

HLA Venture Managed Fund (HLAVMF)

Jun 2017

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.

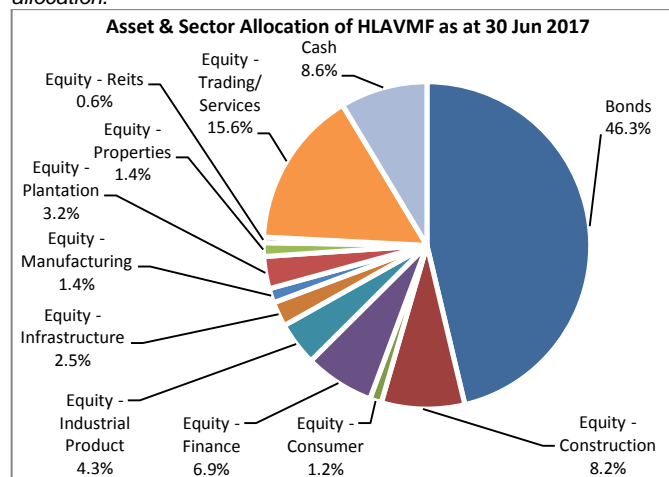
4. Target Market

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

Fund Details

Unit Price (30/6/2017)	:RM2.1215
Fund Size (30/6/2017)	:RM211.1mil
Fund Management Fee (effective as at 01/09/2015)	: 1.17% 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 Jun 2017

		%
1. TENAGA	EQ	5.3
2. MAYBANK	EQ	4.2
3. MALAYAN BANKING BERHAD 2 6.30% 25/9/2018	FI	3.6
4. ALLIANCE BANK MALAYSIA BHD 5.65% 18/12/2020	FI	3.4
5. MALAYSIA AIRPORTS HOLDINGS 5.75% 13/12/2024	FI	3.4
6. RHB BANK BERHAD 4.4% 30/11/2017	FI	2.9
7. CIMB	EQ	2.5
8. BGSM MANAGEMENT S/B 5.25% 24/12/2020	FI	2.4
9. CIMB GROUP HOLDING 2 5.80% 25/5/2021	FI	2.4
10. LEMBAGA PEMBIAYAAN PERUM 1 4.58% 16/04/2027	FI	2.4
Total Top 10		32.5

Hong Leong Assurance Berhad (94613-X)

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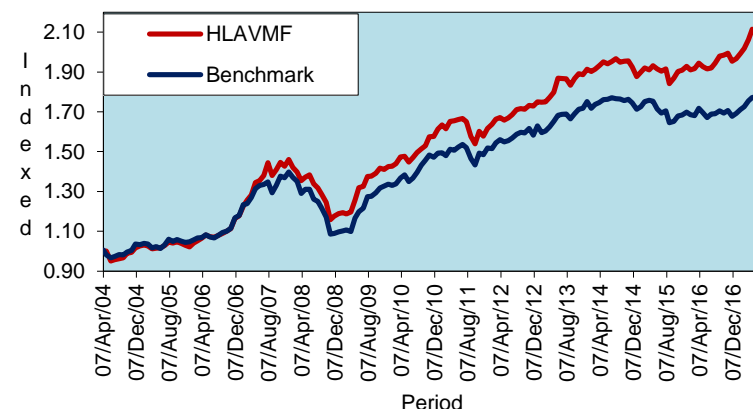
Telephone 03-7650 1818 Facsimile 03-7650 1991

Customer Service Hotline 03-7650 1288 Customer Service Hotfax 03-7650 1299

FI : Fixed Income

EQ : Equities

Historical Performance



	1 month	YTD	1 year	5 years	10 years	Since Inception
HLAVMF	0.73%	7.84%	10.43%	25.85%	53.74%	112.15%
Benchmark	0.04%	4.78%	5.05%	13.14%	32.80%	76.52%
Relative	0.69%	3.06%	5.37%	12.70%	20.94%	35.63%

Market Review, Outlook & Strategy - Equities Market

The upward thrust in the regional markets at the start of June was not sustainable by the middle of the month with a flurry of negative news both on the economic and political front. Investors also took the cue from the plunge in technology-related stocks on Wall Street to turn more cautious. Weaker US economic data signaled that economic growth may be slowing while renewed expectations of China slowing down in the second half of 2017 amid tighter credit conditions further depressed market sentiment. In an era of several major political surprises; the UK general election ended with a hung parliament after the Tories fell short of a majority.

Domestically, the FBM KLCI started the month higher by 1.5% within the first week, but gave back the gains by the second half of the month with investors preferring to close their positions before the market closed for the long Hari Raya holidays. Notable news flow during the month included the surprise suspension of FGV's group CEO and CFO, followed by FGV chairman Tan Sri Isa voluntarily relinquishing his position. SP Setia also announced that it was proceeding with the purchase of Island and Peninsular from PNB (its major shareholder) for RM3.65bn but surprised the market with plans of a dilutive cash call from rights and preference shares of up to RM2.4bn. Finally, DRB-Hicom signed a definitive agreement with Geely to sell 49.9% stake in Proton and 51% stake in Lotus.

However, the broader market performed better than the KLCI, with the FBM Emas rising 0.2% mom to 12,598pts. Small caps also outperformed against the KLCI, with the FBM Small cap index improving by 1.1% mom to 17,444pts. KL Plantation index was the biggest laggard during the month, falling 0.7% mom to 7,913. Average daily value traded on Bursa in June declined 23% mom to RM2.4bn.

Moving into the second half, the local bourse is likely to see listless trading while further weakness in August could come from potential fund outflows arising from sizeable government bond maturities between August and November 2017. Questions over the Fed potentially raising rates again in September starting "Taper Truncum 2", while uncertain 2Q corporate results will also weigh down on market sentiment. As such we prefer to adopt a more defensive strategy, favouring companies with earnings certainty and decent yield. We also continue to like large-cap names in the construction and power space. Finally, selected small- and mid-cap stocks could continue to be in the limelight thanks to the government's mandate to GLC funds in Budget 2017 to allocate up to RM3bn to invest in the space. We would look to add back equities exposure on any weakness.

Market Review, Outlook & Strategy - Fixed Income Market

In the month of June, the MGS market began on a quiet and bearish bias as investors were cautious ahead of the Fed's FOMC meeting where a 25bps rate hike was expected. The MGS yield curve especially from the 5 to 15-years moved upwards as demand was affected by the weaker ringgit, soft oil prices and higher 5-year CDS. Towards month end, trading was also tepid due to the long festive break. As at month end, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year benchmark MGS yields closed at 3.36%, 3.624%, 3.898%, 3.931%, 4.377%, 4.556% and 4.772% respectively while the Ringgit settled at USD/RM4.2933, 0.28% higher than last month's closing.

On the economic front, the US Fed hiked rates by 25bps to 1.00%- 1.25%, as widely expected, citing tightness of the labour market while also downplaying recent weak inflation as transitory. The Fed had also confirmed that it would start shrinking its balance sheet this year. The Fed also raised its forecast of real GDP growth to 2.2% in 2017 from the previous estimate of 2.1%.

On a similar tone, trading volume for corporate bonds/sukuk saw razor thin transactions tracking activities in the MYR govies space. However, primary issuance is anticipated to pick up after the Raya break. We will focus on the primary pipeline for yield pickup and cherry pick on some secondary bonds into any sell off.

HLA Venture Managed Fund (HLAVMF)

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

Year	2012	2013	2014	2015	2016
Benchmark	7.0%	7.3%	-2.6%	-1.3%	-0.8%
HLAVMF - Gross	10.3%	11.4%	-0.7%	4.3%	3.4%
HLAVMF - Net	8.3%	9.3%	-1.9%	2.7%	2.0%

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

- 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 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.