

# HLA Venture Global Fund (HLAVGLF)

Jan 2020

## Fund Features

### 1. Investment Objective

The objective of the fund is provide investors with steady growth and consistency in income return over a medium to long term investment horizons by investing into global equities.

### 2. Investment Strategy & Approach

This fund will initially invest in, but not limited to Hong Leong Asia-Pacific Dividend Fund and Hong Leong Strategic Fund that uses equity, fixed income and money market instruments as their underlying assets. This fund will seek to diversify its investment geographically and by asset classes i.e. global equity of companies involved in the extraction, processing, transportation and distribution of natural resources, high dividend yield equities in Asia Pacific region (excluding Japan), global equities and/or local equities.

### 3. Asset Allocation

The fund will invest up to 95% of its NAV into selected unit trust funds.

### 4. Target Market

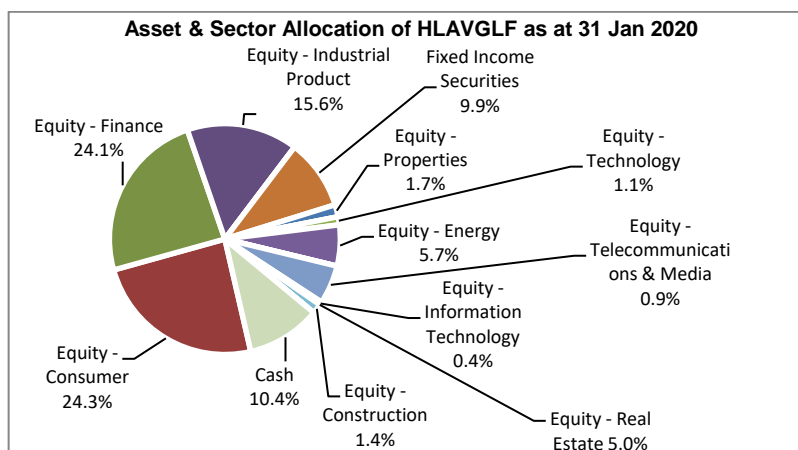
This fund is suitable for investors with moderate to high-risk appetite with a medium to long-term investment horizon.

## Fund Details

Unit Price (31/1/2020)	:RM1.3257
Fund Size (31/1/2020)	:RM29.67mil
Fund Management Fee	:1.29% p.a.
Fund Manager	:Hong Leong Assurance Berhad
Fund Category	:Equity
Fund Inception	: 02 April 2007
Benchmark	:MSCI AC Asia Pacific ex Japan + MSCI ACWI Index + RAM Quantshop MGS ALL
Frequency of Unit Valuation	:Daily

Fund management charge of underlying Collective Investment Scheme(s) is part of Fund Management Fee as stated in table above. There are no additional charges being charged to the Policy Owner. The Company reserves the right to change the Fund Management Fee (% p.a.) by giving the Policy Owner ninety (90) days prior written notice.

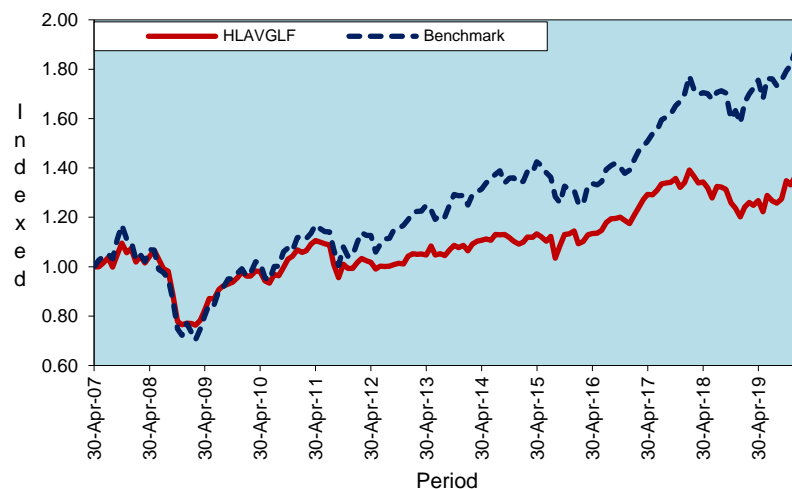
Asset Allocation for HLAVGLF as at 31 Jan 2020	%
Hong Leong Asia-Pacific Dividend Fund	60.8
Hong Leong Strategic Fund	38.5
Cash	0.7
<b>Total</b>	<b>100.0</b>



## Top 5 Holdings for HLAVGLF as at 31 Jan 2020

	%
1. Malaysian Government Securities	9.9
2. China Conch Venture Holdings	6.2
3. Dufu Technology Corp Berhad	6.1
4. Country Garden Services Holdings Co Ltd	5.6
5. Meituan Dianping	5.4
<b>Total Top 5</b>	<b>33.2</b>

## Historical Performance



	YTD	1 month	1 year	3 years	5 years	10 years	Since Inception
<b>HLAVGLF</b>	-2.99%	-2.99%	6.73%	9.58%	20.58%	37.74%	32.57%
<b>Benchmark*</b>	-1.00%	-1.00%	11.55%	29.57%	38.11%	93.20%	85.87%
<b>Relative</b>	-1.98%	-1.98%	-4.81%	-19.99%	-17.53%	-55.47%	-53.30%

Source: Bloomberg, RAM Quantshop

# HLA Venture Global Fund (HLAVGLF)

## Market Review, Outlook & Strategy relevant to Target Fund

### Equity Review

**Global** – Global equity markets started brightly in 2020 but ended the month in the red as investors' optimism waned towards the second half of January due to heightened fears about the economic impact from the coronavirus in China. The Dow Jones Industrial Average Index declined 1.0% and the broader S&P 500 Index declined 0.2%. The Euro Stoxx Index declined 2.8% and the FTSE 100 Index declined 3.4%.

**Asia Pacific** – Regional markets slumped due to rising fears that the coronavirus will have substantial negative impact on global growth. Due to the many unknowns about the virus, including the severity and duration of the outbreak, investors flocked to defensive asset classes and scaled down on riskier assets such as emerging market equities. In the region, Australia and India markets outperformed while Philippines and Hong Kong markets were the laggards.

**Malaysia** – The FTSE BM KLCI fell along with regional markets as investor sentiment towards emerging market equities turned sour. The FTSE BM KLCI declined 3.6% to close at 1,531 points while the FTSE BM EMAS Index declined 3.8% to close at 10,890 points. Small caps underperformed as the FTSE BM Small Cap Index declined 6.3% to close at 13,274 points.

### Outlook & Strategy

**Global** - In the US, manufacturing outlook appears soft. However, the services sector remains resilient as the consumer sector of the US economy appears solid and consumer confidence remains high. Due to the strong labour market, the Federal Reserve's decision to keep interest rate unchanged was expected. In Europe, the manufacturing sector appears to show some recovery after a prolonged period of slumber.

**Asia Pacific** - The coronavirus outbreak in China dominated the headlines for much of the month. Historically in the past disease outbreaks, economic growth tends to experience a short and sharp decline but recover quickly due to pent-up demand. It is likely that the near-term drag on the economy will be significant as people stay at home and factories remain shut. China makes up a big part of the global economy and spillover effects of this economic downturn to other regions is inevitable.

**Malaysia** – Despite the FTSE BM KLCI being one of the worst performing indices in 2019, foreign investors turned net seller during the month as part of the 'risk-off' response to the coronavirus outbreak. We prefer to be invested in high-yield stocks, selected consumer and export stocks and selected financial stocks.

### Fixed Income Review and Outlook

During the month, US Treasuries (UST) rallied on safe-haven trades arising from fear of the coronavirus outbreak. The 10-year UST yields fell 23 basis points (bps) since January as global sovereign bonds yields plunged. Bank Negara Malaysia (BNM) surprised investors by slashing its policy rate by 25bps to 2.75% during January's Monetary Policy Committee (MPC) meeting. Policymakers explained the cut as a 'pre-emptive' measure 'to secure the improving growth trajectory amid price stability'. Local sovereign bonds rallied following the announcement. The re-opening of 7-year Malaysian Government Securities (MGS), first auction of the year month saw a strong bid-to-cover ratio of 2.5 times whilst the 15-year Government Investment Issue (GII) printed a bid-to-cover ratio of 3.4 times. Similarly, the 3-year MGS printed a respectable bid-to-cover ratio of 2.2 times. AEON Credit Service (M) Berhad tapped a RM500 million whilst Hong Leong Assurance Berhad issued RM300 million conventional bonds.

The Federal Reserve (Fed) held rates as widely expected as it expects the economy to remain steady. Policymakers continue to hint that there will be a pause in rates after three cuts last year. Malaysia's fourth-quarter 2019 gross domestic product (GDP) growth is scheduled for release on 12 February and we think the growth will remain flat. We think that global investors' risk off sentiment will continue to be driven by dovish central banks and concerns over slower global growth from the coronavirus outbreak. Local inflation moderated to 0.2% in December, mainly due to increase in transportation costs. On portfolio positioning, we look to increase portfolio duration due to global growth concerns in the near term. The Funds will maintain a higher corporate bond holding for higher carry yield and to minimise mark-to-market volatility.

### 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>	12.7%	-6.5%	14.0%	8.3%	3.9%	-2.2%	6.2%	22.3%	-7.0%	18.7%
<b>HLAVGLF- Gross</b>	11.4%	-5.8%	6.8%	6.0%	1.9%	6.7%	4.2%	16.7%	-9.8%	16.2%
<b>HLAVGLF - Net</b>	9.2%	-7.1%	5.0%	4.2%	0.5%	4.9%	2.6%	14.1%	-10.3%	13.7%

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.

# HLA Venture Global Fund (HLAVGLF)

## 7. Concentration Risk

This risk is associated with a feeder fund whereby the investments of such fund are not diversified. A feeder fund invests mainly into another collective investment scheme.

## 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 us 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.

## Target Fund Details

- Hong Leong Asia-Pacific Dividend Fund is an Equity fund managed by HLAM. The past performance of this fund is as follows:

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Performance	6.4%	-15.0%	15.2%	-4.8%	-1.0%	6.5%	1.8%	19.2%	-13.3%	24.9%

- Hong Leong Strategic Fund is a Mixed Assets fund managed by HLAM. The past performance of this fund is as follows:

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Performance	18.5%	-0.7%	4.9%	14.5%	-0.7%	4.3%	4.8%	10.9%	-10.3%	2.2%

Source: Hong Leong Asset Management Berhad (HLAM)

Note: Hong Leong Global Resources Income Fund has been liquidated on 17 April 2014.

## 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.

$$\frac{\text{Unit Price}_t - \text{Unit Price}_{t-1}}{\text{Unit Price}_{t-1}}$$

For the underlying target funds, past performance is calculated after adjusting for distribution and/or additional units, if any.

## Others

HLA Venture Global 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.