

HLA Venture Income Fund (HLAVIF)

May 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

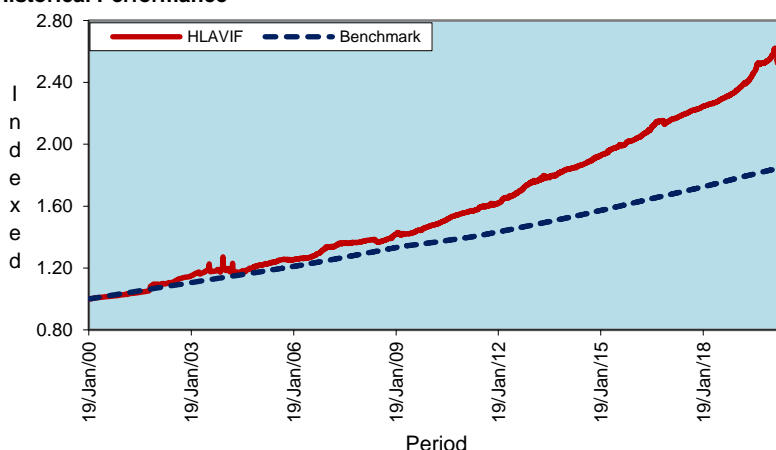
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Fund Details

Unit Price (29/5/2020)	:RM2.6755
Fund Size (29/5/2020)	:RM285.5mil
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

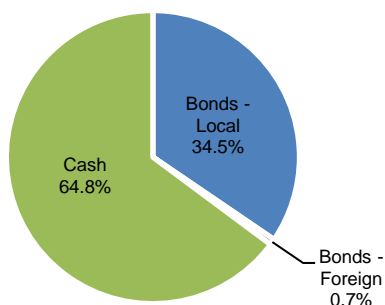
The Company reserves the right to change the Fund Management Fee (% p.a.) by giving the Policy Owner ninety (90) days prior written notice.

Historical Performance



	YTD	1 month	1 year	3 years	5 years	10 years	Since Inception
HLAVIF	4.93%	0.22%	10.52%	22.36%	35.74%	78.31%	167.55%
Benchmark*	0.93%	0.11%	2.68%	9.27%	16.28%	34.60%	84.90%
Relative	4.00%	0.11%	7.84%	13.10%	19.47%	43.71%	82.65%

Asset Allocation of HLAVIF as at 29 May 2020



Top 5 Holdings for HLAVIF as at 29 May 2020

	%
1. MALAYAN BANKING BERHAD 3	6.7
2. UNSECURED CREDIT FACILITIES	4.8
3. ALLIANCE BANK MALAYSIA BHD 1	3.0
4. TENAGA NASIONAL BERHAD 2	2.0
5. GENM CAPITAL BERHAD 1	2.0
Total Top 5	18.6

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Market Review

US Treasury ("UST") yields remained largely rangebound in the month of May with the 10-year UST yields oscillating between 59-74bps. The market has evidently been comforted by the unprecedented liquidity support from the Fed. As such, we have seen US corporations borrowing at more than twice its pace last year, surpassing the USD 1 trillion mark at the end of May as they race to restructure older debt, pay down bank lines and raise cash to weather the recession. According to Credit Flow Research, of the USD1 trillion in new issuance, 70% was rolled out in the nine weeks since the Fed announced it would support the corporate bond market on 23rd March 2020. On a different note, markets have started to turn their attention to the renewed US-China tension. Nonetheless, the movements were rather tame as investors noted that President Trump's tone was less harsh than feared. Notably, President Trump did not mention terminating the phase one US-China trade deal nor did he mention sanctions against the Chinese financial institutions. Over in other major economic centres, movement in sovereign yields were varied but were not volatile. Market talks were centred around stimulus packages to combat the economic pressures brought about by the coronavirus pandemic, sending yields lower for selected countries which had experienced more severe lockdowns.

On the local front, Bank Negara Malaysia ("BNM") went through with the widely expected 50bps cut in its overnight policy rate to 2%, lowest in a decade. This is the third consecutive rate cut by BNM this year following the two cuts of 25bps each in January and March, with a total reduction amounting to 100 bps year-to-date. The 10-year Malaysian Government Securities ("MGS") yields were oscillating at approximately a 20bps range and are currently consolidating above a crucial support of 2.76%.

The corporate bond market was relatively quiet for much of the month of May but picked up after the Hari Raya holidays. Interest was mainly in the government guaranteed papers followed by the AAA-AA part of the space as yields declined on strong bids. Prominent issuances for the month include Cagamas' AAA papers with 1-2 years tenure totalling RM100 million with coupons ranging between 2.65%-2.75% and RHB Bank's 10NC5 bonds amounting to RM500 million at a coupon of 3.35%.

Market Outlook & Strategy

At this current juncture, while unprecedented measures by major central banks have provided immense confidence to the market, we expect to see persistent economic weakness as the global pandemic necessitated longer-than-expected lockdowns. While some major economies are gradually reopening, we think that the risk of a second wave has increased given the spike in cases in developing economies and massive protests in Hong Kong and the US.

On the local front, we expect MGS yields to be rangebound in the absence of any meaningful market catalyst. Nonetheless, as the Covid-19 pandemic necessitates aggressive fiscal measures with the simultaneous occurrence of a health and financial crisis, we remain mindful of potential sovereign downgrade risk by the global rating agencies. Malaysia has always been relatively stronger on the back of its positive but thinning current account buffers and hence, persistent weaknesses in trade which would subsequently pressurise Malaysia's current account position may be a potential trigger for a sovereign rating downgrade. In view of the above, we shall monitor economic developments and market sentiment closely and remain cautious in our investment decisions and credit selection.

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

- 1.** 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.

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2. 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.
3. The maximum value of any asset of any fund shall not exceed the following price:
 - (a) The last transacted market price at which those assets could be purchased or sold on the business day before the valuation date; or
 - (b) 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.
4. 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.