HLA Venture Managed Fund (HLAVMF)

Jan 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.

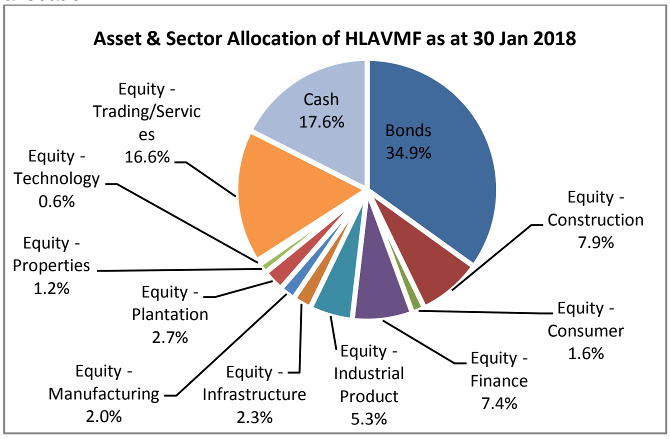
4. Target Market

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

Fund Details

Unit Price (30/1/2018)	:RM2.2515
Fund Size (30/1/2018)	:RM237.7mil
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.

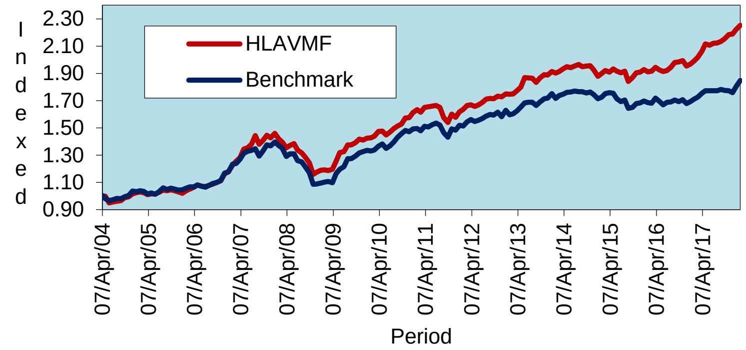


Top 10 Holdings for HLAVMF as at 30 Jan 2018

		%
1. TENAGA	EQ	5.3
2. MAYBANK	EQ	4.0
3. CIMB	EQ	3.4
4. MALAYAN BANKING BERHAD 2 6.30% 25/9/2018	FI	3.2
5. ALLIANCE BANK MALAYSIA BHD 5.65% 18/12/2020	FI	3.0
6. MALAYSIA AIRPORTS HOLDINGS 5.75% 13/12/2024	FI	3.0
7. AXIATA	EQ	2.3
8. EFORCE	EQ	2.3
9. VS	EQ	2.3
10. BGSM MANAGEMENT SDN BHD 2 5.25% 24/12/2020	FI	2.2
Total Top 10		**31.0**

FI : Fixed Income
EQ : Equities

Historical Performance



	1 month	YTD	1 year	5 years	10 years	Since Inception
HLAVMF	1.33%	1.33%	12.99%	28.81%	58.59%	125.15%
Benchmark	2.38%	2.38%	7.91%	15.74%	34.85%	83.84%
Relative	-1.05%	-1.05%	5.08%	13.07%	23.74%	41.31%

Market Review, Outlook & Strategy - Equities Market

Regional markets started 2018 on a positive note underpinned by optimism of synchronised global growth. China provided a further confidence booster when manufacturing data showed expansion. Oil prices also started 2018 on a bullish note, touching a high of US$66.24/barrel as the effect of falling oil inventories and prospects of increased consumption by growing economies offset the resumption of production at the North Sea and Libyan pipelines. However, when the reality of a US government shutdown became apparent by the middle of the month, investors did initially feel slightly jittery. President Trump's announcement of import tariffs on solar panels and washing machines also added to the nervousness. The pessimism was eventually short-lived when the US government shutdown only lasted for three days, followed by rising optimism over US corporate earnings.

The local market also started the year on a strong note in tandem with regional peers. Foreign investors remained net buyers in January with strong net inflow of RM3.4b. Key notable event was the first Monetary Policy Committee (MPC) meeting for 2018 where Bank Negara raised the overnight policy rate (OPR) by 25 basis points to 3.25% from 3%. This was the first rate hike since 10 July 2014 and the decision to normalize the OPR was not a surprise given earlier indications from the MPC statement in Nov 17. Ringgit strengthened to a high of RM3.8705/US$ aided by improved sentiment in the local equities market and rising crude oil prices.

During the month, the KLCI gained 4% mom or 71.8pts to close at 1,868pts. This represents the highest closing since September 2014. The KLCI outperformed the broader market and small caps. However, it underperformed the MSCI Asia Pacific ex-Japan Index (MXASJ), which gained 6.7% mom.

As we move into February, all eyes will be on the upcoming corporate results season while investors will continue to look out for hints on when the 14th Malaysian General Elections will be held. Meanwhile, regional markets recently saw a pullback sparked by positive data points leading to concerns of additional rate hikes by the US Fed as there was better than expected job creation, low unemployment levels and higher US wage growth in January. However, there was no change to the US Fed's earlier guidance of a gradual increase in federal funds rate and target range at 1.25-1.5%. We continue to advocate accumulating good quality stocks on pullbacks and remain positive on the 1) Banks, 2) Construction, 3) Beneficiaries of consumer recovery and 4) Beneficiaries of a stronger Ringgit.

Market Review, Outlook & Strategy - Fixed Income Market

For the month of January, the local govvies (GG) market began the year with a short moment of divergence from US Treasuries (UST). UST was on a rising trend with the prediction of Fed's raising rates at a faster pace while local govvies rallied on the back of a strong Ringgit. Both foreign offshore and local players were active in the first half of the month when USD/MYR was close to breaching USD/RM4.00 but sentiment, however, faded closer towards the MPC meeting. The market's view on OPR was mixed with most investors preferring to stay sidelined. Thus, yields were on an uptrend due to thin liquidity.

As guided earlier, at the first policy rate meeting of the year, Bank Negara Malaysia raised the OPR by 25bps to 3.25%, the first rate hike since July 2014. In the latest policy statement, a more neutral tone was observed and market expects no further OPR hikes in 2018. This is since MPC's intention was to normalize the degree of monetary accommodation and as a preemptive strike to prevent the build-up of risks that could arise from a prolonged period of low interest rates. With this, volume started to improve with some repositioning of portfolios. Nevertheless, it was short-lived due to the rapid rise in UST yields. Overall, 10 year UST's yields rose close to 30bps mom while 10 years MGS' yield only rose 6bps during the month.

In the corporate bond space, sentiment was similar to govvies' whereby interest was strong at the beginning of the month and slowed down towards the MPC meeting. Secondary trades primarily focused on financial, power as well as selected GGs. During the month, PTPTN, Danga Capital, Segi Astana, Sinar Kamiri and Syarikat Air Johor Corporation tapped the market.
The Fed's monetary policy stance will continue to be one of the major determinants of the local bond sentiment. Thus, we will continue to observe the UST movement to gauge sentiment on local govvies. Currently, market is bearish towards UST's as predictions on the number of potential rate hikes increases. This is despite the fact that the USD/MYR is expected to hold at below USD/MYR 4.00 with no further hikes in Malaysia, as local investors are cautious that the selloff in UST will spill over to the domestic bond market.

On corporate bonds space, many corporate issuers especially the GG's, financial/banking and infrastructure/utilities are still looking for funding. With the potential rise in MGS yields, the absolute drawdown yield of primary issuances should be attractive enough to be considered.

Thus, we will take advantage of the primary issuances that are within our investment space and pace our purchases at every level to average up the portfolio yield as it rises.

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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
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 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.