

HLA Venture Income Fund (HLAVIF)

Oct 2018

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.

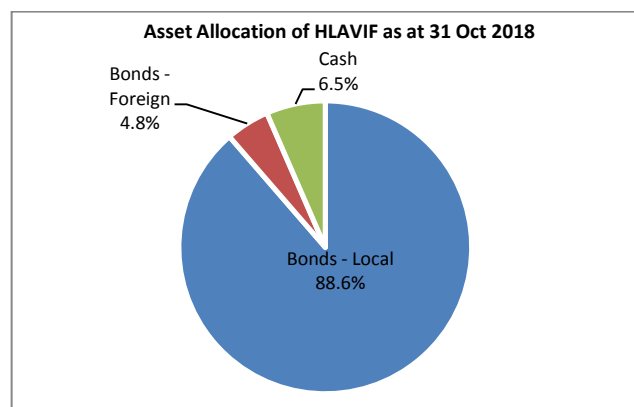
4. Target Market

This fund is suitable for investors who have low to moderate risk profile

Fund Details

Unit Price (31/10/2018)	:RM2.3193
Fund Size (31/10/2018)	:RM147.6mil
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

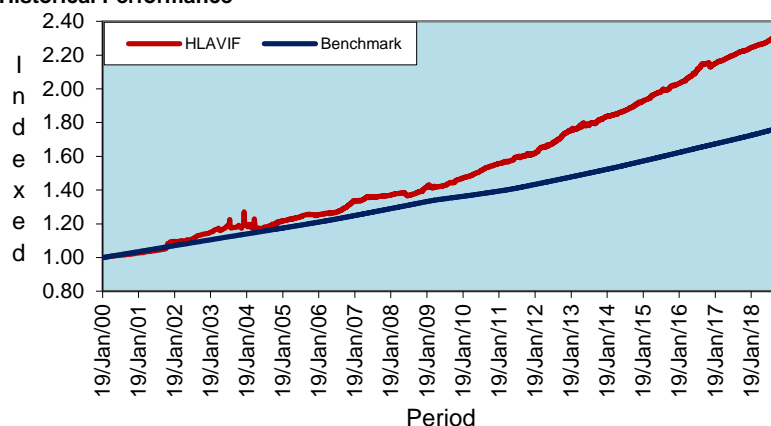
The Company reserves the right to change the Fund Management Fee (% p.a.) by giving the Policy Owner ninety (90) days prior written notice.



Top 5 Holdings for HLAVIF as at 31 Oct 2018

	%
1. M'SIAN GOVERNMENT SECURITIES 0	6.9
2. M'SIAN GOVERNMENT SECURITIES 0	6.8
3. ALLIANCE BANK MALAYSIA BHD 1	5.9
4. M'SIAN GOVERNMENT SECURITIES 0	4.9
5. MALAYSIA AIRPORTS HOLDINGS 1	4.0
Total Top 10	28.5

Historical Performance



	YTD	1 month	1 year	3 years	5 years	10 years	Since Inception
HLAVIF	3.63%	0.38%	4.33%	15.00%	27.67%	66.82%	131.93%
Benchmark*	2.71%	0.29%	3.21%	9.73%	16.85%	33.68%	76.85%
Relative	0.92%	0.09%	1.13%	5.28%	10.82%	33.14%	55.08%

*Source: Maybank

Market Review

The U.S. Treasury (UST) market experienced wild swings in October, stemming from concerns over the prospect of rising interest rates and the rout across global equity markets. Geopolitical risks and rising US government debt also contributed to the volatility that propelled the 30-year UST yield to end 18bps higher at 3.39%, while 10-year UST yield also closed 8bps higher at 3.14%.

The surge in UST yields has also prompted a rise in government bond yields across the globe with Malaysian Government Securities ("MGS") following suit. MGS benchmark yields ended between 3-12bps higher in October on the back of tepid flows. However, losses were pared by month-end rebalancing activities, sending yields 2-9bps lower across the curve with strong buying interest on the 10-year MGS benchmark.

Meanwhile, corporate bonds and sukuk saw better demand as secondary volume improved at RM13.2 billion from the prior month's RM9.5 billion. Credit spreads tightened within 1-9bps across the tenure. The GG curve ended the month slightly steeper as the short to belly of the curve increased 1-2bps while the long-end rose 5bps. The AAA yields remained largely unchanged. The prominent new issuances during the month include Cagamas Bhd, HSBC Amanah Malaysia Bhd, Public Bank Bhd, Perbadanan Kemajuan Negeri Selangor, AmBank Islamic Bhd, UEM Sunrise Bhd, CIMB Group Holdings Bhd, CIMB Bank Bhd, Serba Dinamik Holdings Bhd, Affin Islamic Bank Bhd and Telekom Malaysia Bhd.

Market Outlook & Strategy

UST yields have been surging higher fuelled by solid U.S. economic data that reinforced expectations of multiple interest rate hikes by the Federal Reserve over the next 12 months. The UST market may face more hurdles in the short term on the back of ongoing uncertainty over the outcome of the US 2018 mid-term elections to be held on 8 November. Regional bond markets may continue to be weighed down by further weakness in the UST market should there be massive tax cuts and wider fiscal deficit arising from higher federal spending that would drive up inflation.

Meanwhile on the local front, the potential market driver hinges on the upcoming 2019 Budget to be tabled on 2 November. Bond market players have been staying on defensive mode with the expectation that the new government would announce a tighter budget on the back of the wider fiscal deficit. This in turn could pressure an upside supply risk to government bonds. In fact, weaker sentiment has already prevailed following Moody's concern over the wider fiscal deficit until 2020.

On the monetary policy front, we expect Bank Negara Malaysia (BNM) to keep the Overnight Policy Rate (OPR) unchanged at 3.25% until 1H2019 amid lingering downside risks to growth, US-China trade war and geopolitical risks. BNM could turn dovish on its monetary policy stance if GDP growth is derailed by a massive cut in government spending under an austerity budget.

We expect trading activities to gradually pick up as the recent upward movement in bond yields provides a good opportunity for investors to switch into higher yielding investments. We also expect the Malaysian bond market to remain resilient and believe that any sell-off would quickly be snapped up by buying interest given the ample liquidity in the system. The long term demand and supply dynamic of the Malaysian bond market remains intact. As such, we would maintain our long position on bonds and continue to reinvest into longer tenure bonds to benefit from dissipating risk premiums when market strengthens.

HLA Venture Income Fund (HLAVIF)

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

Year	2013	2014	2015	2016	2017
Benchmark	3.1%	3.2%	3.2%	3.1%	3.0%
HLAVIF- Gross	5.4%	5.8%	6.5%	6.9%	5.3%
HLAVIF - Net	4.5%	4.8%	5.5%	5.8%	4.4%

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

- 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.