

HLA Venture Income Fund (HLAVIF)

Aug 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

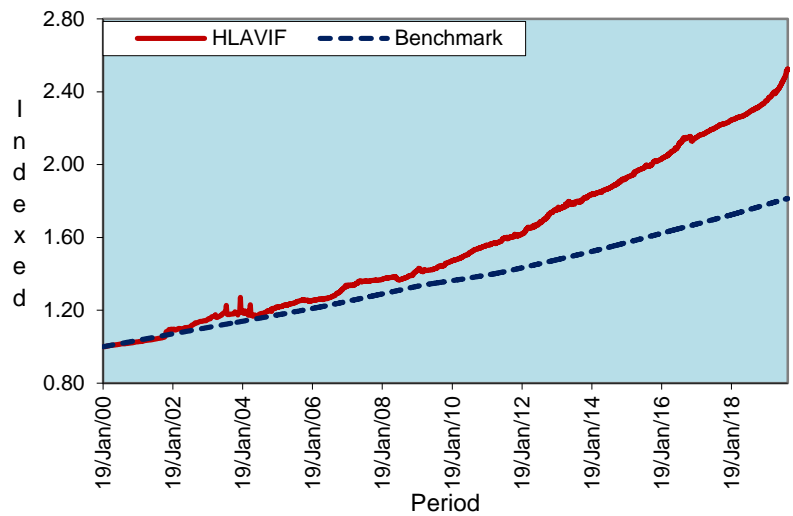
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Fund Details

Unit Price (30/8/2019)	:RM2.5256
Fund Size (30/8/2019)	:RM198.0mil
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.

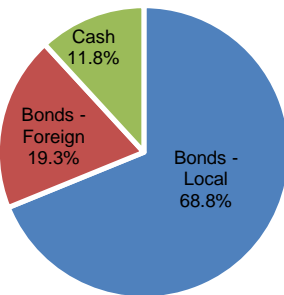
Historical Performance



	YTD	1 month	1 year	3 years	5 years	10 years	Since Inception
HLAVIF	7.84%	1.94%	9.73%	17.86%	34.07%	75.34%	152.56%
Benchmark*	2.03%	0.24%	3.13%	9.63%	16.83%	34.19%	81.40%
Relative	5.81%	1.70%	6.60%	8.24%	17.24%	41.15%	71.16%

*Source: Maybank

Asset Allocation of HLAIF as at 30 Aug 2019



Top 5 Holdings for HLAIF as at 30 Aug 2019

	%
1. MALAYSIA INVESTMENT ISSUE 1	11.9
2. WESTPAC BANKING CORP 2	9.6
3. UBS GROUP AG-	7.7
4. MALAYAN BANKING BERHAD 3	5.3
5. ALLIANCE BANK MALAYSIA BHD 1	4.4
Total Top 5	39.0

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Market Review

The US Treasuries ("UST") market went through a volatile month and was responsible for nearly half of 2019's year-to-date decline in the 10-year Treasury yield. The 30-year bond yield also touched its all-time low in August, piercing the 2% for the first time in its history. The angst started when markets saw trade tensions resurface which subsequently kicked off the bond market rally in the month of August following President Donald Trump's infamous decision to impose tariffs on all remaining Chinese imports after talks between negotiators from both sides in July. This spurred a tit-for-tat escalation of import levies, drawing doubts over the possibility of a resolution to trade issues soon. On emerging markets, in the wake of Argentinian President Mauricio Macri's defeat in August, investors dumped its stocks, bonds and currency en masse, leaving investors wondering whether the country was headed for yet another default. The outcome of the election stirred speculation over the possibility that a more protectionist government would take over come December 2019 and reverse the hard-earned gains that Macri had made to regain the trust of the international markets. The debt markets are worried that his populist opponent, Alberto Fernandez and his team, will attempt to renegotiate its debts as well as its agreements with the International Monetary Fund.

In line with the movement in UST, the Malaysian Government Securities ("MGS") curve bull-flattened significantly in mid-August. After crossing 3.5% a few days before mid-August, MGS took a bullish jab, triggered by conducive global interest rate environment and lifted by positive supply-side profile. The last time the market had staged a similar move was in January 2009 and May 2013 where the 10 year MGS breached 3.4-3.5% level area and headed straight towards the 3% handle within 1-2 months. MGS yields were sharply lower led by the longer-end, driven by strong buying flows from both onshore and offshore parties. After finding support at 3.18%, the 10 year MGS yield rebounded and subsequently ended the month at 3.32%.

Apart from the first week of the month, the corporate bond space was rather muted. The month kicked off with some interest across the government guaranteed segment to the AA-part of the curve as yields continued to edge lower. New issuances that flooded the market are evidently shorter in tenure. Some of the prominent new issuances of the month include the RM850 million government guaranteed issuance by Prasarana, YNH Property's unrated perpetual bonds amounting to RM263 million with a coupon of 6.85% and Sunway Treasury Sukuk Sdn Bhd's unrated papers amounting to RM160 million.

Market Outlook & Strategy

On the global front, the global stock of negative yielding debt papers is now in excess of USD17 trillion as rising market volatility lent urgency to the unprecedented bond rally seen thus far. In the short term, we foresee more investment grade debt papers to offer sub-zero yields, as investors hope to benefit from further bearishness that would drive yields deeper into the negative territory and favourable cross-currency hedging rates and to hedge against excessive portfolio volatility from riskier asset classes. From a relative yield standpoint, we continue to expect strong interest in UST as it remains one of the few safe havens that is still providing positive returns, albeit increasingly unappealing. Despite the relatively stretched rally in the fixed income market, we continue to opine that markets will maintain their overweight stance on safe haven assets until further clarity surfaces from the various geopolitical events globally.

On the local front, while domestic liquidity remains supportive, we maintain our view that the risk-reward for MGS is increasingly unappealing. As FTSE Russell has not announced their decision of whether to remove Malaysia from their flagship index, the local bond market is expected to be rather quiet ahead of event risks in the next couple of weeks. Key events to watch include BNM's stance on the overnight policy rate in the next Monetary Policy Committee meeting and the much anticipated decision by FTSE Russell. While the recent round of liberalisation measures announced by the central bank is viewed positively, a favourable FTSE Russell decision which is expected to crystallise on the 27th September may have been largely priced in and the risk lies with fresh surprises in their decision. As such, we have taken profit on some of our MGS positions and are waiting for favourable windows 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.

- 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 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.