

HLA Venture Income Fund (HLAVIF)

June 2021

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

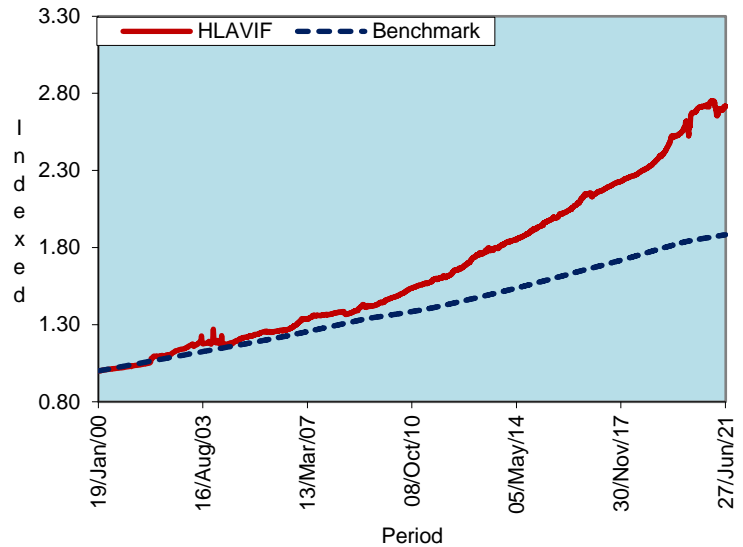
This fund is suitable for investors who have low to moderate risk profile

Fund Details

Unit Price (30/6/2021)	:RM2.7172
Fund Size (30/6/2021)	:RM433.8 mil
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.

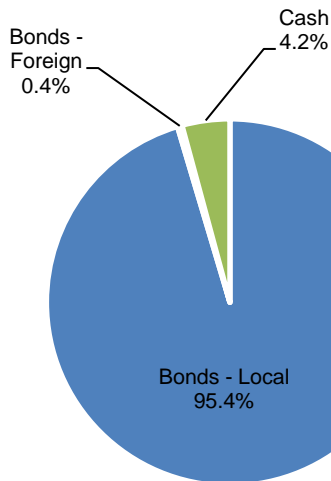
Historical Performance



	YTD	1 month†	1 year	3 years	5 years	10 years	Since Inception
HLAVIF	-1.13%	0.64%	1.08%	19.22%	29.56%	70.61%	171.72%
Benchmark*	0.84%	0.14%	1.71%	7.67%	14.40%	33.60%	88.35%
Relative	-1.97%	0.50%	-0.63%	11.55%	15.16%	37.01%	83.37%

Notice: Past performance of the fund is not an indication of its future performance.

Asset Allocation of HLAVIF as at 30 June 2021



Top 5 Holdings for HLAVIF as at 30 June 2021

	%
1. M'SIAN GOVERNMENT SECURITIES 0	14.0
2. MALAYSIA INVESTMENT ISSUE 3	11.9
3. M'SIAN GOVERNMENT SECURITIES 1	11.2
4. M'SIAN GOVERNMENT SECURITIES 1	11.0
5. MALAYSIA INVESTMENT ISSUE 3	7.3
Total Top 5	55.4

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Market Review

U.S. Treasury ("UST") yields in June recorded mixed performance across tenors. Yields on the 2- and 5-year tenors increased by 11 and 9 bps respectively while the 10- and 30-year declined by 13 and 20 bps m-o-m respectively as at end June. The shorter tenors which tend to be more sensitive to interest rate movement inched upwards as a result of the Fed's mild shift towards a more hawkish tone. In mid-June, some members of the Fed took hold of the view that the timeline of rate cuts could be brought forward to 2023 from 2024. The longer term tenors remained supported by relatively tepid economic data coupled with Fed's reassurance that reversal in its accommodative stance in the near term is unlikely as inflationary pressure would likely be transient in the near term. Unemployment claims for the week ended June 19 stood higher than the 380,000 consensus forecast, coming in at 411,000, indicating that the job market has yet to fully recover. The market seems to be in agreement with the Fed's view that recent spikes in inflation data is transitory as yields did not spike up despite a 5% annual increase in May's consumer price index.

On the local front, govvvies yields were largely on a declining trend. The yields on the 3-, 5-, 7- 15- and 30- tenors declined by 4, 4, 2 and 17 bps respectively while the 10- and 20- tenors increased by 5 and 1 bps. The rally in domestic bond was induced by risk-off sentiments arising from the full movement control order (FMCO) in June. The FMCO was envisaged to emulate the first MCO back In March 2020 which caused severe contraction in the domestic economy. While the estimated economic impact of the FMCO of RM1 billion daily is lower against RM2.4 billion arising from the first MCO, the economic impact was sufficient to promote demand of safe haven assets. May's Inflation reading of 4.4% y-o-y which fell short of consensus estimates of 4.7% suggest that there is no real concerns of unexpected inflation just yet, keeping reflation trades in check. Additionally, buying interest was also supported by the affirmation of Malaysia's sovereign rating by Moody's and S&P during the month which to an extent staved off concerns of severe deterioration in the nation's economic fundamentals.

In the corporate bond segment, risk off sentiment increased the appeal of defensive bonds with strong credit profiles. As such, AAA and GG bonds continued to make up the bulk of daily transactions. Some prominent new issuances during the month were Cagamas Berhad (RM1.85 billion, AAA), Bank Pembangunan Malaysia Berhad (RM1.25 billion, AAA), SP Setia Berhad (RM800 million, AA) Pengurusan Air Berhad (RM550 million, AAA), Bank Muamalat Malaysia Berhad (RM500 million, A3), and 7-Eleven Malaysia Holdings Berhad (RM500 million, AA-).

Market Outlook & Strategy

The UST's performance over the near term will be influenced by key economic data releases which will form a basis of investors' perception on inflationary pressures be it one that is sustained or transient. The market will also be keeping a close watch on the Fed's tone as signs of a shift in its previously dovish tone at the onset of the pandemic have been made present as of late. On the supply front, progress and outcome of President Biden's USD 1 trillion infrastructure plan will be monitored as the plan could be partly funded through issuances of public debt.

On the domestic front, close attention will be paid on the MPC meeting in July given the challenges facing the economy amid growing concerns on the public health situation. Key indicators on the nations' pandemic containment measure will be monitored given that there are now clear conditions that are to be met before gradual reopening of the economy would resume. Over the near term, supply of domestic debt could increase to fund the government latest stimulus package dubbed 'PEMULIH' which includes a RM10.0 billion direct fiscal injection. Any weakness in the bond market will provide good opportunity for the Fund to rebuild its position for the second half of the year as we expect OPR to remain low for a prolong period coupled with a potential rate cut within next 6 to 12 months.

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

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Benchmark	2.8%	3.1%	3.1%	3.2%	3.2%	3.1%	3.0%	3.3%	3.0%	1.5%
HLAVIF- Gross	4.8%	10.0%	5.4%	5.8%	6.5%	6.9%	5.3%	5.6%	10.2%	9.0%
HLAVIF - Net	3.9%	8.7%	4.5%	4.8%	5.5%	5.8%	4.4%	4.6%	8.9%	7.8%

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.

Notice: Past performance of the fund is not an indication of its future performance.

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 covers the nature and scope of the investment authority that is exercisable by various parties in managing the Company's investments. The potential investment risks that are taken into consideration in managing the fund include economic conditions, liquidity, qualitative and quantitative aspects of the securities. The investment manager(s) have put in place the following controls to reduce the risks through:

- having a flexible tactical asset allocation
- investing in a wide range of companies across different sectors
- setting prudent investment limits on various exposures
- taking into account the liquidity factor in selecting securities
- engaging in the hedging of foreign currency exposure where appropriate

HLA Venture Income Fund (HLAVIF)

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.
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.