

# HLA Venture Income Fund (HLAVIF)

Oct 2020

## 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

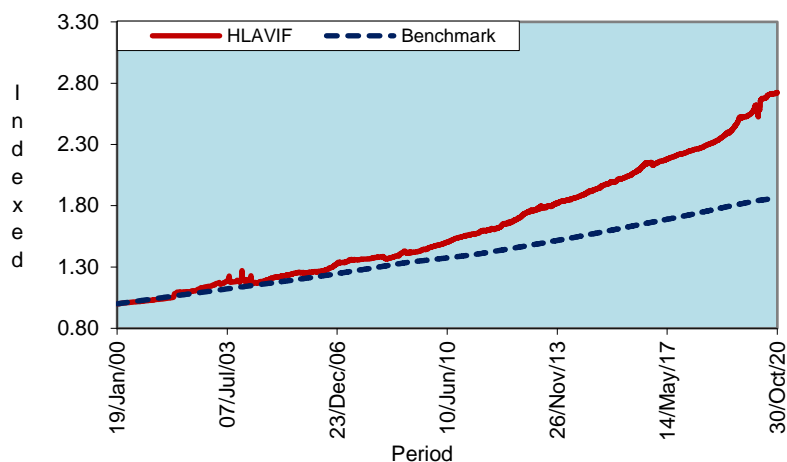
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## Fund Details

Unit Price (30/10/2020)	:RM2.7242
Fund Size (30/10/2020)	:RM351.7 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

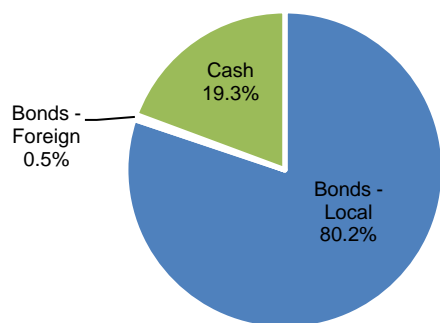
The Company reserves the right to change the Fund Management Fee (% p.a.) by giving the Policy Owner ninety (90) days prior written notice.

## Historical Performance



	YTD	1 month	1 year	3 years	5 years	10 years	Since Inception
HLAVIF	6.84%	0.34%	7.83%	22.55%	35.08%	76.63%	172.42%
Benchmark*	1.66%	0.14%	2.16%	8.69%	15.55%	34.29%	86.24%
Relative	5.18%	0.20%	5.67%	13.86%	19.53%	42.34%	86.18%

Asset Allocation of HLAVIF as at 30 Oct2020



## Top 5 Holdings for HLAVIF as at 30 Oct 2020

	%
1. MALAYAN BANKING BERHAD 3	5.6
2. ALLIANCE BANK MALAYSIA BHD 2	4.9
3. ALLIANCE BANK MALAYSIA BHD 1	2.4
4. TENAGA NASIONAL BERHAD 2	1.7
5. GENM CAPITAL BERHAD 1	1.7
<b>Total Top 5</b>	<b>16.2</b>

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## Market Review

In the month of October, 10 years US Treasury ("UST") yields rose to 0.87%, highest since June 5th. The yield curve also bear steepened on hopes that U.S. lawmakers were close to striking a deal on new fiscal stimulus to combat the economic devastation caused by the pandemic. Investors were concerned that the long-dated yields would rise on the likelihood of greater fiscal spending (more taxes and/or more UST supply) to boost the economy.

On the contrary, the Malaysian Government Securities ("MGS") market rallied and yield curve bull steepened with short-end MGS yields declining the most by 14 to 30bps MoM. Traders were positioning ahead of the Monetary Policy Committee ("MPC") meeting scheduled on Nov 3rd with the anticipation that Malaysia's central bank may cut the Overnight Policy Rate ("OPR") by another 25bps amid concern over downside risks to growth following the resurgence of Covid-19 cases. The rally was also helped by offshore investors when they picked up short tenure MGS amid recent US dollar weakness. On a similar trend, long-end MGS yields also dropped, however the quantum is marginal (-1 to -4bps MoM), with the exception of the 20-year MGS benchmark which rose by 2bps MoM. Generally, investors stayed defensive on the long tenure bonds amid concern over the political risks; placing uncertainties over the focal points of Budget Malaysia 2021 announcement on Nov 6th.

As for corporate bond market, trading activities remained lacklustre since focus was shifted towards the participation in primary issuances which were relatively hefty. Some prominent new issuances for the month were Alliance Bank Malaysia Bhd's RM1.2 billion of A2-rated subordinated debts, Malayan Banking Bhd's RM3 billion of AA1-rated subordinated debts, Prasarana Malaysia Bhd's RM1 billion of government guaranteed ("GG") bond, Bank Islam Malaysia Bhd's RM700 million of A1-rated subordinated debts, Cagamas Bhd's RM550 million AAA-rated bond, Imtiaz Sukuk II Bhd's RM700 million AA2-rated bond, Bank Pembangunan Malaysia Bhd's RM1 billion AAA-rated bond, Pengerang LNG (Two) Sdn Bhd's RM3.4 billion AAA-rated bond, Perbadanan Tabung Pendidikan Tinggi Nasional's RM3 billion GG bond and Perbadanan Kemajuan Pertanian Negeri Pahang's RM535 million AA3-rated bond.

## Market Outlook & Strategy

In the U.S., investors are betting that new stimulus is likely to take place after the Nov 3rd presidential election if lawmakers do not agree to it now. With Democrats likely to offer a larger package if they were to win majority seats in the Senate, the new fiscal spending should improve the U.S. economic outlook and raises the prospect of higher inflation, which potentially send yields higher. Correspondingly, a glut of UST supply to finance the spending could also weigh on the U.S. bond market. However, the ongoing weakness from Covid-related business disruptions will likely keep downward pressure on yields. Also, the Federal Reserve has mentioned that the Fed would keep low rates in place until it is confident that the economy improves.

On the local front, everyone is eyeing on the upcoming MPC meeting and Malaysia Budget 2021. Regardless of BNM's decision on the policy rate, the policy statement is expected to remain dovish, accommodative and supportive of sustaining the economy recovery. In our view, the upcoming budget may not be able to deliver a significant expansionary fiscal stance given the limited fiscal space. Hence, BNM may need to consider the effects of Budget 2021 and assess if there is a need to reinforce with a rate cut amid resurgence of COVID-19 cases locally and globally which elevates the downside risks to growth. Globally, as a result of second waves, the U.S., U.K and several countries in the EU (e.g. Germany, France, Italy and Spain) have re-imposed lockdowns. This will have a material negative impact on external demand for Malaysian products, as both the U.S. and EU comprise around 20% of Malaysia's total exports. Against this backdrop, demand for govies is expected to remain supported for now. However, we will remain defensive amidst the ongoing political risks and the heavy supply on both govies and corporate bonds.

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

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Benchmark</b>	2.3%	2.8%	3.1%	3.1%	3.2%	3.2%	3.1%	3.0%	3.3%	3.0%
<b>HLAVIF- Gross</b>	7.0%	4.8%	10.0%	5.4%	5.8%	6.5%	6.9%	5.3%	5.6%	10.2%
<b>HLAVIF - Net</b>	5.9%	3.9%	8.7%	4.5%	4.8%	5.5%	5.8%	4.4%	4.6%	8.9%

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 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:

- having a flexible tactical asset allocation
- investing in a wide range of companies across different sectors
- setting prudent investment limits on various exposures
- taking into account the liquidity factor in selecting securities
- 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.