

HLA Venture Income Fund (HLAVIF)

Feb 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

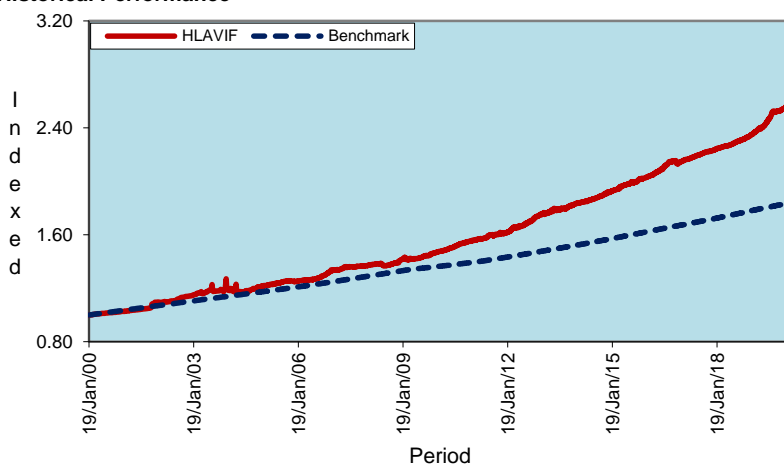
This fund is suitable for investors who have low to moderate risk profile

Fund Details

Unit Price (28/2/2020)	:RM2.613
Fund Size (28/2/2020)	:RM259.5mil
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

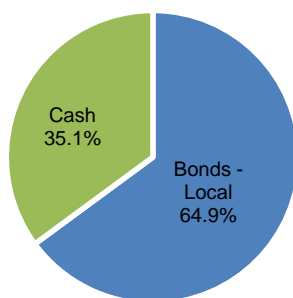
The Company reserves the right to change the Fund Management Fee (% p.a.) by giving the Policy Owner ninety (90) days prior written notice.

Historical Performance



	YTD	1 month	1 year	3 years	5 years	10 years	Since Inception
HLA VIF	2.47%	1.28%	10.12%	20.72%	34.84%	76.80%	161.30%
Benchmark*	0.44%	0.21%	2.96%	9.56%	16.63%	34.71%	84.00%
Relative	2.04%	1.07%	7.16%	11.16%	18.21%	42.09%	77.30%

Asset Allocation of HLA VIF as at 28 Feb 2020



Top 5 Holdings for HLA VIF as at 28 Feb 2020

	%
1. M'SIAN GOVERNMENT SECURITIES 2	9.8
2. MALAYAN BANKING BERHAD 3	8.8
3. MBSB BANK 2	4.6
4. ALLIANCE BANK MALAYSIA BHD 1	3.9
5. TENAGA NASIONAL BERHAD 2	2.7
Total Top 5	29.9

HLA Venture Income Fund (HLAVIF)

Market Review

The month of February was an extremely eventful month for bond markets in general. The U.S Treasuries ("UST") was trading at historical low levels since the global financial crisis. The 10-year and 30-year UST yields plunged 36 bps and 32bps respectively to close at 1.15% and 1.68% in February. The sharp plunge which came on the back of the coronavirus outbreak, has muddled the outlook for the global economy and rattled equity markets. With major U.S. stock indexes plunging into correction territory in the final week of February, money has crowded into sovereign papers and away from risky assets.

On top of the challenges surrounding economic pressures brought about by the widespread Covid-19, the local market was also caught off guard by the political turmoil that sparked worries about the possibility of prolonged political instability going forward. To counter the slowdown risk amid the Covid-19 outbreak, the government has announced an economic stimulus package that is worth about RM20 billion (about 1.3% of GDP). Nonetheless, given the country's relatively stretched fiscal position for its current ratings, the abovesaid impact on Malaysia's sovereign ratings came on the radar. This was reaffirmed by a statement released by S&P Global Ratings to warn of potential downward pressure to Malaysia's sovereign credit ratings should new political developments suggest a weakened commitment to fiscal consolidation. That said, the market quickly digested that the mild widening in fiscal deficit would unlikely be of significant concern. All in all, the risk-off mood in the local market continued to be dominated by headlines surrounding Covid-19 globally and saw yields on the Malaysian Government Securities ("MGS") lower across all tenures (ranging from 18 bps to 32 bps MoM). At close, the 5-, 10-, 15- and 30-year traded at 2.66%, 2.82%, 3.05% and 3.59%.

Corporate bond yields dropped further in February by 22bps-37bps across the curve in line with the general trend in the MGS market. Given the scarcity of local corporate bonds, strong investor interest was seen across the government guaranteed ("GG"), AAA-rated and AA-rated space. In the primary space, we have seen some issuers flocking the market to leverage on the opportunity to tap into cheap funding. Some of the prominent issuances include Lembaga Pembiayaan Perumahan Sektor Awam's RM2.25 billion GG papers with tenures ranging from 10 years-30 years at coupons ranging between 3.3%-4.0%, Prasarana's 7-30 years GG issuance at coupons ranging between 3.07%-3.42%. RM 2 billion 5 year and 15 year papers issued by AAA-rated Danum Capital Berhad and Top Glove's Perpetual Sukuk which closed 33 bps lower at 3.62% compared to its issued coupon of 3.95%.

Market Outlook & Strategy

After the sharp drop in global bond yields seen in the final week of February which was largely described as the best performing week since the global financial crisis, investors are now expecting that central banks will step in to try to mitigate the Covid-19 crisis that is threatening global economic growth. Based on the movements in Fed funds futures, investors now think it is almost certain that the Federal Reserve will cut interest rates when it meets later in March. Analysts are expecting policymakers across the globe to indicate that they are open to further cuts should the need for more economic stimulus arises. This is expected to put further pressure on yields moving forward.

On the local front, the market will continue to be clouded by uncertainties that can push the local yields in either direction. On the one hand, we are mindful of the potential risk of a downgrade to Malaysia's credit rating which will prompt a wave of outflows from MGS and Government Investment Issues ("GII"). On the other hand, the prevailing external uncertainties on the global pandemic outbreak may dominate local sentiment and push yields even lower. Though Tan Sri Muhiyiddin Yassin has already been sworn in as Malaysia's 8th Prime Minister, the path ahead remains highly uncertain as ex-Prime Minister Tun Mahathir claims that he has the support of the majority and even if the current political turmoil eventually settles down, investors still need to deal with policy uncertainties as the new government may have different set of policy priorities. Given the already rich valuations, local bond yields could sharply reverse should we see a downgrade in Malaysia's credit rating and fear of Covid-19 subsiding. As such, we are actively monitoring for opportunities with favourable risk-reward for investment.

HLA Venture Income Fund (HLAVIF)

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

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Benchmark	2.3%	2.8%	3.1%	3.1%	3.2%	3.2%	3.1%	3.0%	3.3%	3.0%
HLAVIF- Gross	7.0%	4.8%	10.0%	5.4%	5.8%	6.5%	6.9%	5.3%	5.6%	10.2%
HLAVIF - Net	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.

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.