

HLA Venture Income Fund (HLAVIF)

Nov 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

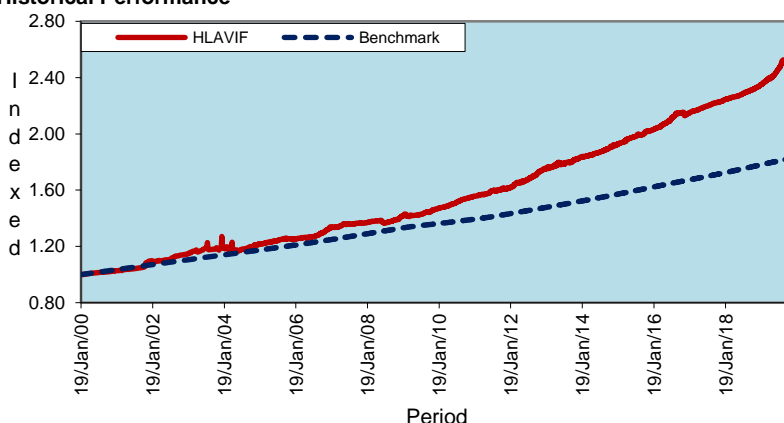
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Fund Details

Unit Price (29/11/2019)	:RM2.5374
Fund Size (29/11/2019)	:RM217.5mil
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

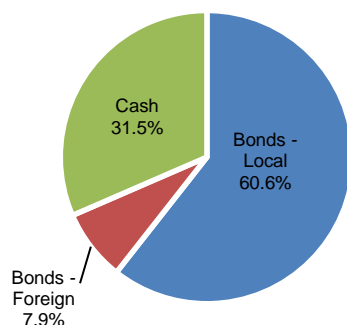
The Company reserves the right to change the Fund Management Fee (% p.a.) by giving the Policy Owner ninety (90) days prior written notice.

Historical Performance



	YTD	1 month	1 year	3 years	5 years	10 years	Since Inception
HLAVIF	8.34%	0.43%	8.93%	19.12%	32.35%	73.76%	153.74%
Benchmark*	2.78%	0.23%	3.06%	9.61%	16.75%	34.45%	82.73%
Relative	5.56%	0.20%	5.87%	9.52%	15.60%	39.31%	71.01%

Asset Allocation of HLAIF as at 29 Nov 2019



Top 5 Holdings for HLAIF as at 29 Nov 2019

	%
1. MALAYAN BANKING BERHAD 3	8.7
2. MALAYSIA INVESTMENT ISSUE 0	8.5
3. RAKUTEN INC 2	6.0
4. ALLIANCE BANK MALAYSIA BHD 1	4.0
5. MALAYSIA AIRPORTS HOLDINGS 1	2.7
Total Top 5	30.0

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Market Review

The 10 year US Treasuries ("UST") yield continued to inch higher in November 2019 as relationship between US and China has gradually turned less confrontational, and as a result investors are paring back some of their aggressiveness in rate cut pricing and thereby pushing yields higher. Jerome Powell's message was clear and cited that the Fed is likely to keep rates unchanged in the coming months unless there's a material shift in the economic outlook. He also openly urged the US government to play their part in reducing the federal government's annual deficit as a ballooning deficit will make it harder for Congress to cut taxes or boost spending when the next recession hits on the back of a monetary policy environment that is already extremely accommodative.

For the month of November, the local bond market remained somewhat lethargic and lacked a strong directional bias, despite a slower Q319 GDP which clocked in a yoy growth of 4.4% in 3Q19 (2Q19: 4.9%) making the case stronger for another OPR cut. Nonetheless, we noted that the Malaysian Government Securities ("MGS") curve shifted lower on almost all tenures ranging from 2-14 bps across the curve, with the 5 year tenure staging the steepest decline. On a separate note, BNM unexpectedly announced a 50bps cut in the Statutory Reserve Requirement ("SRR") to 3% from 3.5% effective November 2019 to maintain sufficient liquidity in the system. Interestingly, BNM has also made it clear that the said move is not a signal of a more dovish monetary policy stance. Nonetheless, we think that this is a pre-emptive move in view of the potential risk sparked by foreign outflows in the local bond market as a result of the overhang from the FTSE Russell's decision in late September 2019 to extend Malaysia on its watch list until the next review of its flagship World Government Bond Index as well as the dilution of Malaysia's weight in JP Morgan's Government Bond Index Emerging Markets next year due to China's inclusion. Consequently, the shorter end of the MGS curve saw yields trending lower for the month of November.

Trading volumes in the corporate bond space regained traction in the month of November with interest mainly in the government guaranteed and the AA-rating space. There were some large issuances in the month and the more prominent ones were Danainfra's RM2.8 billion government-guaranteed bonds with tenures ranging from 7-30 years with coupons ranging from 3.53%-4.29% and Genting Bhd's RMTN AAA-rated bonds with tenures ranging from 10-15 years at coupons between 4.18%-4.38%.

Market Outlook & Strategy

In the US, while manufacturing sentiment remains weak and is dragging on industrial production growth, it has not dented the pace of job creation in the United States. With strong job additions and rising earnings growth as well as inflation that remain below target, an additional rate cut by the Fed is far from sight. The dynamics of the trade war remains the dominant driver of the direction in bond yields and that seems unlikely to change in the near term. While a trade deal remains far from concrete, both parties appear to be making constructive progress. As China insists on some degree of tariff rollback as a prerequisite for trade agreement, it remains to be seen whether both parties can achieve anything meaningful as we approach the next deadline that falls on the 15th December 2019 when the US is set to impose additional tariffs on Chinese goods.

On the local front, local factors are supportive of the MGS curve on the back of an easing bias on monetary policy and resilient domestic demand for bonds by domestic institutional investors. Given the strong rally in MGS thus far, we will continuously look for opportunities to take profit and position defensively as external factors pose upside to local yields. Given the fluid economic developments globally, we are skewed towards the shorter end and will also be on the lookout 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.