

HLA Venture Income Fund (HLAVIF)

Oct 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

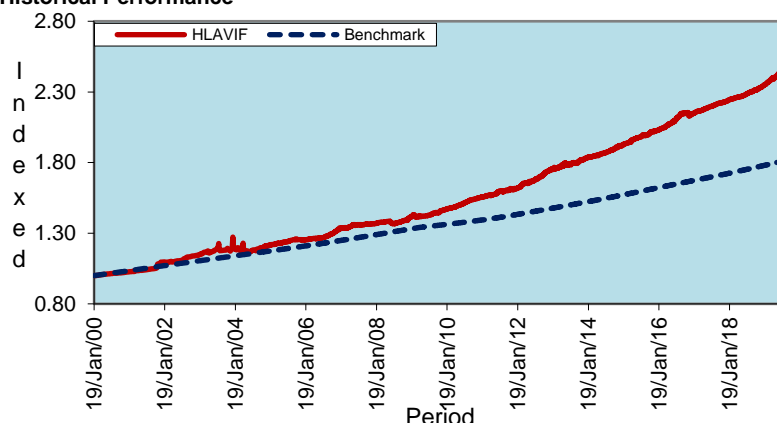
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Fund Details

Unit Price (31/10/2019)	:RM2.5265
Fund Size (31/10/2019)	:RM208.4mil
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

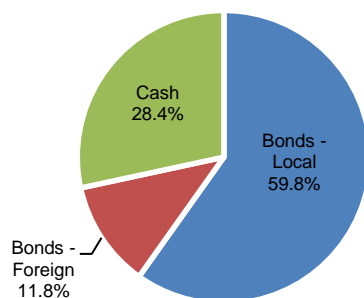
The Company reserves the right to change the Fund Management Fee (% p.a.) by giving the Policy Owner ninety (90) days prior written notice.

Historical Performance



	YTD	1 month	1 year	3 years	5 years	10 years	Since Inception
HLAVIF	7.88%	0.20%	8.93%	17.41%	32.59%	73.81%	152.65%
Benchmark*	2.54%	0.25%	3.09%	9.62%	16.77%	34.38%	82.30%
Relative	5.34%	-0.05%	5.85%	7.79%	15.82%	40.33%	70.35%

Asset Allocation of HLAVIF as at 31 Oct 2019



Top 5 Holdings for HLAVIF as at 31 Oct 2019

	%
1. MALAYAN BANKING BERHAD 3	9.0
2. UBS GROUP AG-	7.4
3. IND & COM BK CHINA MACAU 1	6.0
4. ALLIANCE BANK MALAYSIA BHD 1	4.2
5. MALAYSIA AIRPORTS HOLDINGS 1	2.8
Total Top 5	29.4

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Market Review

The 10 year US Treasuries ("UST") yield finally stopped flashing a recession red light. The yield curve normalised when greater optimism about the global economy led to a slight increase in longer-term yields. This happened shortly after the US and China trade negotiators conveyed that both parties are working on a "Phase 1" trade deal which could ease the strained tension from the previous trade talks. The month turned brighter when UK Prime Minister Boris Johnson introduced a Brexit deal package with the European Union. While the panic mood has subsided, market players have highlighted that investment conditions remain uncertain which acts as a deterrent for large investment decisions. In response to weaker economic numbers and the cloudy outlook globally, the US Federal Reserve ("Fed") delivered another 25bps rate cut on October 30th, its third consecutive rate cut in three consecutive meetings. The Fed had subsequently provided forward guidance that it is done easing for the time being until any major occurrences that would change the Fed's outlook on the economy.

For the month of October, the sentiment for the local bond market was somewhat bearish. The longer-end of the Malaysian Government Securities ("MGS") curve led the pack with yields 22bps higher in the longest tenure, giving back some year-to-date outperformance. The belly and the shorter-end of the MGS curve performed better, with a milder increase of 6bps and 9bps in yields in the 7-year MGS and 10 year MGS, respectively. As MGS and other Ringgit bonds have staged a significantly rally year-to-date, it is not surprising for investors to lock in some profits in the absence of major catalysts to shift the MGS curve lower.

Trading volumes in the corporate bond space saw weak traction in the month of October. The month concluded with yields higher across the board for AAA and AA segments, trailing the movement in the sovereign yield curve. The prominent new issuances of the month were Pengurusan Air SPV Bhd's massive RM1.6 billion of AAA-rated bonds with tenures ranging from 5-15 years at coupons between 3.6%-4.0% and Cagamas Bhd's RM100 million of AAA-rated papers (1-5 years tenure) at coupons between 3.3%-3.6%.

Market Outlook & Strategy

Recently, we saw some fund rotation into equities away from safe havens which sent major US equity indices to an all-time high in the month of October. We view that the market will gradually shift to a more cautiously optimistic stance where risky assets are preferred over safe haven assets for return enhancements, albeit on a more gradual basis. In line with the guidance conveyed by the Fed in late October, we expect the UST curve to creep higher in the absence of surprises to the current economic landscape in the US. Nonetheless, we believe that the market-moving factors still hinge on the long-standing geopolitical risk surrounding the US-China trade rivalry. While tensions have somewhat eased, the recent doubts cast by the Chinese officials on the prospects of the trade talks sent important hints that negotiations between the two superpowers remains highly uncertain.

On the local front, the MGS curve is expected to be repriced higher via the upcoming auctions instead of movements in the secondary market. As the intensity of the US-China trade tension has somewhat diminished, we think that the urgency for a rate cut by year end is also less prominent. On the strategy front, as we have locked in some profits on some of our MGS positions, we are constantly on the lookout for favourable windows 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.

- 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.