary environment. The US economy grew at an annual rate of 2.6% in 2Q17, rebounding from its soft patch in 1Q17, while inflation slowed qoq. During the recent Federal Market Open Committee (FOMC) meeting, the Fed's inflation assessment sounded more dovish than expected, reiterating its intention to proceed with the balance sheet reduction "relatively soon". As a result, the probability of a rate hike has also reduced dramatically since, which is positive for equities.

Meanwhile, China's 2Q17 GDP of 6.9% also came in above expectations, prompting some speculation that there may be more financing regulations being imposed to prevent systemic financial risk.

However, Malaysia experienced a flattish month in July, with the FBM KLCI range bound within 1,755 to 1,770 points due to lack of market catalysts. The Annual Invest Malaysia conference that was held on the 25-26 July saw the government unveiling measures such as the: 1) launch of the Leading Entrepreneur Accelerator Platform (LEAP) market, 2) plans to establish an integrity and governance unit at government-linked companies (GLCs) and state- or ministry-owned businesses, 3) plans for a single regulator for the property sector, 4) greater gender diversity, corporate governance in Corporate Malaysia, and 5) next-stage development push under TN50. Despite these positive announcements, there were no immediate catalysts to the market from this conference.

For the month, the KLCI fell 0.2% or 3.6pts to close at 1,760pts. The broader market underperformed the KLCI, with the FBM Emas falling 0.4% mom to 12,552pts. The FBM Small cap index also underperformed the KLCI, falling 1% to 17,274pts. Average daily value traded on Bursa in July declined 15% mom to RM2.05bn.

As we move into August, we believe the market has entered into a more subdued period that reflects moderate macro headwinds due to; 1) RM49bn worth of government bonds expiring in 2H17 (1H17: RM29bn), 2) lower crude palm oil and crude oil prices (the latter accounting for 13.8% of the federal government's 2017 projected revenue), and 3) in the US, rising interest rates and reversal of quantitative easing through 2018. This offers us an opportunity to accumulate stocks with earnings certainty and tangible structural improvements during periods of any market weakness as we remain positive on the Malaysian equity market in the long term.

# HLA Venture Blue Chip Fund (HLAVBCF)

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

| Year | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| Benchmark | 10.3% | 10.5% | -5.7% | -3.9% | -3.0% |
| HLAVBF- Gross | 11.9% | 21.4% | 3.2% | 1.1% | -0.1% |
| HLAVBF - Net | 9.6% | 18.3% | 1.5% | -0.4% | -1.6% |

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 detailed explanation of the risk 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**

1. 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.
2. 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.
3. The maximum value of any asset of any fund shall not exceed the following price:
   a) The last transacted market price at which those assets could be purchased or sold on the business day before the valuation date; or
   b) 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.
4. 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 Blue Chip 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.