

HLA Venture Managed Fund (HLAVMF)

Feb 2018

Fund Features

1. Investment Objective

The objective of the fund is aim to provide investors with prospects for long-term capital appreciation through diversification in various capital instruments including equity, government securities, private debt securities, money market instruments and foreign assets as well as derivatives. This fund aims to outperform the benchmark comprising of FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBM KLCI) and Maybank 12-month fixed deposit rate in a ratio of 50:50.

2. Investment Strategy & Approach

This fund will participate in both fixed income and equity markets as well as benchmarked against the FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBM KLCI) and Maybank 12-month fixed deposit rate in equal proportion. This fund is suitable for investors who are willing to take moderate risk.

3. Asset Allocation

The fund will invest up to a maximum 50% of its NAV in equities.

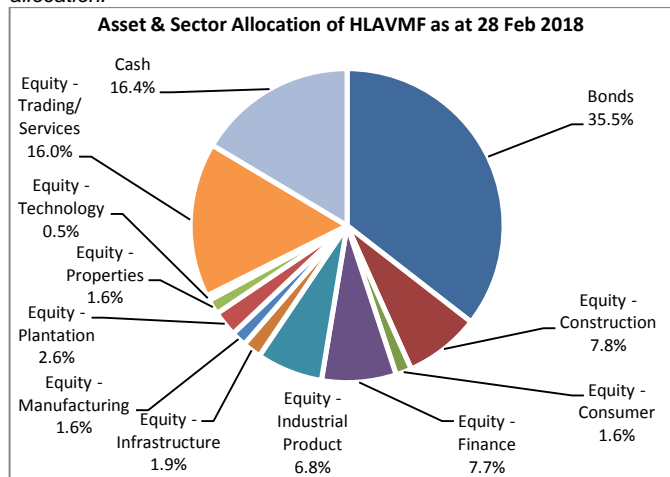
4. Target Market

This fund is suitable for investors who are willing to take moderate risk.

Fund Details

Unit Price (28/2/2018)	:RM2.2289
Fund Size (28/2/2018)	:RM233.9mil
Fund Management Fee (effective as at 01/03/2017)	: 1.23% p.a. (capped at 1.25%)
Fund Manager	:Hong Leong Assurance Berhad
Fund Category	:Managed
Fund Inception	:07 April 2004
Benchmark	:50% FTSE Bursa Malaysia KLCI Index (FBM KLCI)&50% 12-month Fixed Deposit Interest Rates
Frequency of Unit Valuation	:Daily

The Company reserves the right to change the cap of Fund Management Fee (% p.a.) by giving the Policy Owner ninety (90) days prior written notice. The Fund Management Fee will be reviewed monthly and will be revised if the previous month end actual asset allocation deviates by more than ten percent (10%) of the initial asset allocation.



Top 10 Holdings for HLAVMF as at 28 Feb 2018

		%
1. TENAGA	EQ	5.4
2. MAYBANK	EQ	4.2
3. CIMB	EQ	3.5
4. MALAYAN BANKING BERHAD 2 6.30% 25/9/2018	FI	3.3
5. ALLIANCE BANK MALAYSIA BHD 5.65% 18/12/2020	FI	3.1
6. MALAYSIA AIRPORTS HOLDINGS 5.75% 13/12/2024	FI	3.0
7. AXIATA	EQ	2.3
8. VS	EQ	2.2
9. CIMB GROUP HOLDING 2 5.80% 25/05/2021	FI	2.2
10. BGSM MANAGEMENT SDN BHD 2 5.25% 24/12/2020	FI	2.2
Total Top 10		31.4

Hong Leong Assurance Berhad (94613-X)

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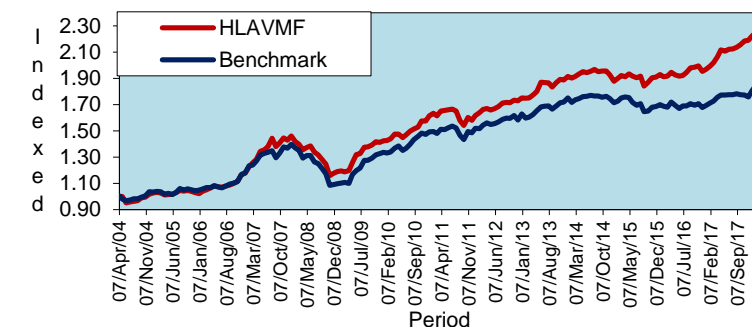
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FI : Fixed Income

EQ : Equities

Historical Performance



	YTD	1 month	1 year	5 years	10 years	Since Inception
HLAVMF	0.32%	-1.00%	10.42%	27.41%	59.50%	122.89%
Benchmark*	2.11%	-0.27%	6.73%	14.91%	36.35%	83.35%
Relative	-1.79%	-0.74%	3.70%	12.50%	23.16%	39.54%

*Source: Bloomberg, Maybank

Market Review, Outlook & Strategy - Equities Market

Regional markets corrected in February triggered by a US payroll report which saw wages rising, leading to expectations of higher inflation and more Fed hikes than anticipated. As such, there was a sell-off in US bonds over fears of rising rates which also caused the Dow Jones Industrial Average to follow suit, losing nearly 1,900 points over a two day period. This fear was compounded by the optimistic view of the newly appointed Fed Chairman Jerome Powell on the economy, which has left market participants anticipating a faster pace of rate hikes in the US. Market participants are now weighing the possibility of 4 rate hikes in 2018 and a possible rise of the 10-year Treasury yield to 3.25%. In China, investors will be watching for the outcome of the Chinese People's Political Consultative Conference which starts on 3rd March and also the National People's Congress which will open on 5th March. Media reports have been speculating on the combining or reshuffling of various government organisations to form super regulators in finance, environment, public security, intellectual property and healthcare.

Meanwhile, the Malaysian market was not spared the volatility in regional markets. While the start of the year saw strong net foreign inflows, it quickly reversed in February on the back of rising interest rate expectations in the US. The recently concluded 4Q2017 earnings reporting season showed that it was finally a year of earnings recovery. Banks and plantation sectors were the main drivers contributing to the recovery; other notable sectors which posted stronger earnings included technology, gloves, construction, petrochemical and gaming. Meanwhile, Ringgit weakened slightly to RM3.917/US\$ on the back of slightly lower crude oil price of US\$61.55/barrel. Interestingly there were a few measures announced by the government to stimulate the vibrancy in the equity market. Key measures include allowing intraday short selling for all investors, liberalising the margin financing rules and establishing Malaysia-Singapore connect.

During the month, the KLCI fell -0.7% mom to close at 1,856.20pts. The broader market underperformed, with the FBM Emas falling by -1.1% mom to 13,218pts and FBM Shariah Index falling by 1.7% mom to 13,427.51pts. Small cap performance was much weaker as the FBM Small cap index fell by -2.1% mom to 16,720pts, indicating declining risk appetite which was also apparent for the ACE market which tumbled -4.4%. Average daily value traded on Bursa fell 17% mom but rose 14% yoy to RM2.87b.

As we move into March, two macro events for Malaysia are the upcoming Monetary Policy Committee meeting and the release of Bank Negara Malaysia's 2017 annual report. In addition, there are rising expectations that Parliament could be dissolved soon to pave the way for general elections. As a result there could be more volatility ahead. Nonetheless, we continue to favour quality stocks on pullbacks and will remain invested in the following themes which include 1) Banks, 2) Construction, 3) Beneficiaries of consumer recovery and 4) Beneficiaries of a stronger Ringgit.

Market Review, Outlook & Strategy - Fixed Income Market

Generally, February is quiet for the local bond market with thin liquidity prior to and after the festive season. However, this February bucked the trend when US Treasury (UST) yields hit a high of 2.95% after the FOMC minutes from the latest meeting indicated that Fed officials are expecting inflation to rise in 2018. Markets also grew concerned over the heavy debt issuances in the US to finance the widening budget deficit. As such, the volatile sharp rise in UST triggered uneasiness in this region and among EM investors. With that, MGS yields rose by 2-8bps month on month across the curve with the exception of 5 years and 30 years MGS.

On the economic front, Malaysia's 4Q2017 GDP was reported at 5.9% yoy versus consensus of 5.8%. With further bolstered domestic economic optimism, pundits are not ruling out another Overnight Policy Rate (OPR) hike in 2018. Meanwhile, foreign MGS holdings rose further to 45.1% in January 2018 versus 44.3% in December 2017.

As for the government guaranteed and private debt bond space, there were several primary issuances like Danainfra, MKD Kencana, Ambank Group and Cagamas during the month which spooked the market. While on the secondary market, interest was skewed towards AAA and AA papers especially in the power and finance sectors as investors looked for liquidity and yield requirement.

Moving forward, we expect the bond market to be volatile. There may be correction in the near term but it will be temporary as economic data in the US will continue to drive sentiment. The key event to watch for is the March FOMC meeting where the reading of the tone of the Fed chairman is critical as it will indicate the pace of Fed hikes for the remainder of 2018. This will inevitably spillover to emerging market sentiment and yield movement.

In the corporate bonds space, primary pipeline will continue to be dominated by the GG segment, financial/banking and infrastructure/utilities. With 4 Malaysia govies to be tendered in March, it will be interesting to observe where the yield will close at as this may potentially affect the primary levels of the GG issuances later especially since one is a 30 year GIL.

Thus, we will continue to take advantage of all the primary issuances that meet our investment criteria and pace our purchases at every level to average up the portfolio yield should yields continue to rise. Meanwhile, we will take profit on short tenure bonds with the plan to reinvest higher in the longer tenure issues.

HLA Venture Managed Fund (HLAVMF)

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

Year	2013	2014	2015	2016	2017
Benchmark	7.3%	-2.6%	-1.3%	-0.8%	6.6%
HLAVMF - Gross	11.4%	-0.7%	4.3%	3.4%	15.4%
HLAVMF - Net	9.3%	-1.9%	2.7%	2.0%	12.9%

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 Managed 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.