HLA Venture Income Fund (HLAVIF)

June 2022

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.

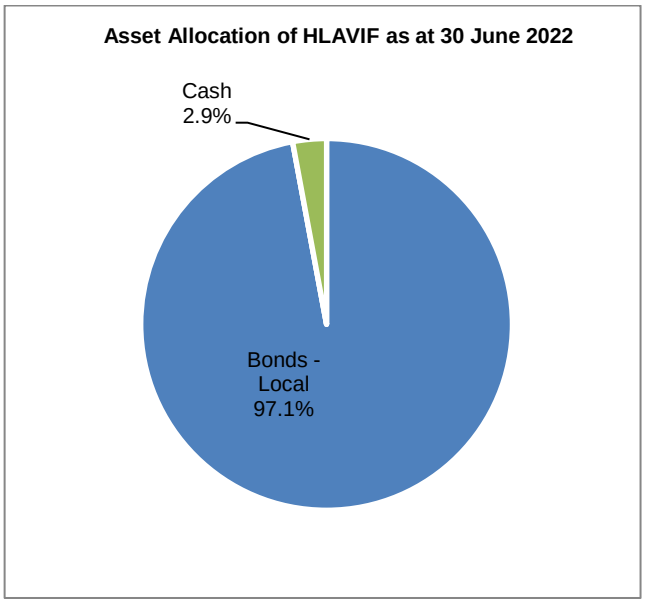
4. Target Market

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

Fund Details

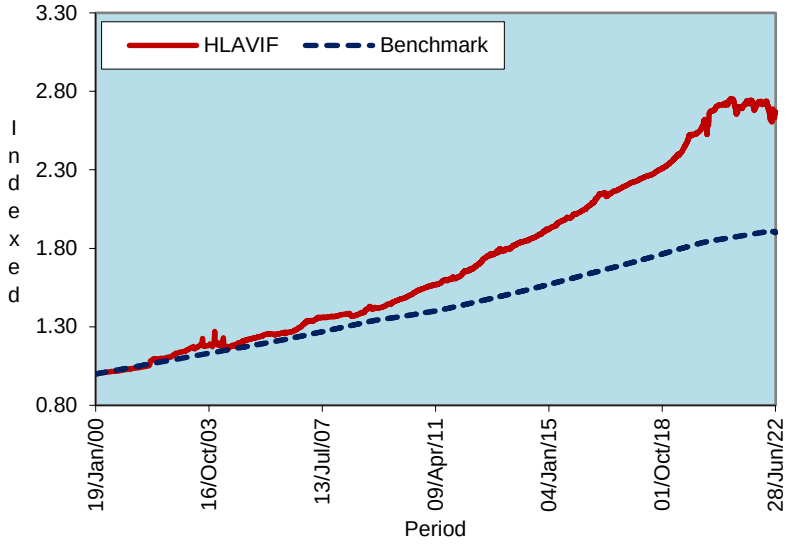
Unit Price (30/6/2022)	:RM2.6624
Fund Size (30/6/2022)	:RM520.2 mil
Fund Management Fee	: 0.50% p.a.
Fund Manager	:Hong Leong Assurance Berhad
Fund Category	:Bond
Fund Inception	:19 Jan 2000
Benchmark	:3-month Fixed Deposit Interest Rates
Frequency of Unit Valuation	:Daily

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



Top 5 Holdings for HLAVIF as at 30 June 2022		%
1.	M'SIAN GOVERNMENT SECURITIES 1	16.6
2.	M'SIAN GOVERNMENT SECURITIES 0	12.6
3.	MALAYSIA INVESTMENT ISSUE 1	8.2
4.	MSIAN GOVERNMENT SECURITIES	7.0
5.	MALAYSIA INVESTMENT ISSUE 1	6.9
	Total Top 5	51.4

Historical Performance



	YTD	1 month	1 year	3 years	5 years	10 years	Since Inception
HLAVIF	-2.70%	-0.37%	-2.02%	8.73%	21.30%	59.25%	166.24%
Benchmark*	0.00%	-0.32%	0.86%	5.26%	11.99%	30.74%	89.97%
Relative	-2.70%	-0.05%	-2.88%	3.47%	9.32%	28.51%	76.27%

Notice: Past performance of the fund is not an indication of its future performance.

Hong Leong Assurance Berhad 198201014849 (94613-X)
Level 3, Tower B, PJ City Development, No. 15A, Jalan 219, Seksyen 51A, 46100 Petaling Jaya, Selangor.
Telephone 03-7650 1818 Fascimile 03-7650 1991
Customer Service Hotline 03-7650 1288 Customer **Service Hotfax** 03-7650 1299

HLA Venture Income Fund (HLAVIF)

Market Review

US Treasury ("UST") rates increased in June as Fed officials conveyed that taming inflation would be their main priority and that policy levers would be largely geared towards said goal. The 2-, 5-, 10- and 30-years UST yields increased by 39, 22, 17 and 13 bps respectively m-o-m. During the month, the Fed raised interest rate by 75bps, a move that it had previously claimed as one that is not even being considered. While market participants did have an inkling that a 75bps hike was likely given that May inflation came in at 8.6%, yields did shoot up subsequent to the hike announcement. This is evidenced by the 2- and 10-year note which shot up to 3.44% and 3.48% subsequent to the announcement, the highest level since November 2007 and April 2011 respectively. However, lacklustre economic data and more pronounced fears of recession stemming from aggressive rate hikes led to a drop in yields towards the end of the month with the 2- and 10-year note settling at 2.95% and 3.01% respectively as at end June.

On the local front, relatively similar trend was observed in govvies yield as it continued to track the trend in the US. The yields on the 3-, 5-, 10-, 15- and 30-year MGS increased by 4, 23, 7, 9 and 10 bps, respectively. Fundamentally, the increase is also attributable to inflation expectations that have recently gained momentum. It was anticipated that the elimination of the price ceiling for chicken and eggs and the subsidy for bottled cooking oil would have a significant impact on food inflation. On a more positive note, S&P's affirmed Malaysia's sovereign rating with an upward revision in outlook from negative to stable in end June. The outlook revision should boost investors' confidence and demand for government debt securities.

In the corporate bond segment, some prominent new issuances during the month were Johor Corporation (RM1.6 billion, AAA), TNB Power Generation Sdn Berhad (RM1.5 billion, AAA), and Pengurusan Air SPV Berhad (RM1.3 billion, AA3).

Outlook & Strategy

Inflation levels and the Fed's subsequent policy action and tone are likely to affect the UST. While the Fed has attempted to appease the market by suggesting that the robust labour market allows for aggressive rate hikes without triggering a recession, market participants appear to disagree, as evidenced by the recent appearance of yield curve inversions. As inflation is currently red-hot and further aggressive rate hikes will have negative effects on economic activity, it is probable that a pronounced risk aversion could drive yields lower.

Domestically, while cognizant of impending inflationary pressures, we believe that the bond market has already priced in the aggressive stance of future monetary policy action with current valuation accounting for at least five rate increases. In fact, we believe the market has overpriced the likelihood of a rate hike despite the anticipated increase in inflationary pressure in the second half of 2022. In the next three to six months, we expect local bond yields to decline from their current levels, as the current valuation is rather attractive. S&P's revision of outlook for Malaysia's sovereign rating from negative to stable on June 27 will also increase buying interest. In view of the above, we will continue to monitor economic data that could induce significant risk-off sentiments while waiting for an opportunity to reinvest.

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

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Benchmark	3.1%	3.1%	3.2%	3.2%	3.1%	3.0%	3.3%	3.0%	1.5%	1.7%
HLAVIF- Gross	10.0%	5.4%	5.8%	6.5%	6.9%	5.3%	5.6%	10.2%	9.0%	0.1%
HLAVIF - Net	8.7%	4.5%	4.8%	5.5%	5.8%	4.4%	4.6%	8.9%	7.8%	-0.4%

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.
Notice: Past performance of the fund is not an indication of its future performance.

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 covers the nature and scope of the investment authority that is exercisable by various parties in managing the Company's investments. The potential investment risks that are taken into consideration in managing the fund include economic conditions, liquidity, qualitative and quantitative aspects of the securities. The investment manager(s) have put in place the following controls to reduce the risks through:

a) having a flexible tactical asset allocation
b) investing in a wide range of companies across different sectors
c) setting prudent investment limits on various exposures
d) taking into account the liquidity factor in selecting securities
e) engaging in the hedging of foreign currency exposure where appropriate

HLA Venture Income Fund (HLAVIF)

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 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.