

HLA Venture Income Fund (HLAVIF)

Apr 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

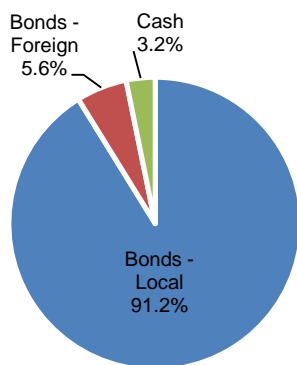
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Fund Details

Unit Price (30/4/2019)	:RM2.3999
Fund Size (30/4/2019)	:RM169.7mil
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.

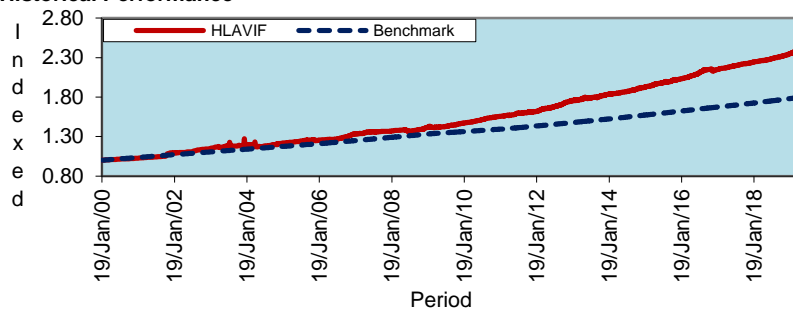
Asset Allocation of HLAVIF as at 30 Apr 2019



Top 5 Holdings for HLAVIF as at 30 Apr 2019

	%
1. M'SIAN GOVERNMENT SECURITIES 0	12.5
2. M'SIAN GOVERNMENT SECURITIES 0	12.0
3. MALAYAN BANKING BERHAD 3	6.0
4. UBS GROUP FUNDING SWITZE 2	5.6
5. ALLIANCE BANK MALAYSIA BHD 1	5.2
Total Top 5	41.3

Historical Performance



	YTD	1 month	1 year	3 years	5 years	10 years	Since Inception
HLAVIF	2.47%	0.27%	5.98%	15.97%	29.84%	69.17%	139.99%
Benchmark*	0.28%	-0.49%	2.45%	8.88%	16.04%	32.80%	78.29%
Relative	2.19%	0.76%	3.53%	7.09%	13.80%	36.37%	61.70%

*Source: Maybank

Market Review

In the previous fixed income review, we have highlighted our view that the market has potentially overreacted to the bearish headlines surrounding the synchronised global slowdown. Hence, following the sharp yield compression seen in March, we indeed saw the 10 year UST yield plotting an uptrend but subsequently plateaued at around 2.62% despite the stronger-than-expected growth headline. We think that investors have discounted the headline growth number as trade and inventories contributed 1% and 0.7% respectively to growth, and the latter could reverse in the following quarters. The Fed, in its most recent meeting, cited robust growth showing and weaker inflation numbers which it described as temporary as key reasons behind its decision to leave rates unchanged. Nonetheless, Jerome Powell's comment on the weakness of core inflation as transient in nature spooked markets as it took away hopes of an early rate cut after Fed signalled in March that it's done raising interest rates in 2019 provided that inflation remains low.

At home, local govies experienced a knee-jerk selloff triggered by news of FTSE Russell placing Malaysia on its watch list for a potential disqualification from its flagship World Government Bond Index (WGBI). Ringgit also consequently weakened to RM4.14/USD. The Malaysian Government Securities (MGS) yield spike was more prominent in the belly with 5y, 7y, 10y and 15y spiking by a respective 17bps, 19bps, 10bps and 19bps, in the course of three days following the unexpected announcement. That said, the month ended with some recovery in the MGS market on dip-buying support from domestic investors.

The yield movement for the corporate bond space was quite the opposite with yield compression evident across the curve for various rating bands as demand domestically for corporate papers remain strong. While not as eventful as those seen in Q1, we saw Putrajaya Bina Sdn Bhd raise a total of RM380 million spread across various tenures. Danum Capital Bhd, on the other hand, also tapped the market raising RM2 billion via 4y IMTN yielding 3.94%.

Market Outlook & Strategy

Against the backdrop of a synchronised slowdown, the fixed income market remains relatively attractive for the rest of the year, albeit with limited upside. Overall, we expect market players to maintain their overweight stance for bonds given the less-optimistic outlook on the global economy and what seems like a lethargic uphill climb for riskier assets. The case for a rate cut in 2019 has weakened substantially after the recent Fed announcement and also justifies the reason for the bullish run for UST to be limited. Nonetheless, announcements by other major central banks may be the game-changer as persistent weakness in global growth continues to weigh into the need for more accommodative monetary policy.

On the local front, we expect the conversation surrounding the removal of Malaysia from the WGBI to hog the limelight. Malaysia could potentially face a total outflow risk of USD6-8 billion (equivalent to RM24-33 billion) by funds should FTSE Russell drop MGS from the WGBI. The final decision on whether to include or exclude Malaysia from the list may crystallise following the annual review in September 2019 and the odds are looking unfavourable to Malaysia unless fundamental changes are made in time to improve Malaysia's market accessibility level. Should the event materialise, foreign selling will likely concentrate in MGS as the index currently excludes Government Investment Issues (GII). That said, the GII curve will inevitably be affected if foreign selloffs weigh on the MGS curve.

A potential rate cut in the next monetary policy meeting by Bank Negara Malaysia in the month of May is likely to open up opportunities for fund raising in the corporate space. Coupled with resilient demand for corporate papers locally, we do expect issuers to take advantage of the cheaper cost of funds. We are also expecting upcoming issuances to be fuelled by reasonably large refinancing needs especially from the banking sector for maturing papers and those that are due to be callable this year. Our strategy is to constantly deploy the available cash in primary corporate bond issuances that are fundamentally strong for yield pick-up and trade on govies as and when the opportunity arises.

HLA Venture Income Fund (HLAVIF)

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.