

HLA Horizon Funds

Jul 2019

Fund Features

1. Investment Objective

The fund is designed to offer customers a Minimum Guaranteed Unit Price upon fund maturity and yet offer the opportunity to enhance returns via a leveraged exposure. The fund will periodically lock in part of the gains (10 years after launch of the fund) and thereby increasing the customers' Minimum Guaranteed Unit Price at fund maturity.

The fund is open ended with three maturity dates to match customer financial planning needs: Horizon28 to be matured in Year 2028, Horizon38 in Year 2038 and Horizon48 in Year 2048.

2. Investment Strategy & Approach

The fund will invest into Floating Rate Negotiable Instrument of Deposit (FRNID). FRNID allocate into two major components: Mean Variance Optimization (MVO) Strategy and Zero-coupon Negotiable Instrument of Deposit (ZNID).

To enhance investment return, MVO Strategy will be leveraged by 3 times. This MVO Strategy uses the Efficient Frontier to find the optimal portfolio returns for a defined risk, limiting to basket volatility to around 8%. The portfolio consists of 4 asset classes:

- (i) 4 equities indices (S&P500, Euro Stoxx 50, Hang Seng China Enterprises, MSCI Emerging Market),
- (ii) 2 bond indices (Franklin Templeton & PIMCO),
- (iii) Spot Gold index
- (iv) Cash index

These indices are published at Bloomberg to provide transparency to customer.

The ZNID provides the Minimum Guaranteed Unit Price upon each fund's maturity. The initial Minimum Guaranteed Unit Price as follow:

Fund	Initial Minimum Guaranteed Unit Price at fund maturity
HLA Horizon28	RM 1.00
HLA Horizon38	RM 1.50
HLA Horizon48	RM 2.00

Over time, Minimum Guaranteed Unit Price may go up via a profit taking mechanism. This mechanism will lock the gains provided the condition stated below is met, by transferring portion of gains from the MVO Strategy to the ZNID on a yearly basis as follow:

Fund Year	% of the MVO Strategy Gains
1 to 10	0%
11 to 20	50%
21 to 30	100%

The condition for profit taking:

$$\left(\frac{MVO_t}{MVO_{prevPT}} - 1 \right) > 0$$

Where,

MVO_t is the mark-to-market value of MVO per unit

MVO_{prevPT} is the mark-to-market value of MVO at the time of previous actual executed profit taking per unit

3. Target Market

The fund is suitable for investors who wish to engage in mid-term and long-term wealth-planning. The feature of this Minimum Guaranteed Unit Price upon fund maturity will help to safeguard the savings goal for their children's education, retirement planning or wealth-building for future generations.

Fund Details

Fund Management Fee	: 1.30% p.a.
Fund Manager	: Hong Leong Assurance Berhad
Fund Inception	: 9 Oct 2018
Benchmark	: 3-month Klibor *+ 2.65%
Frequency of Unit Valuation	: Weekly

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

*Source: Bloomberg

Other Details

Fund Name	Fund Maturity Date	Unit Price @ 30/7/2019	Fund Size 30/7/2019	Guaranteed Unit Price upon Fund Maturity (updated @ 30/7/2019)
HLA Horizon28 Fund	:08/10/2028	RM1.0795	RM1,496,399.44	RM1.00
HLA Horizon38 Fund	:08/10/2038	RM1.1492	RM36,837,360.74	RM1.50
HLA Horizon48 Fund	:08/10/2048	RM1.2002	RM19,116,531.56	RM2.00

The Guaranteed Unit Price upon Fund Maturity stated above may be revised upwards from time to time via profit taking.

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HLA Horizon Funds

Performance Snapshot

Fund	1 Month	1 Year
HLA Horizon28	2.25%	-
HLA Horizon38	3.54%	-
HLA Horizon48	6.03%	-

Exposure to MVO Strategy

Fund	Exposure as at 30/7/2019
HLA Horizon28	107.30%
HLA Horizon38	123.56%
HLA Horizon48	165.41%

Market Review (by Hong Leong Bank Berhad)

The Fed delivered on our expectation of a 25bp rate cut at the July meeting last week and also announced the early end to balance sheet unwind. In the statement, the Committee maintained an easing bias, and Chair Powell's press conference emphasized that this cut was not necessarily intended to be one and done, referencing past mid-cycle corrections, which resulted in 75bp of total cuts, as a model for current policy.

Of course, these signals occurred prior to the most recent escalation of trade tensions, in which the US Administration announced a 10% tariff on the remaining roughly \$300bn of imports from China beginning September 1. These developments strengthen confidence in our out-of-consensus call for a meaningful growth slowdown in the second half of the year coupled with more Fed easing than was foreshadowed by the dots at the June FOMC meeting. We maintain our call for two more rate cuts this year in September and December, but there are now risks that the Fed has to ease more aggressively in the coming months to offset this shock.

For the rest of Asia, though, there is a clear message from the Treasury designation of China as a currency manipulator. The US will object strenuously to any depreciation of a country's currency against the USD if that country has a trade surplus with the US and especially if it has a history of intervening to prevent or moderate currency appreciation. That's most countries in this region. The Treasury now expects countries to use their foreign exchange reserves to prevent their currencies from depreciating. Intervening to accumulate foreign exchange reserves or allowing currencies to depreciate against the USD will not be tolerated. The US wants a weaker dollar and will use any means at its disposal to try to make that happen.

This means exchange rates, and by extension monetary policy, face a new constraint on their use as policy instruments to support growth in surplus countries. If interest rate cuts lead to weaker currencies against the dollar, the US will expect central banks to intervene to reverse that tendency, nullifying the effect of the rate cut. This creates upside risk to the interest rate outlook as it may make it harder for central banks in this region to cut rates.

The economic and policy outlook in this region has just gotten a lot more uncertain. As trade tensions have escalated globally since the start of 2018, the EU has not remained immune from US scrutiny. The ECB has stated that further action is warranted in response to persistent uncertainty unless the outlook improves. In recent comments Draghi has been especially concerned about external risks and the latest step up in US-China tensions could help to persuade the Council to deliver a more complete package in September. The renewed US-China escalation adds to the risks still posed by the US-EU trade tensions which, together with Brexit, are likely to increase uncertainty further into the autumn.

Gains of MVO Strategy (per unit)	HLA Horizon28	HLA Horizon38	HLA Horizon48
Previous actual executed profit taking at -	N/A	N/A	N/A
As at 30 Jul 2019	2.99%	3.14%	4.20%
As at 25 Jun 2019	2.18%	2.21%	2.95%

The next observation date for profit taking is 8 Oct 2029. If this date is not a Business Day, then shall be the Business Day immediately following the date stated.

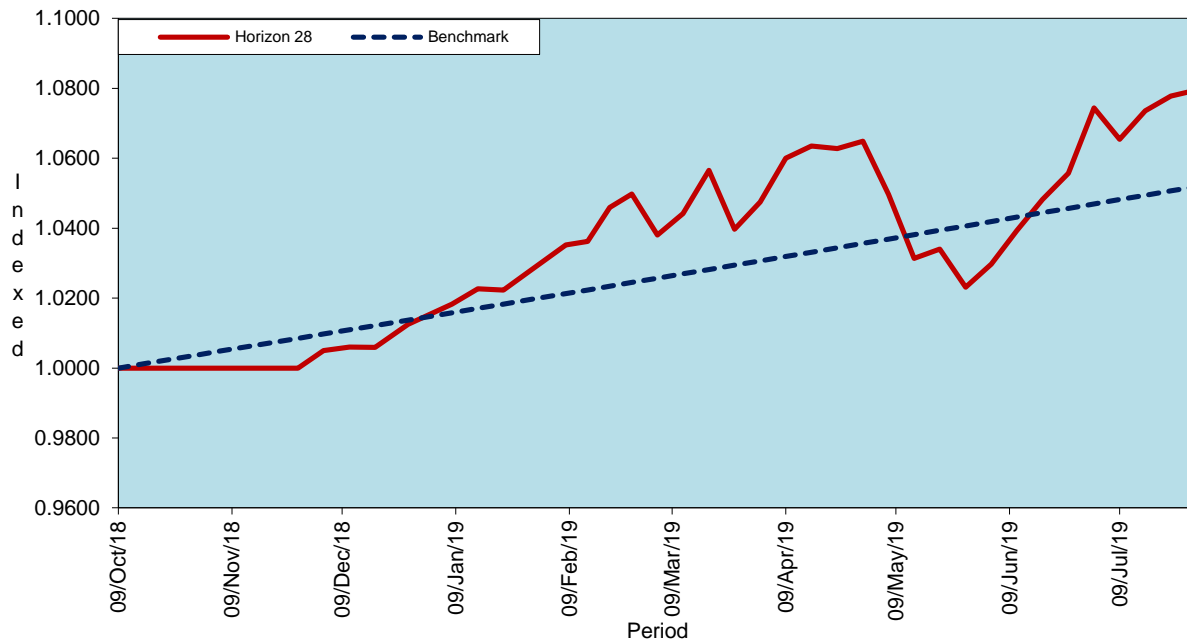
Underlying Asset in the MVO Strategy as at 30 Jul 2019

Indices	Bloomberg Ticker	Weightage (%)	Monthly Performance
iShares MSCI EM Index Fund	EEM US Equity	0.00%	0.05%
S&P 500 Index	SPX Index	26.67%	3.28%
Euro Stoxx 50 Index	SX5E Index	27.92%	-1.55%
Hang Seng China Enterprises Index	HSCEI Index	0.00%	0.49%
Gold	GOLDLNAM Index	25.00%	-0.08%
Templeton Global Bond Fund	FTGBFAC LX Equity	0.00%	1.73%
PIMCO Funds – Total Return Bond Fund	PTBDFE ID Equity	20.42%	-0.15%
DB Fed Funds Effective Rate TR Index	DBMMFED1 Index	0.00%	0.23%
Total		100.00%	

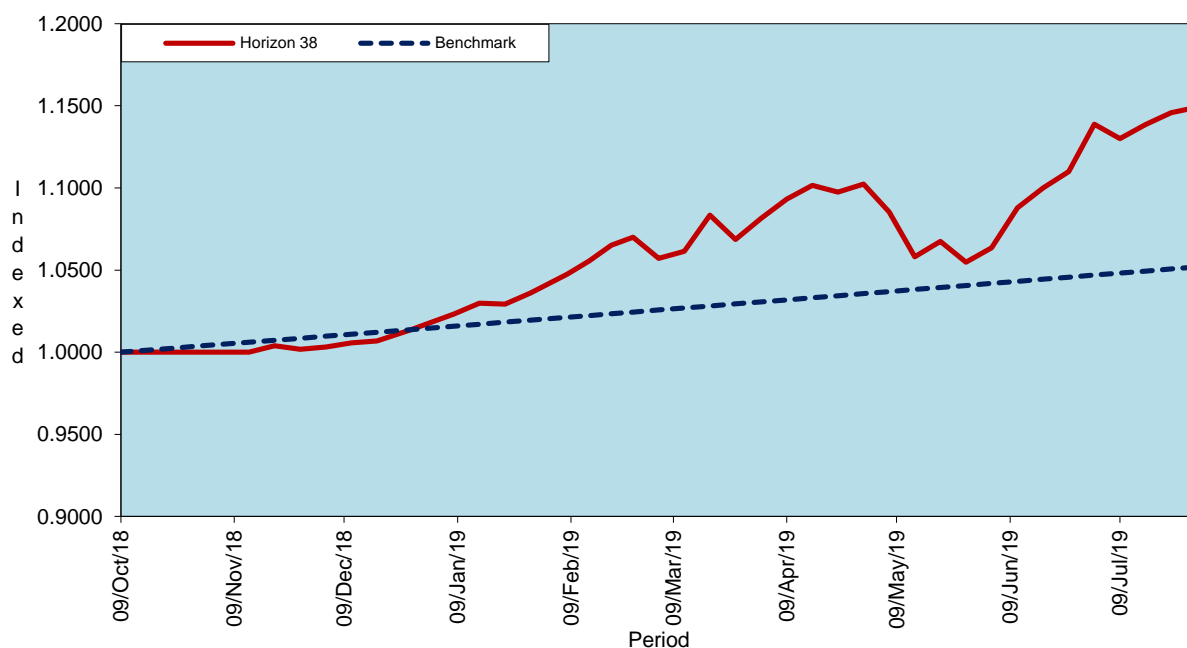
HLA Horizon Funds

Historical Performance

HLA Horizon28 Fund						
As of 30/7/19	Year to-date	1 month	1 Year	3 Years	5 Years	Since Inception
HLA Horizon28	6.62%	2.25%	-	-	-	7.95%
KLIBOR+2.65% p.a.*	3.76%	0.59%	-	-	-	5.19%
Performance vs Benchmark	2.86%	1.66%	-	-	-	2.76%

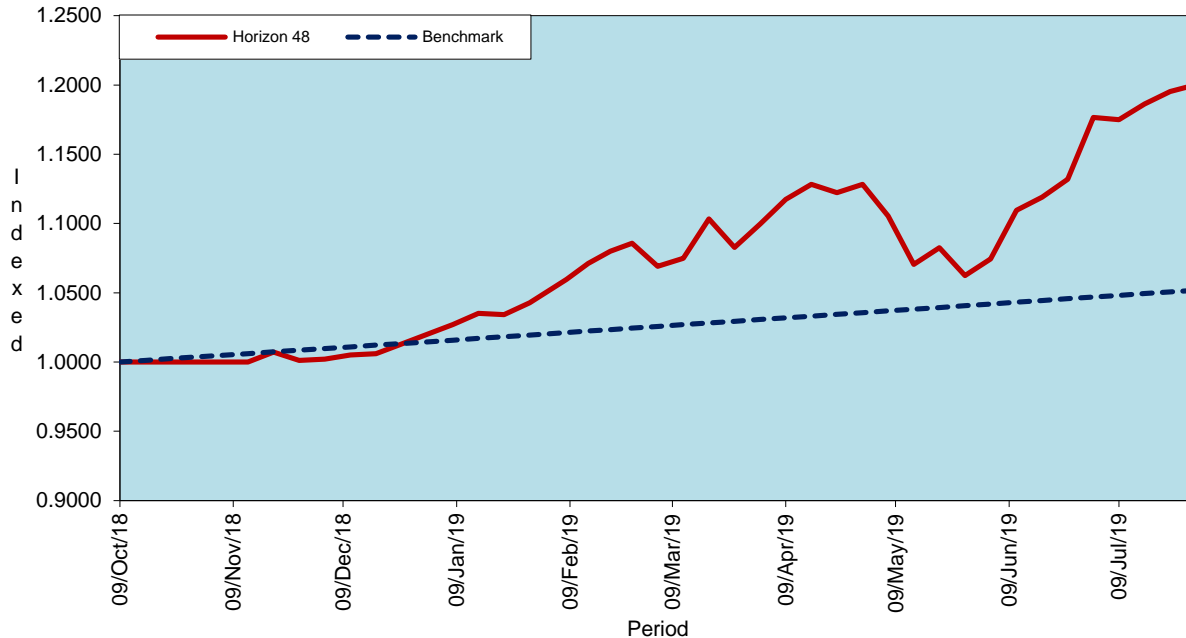


HLA Horizon38 Fund						
As of 30/7/19	Year to-date	1 month	1 Year	3 Years	5 Years	Since Inception
HLA Horizon38	13.40%	3.54%	-	-	-	14.92%
KLIBOR+2.65% p.a.*	3.76%	0.59%	-	-	-	5.19%
Performance vs Benchmark	9.64%	2.95%	-	-	-	9.73%



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HLA Horizon48 Fund						
As of 30/7/19	Year to-date	1 month	1 Year	3 Years	5 Years	Since Inception
HLA Horizon48	18.26%	6.03%	-	-	-	20.02%
KLIBOR+2.65% p.a.*	3.76%	0.59%	-	-	-	5.19%
Performance vs Benchmark	14.50%	5.44%	-	-	-	14.83%



*Source: Bloomberg

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 detailed explanation of the risk associated to this fund.

- 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.
- 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.
- 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.
- 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.
- Deleverage Risk**
 Deleveraging may occur if the bond floor rises due to falling interest rates or due to nearing maturity, or due to sustained underperformance of the underlying asset. When this occurs, the Funds will unwind all allocation to the underlying asset and will effectively become a zero-coupon bond fund.
- 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.
- Country Risk**
 The foreign investment of a fund may be affected by the political & economic conditions of the country which the investments are made.

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.

HLA Horizon Funds

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 Horizon Funds are managed by Hong Leong Assurance Berhad (HLA). Allocated premiums of the policy invested in the fund are invested by HLA on behalf of the Policy Owner in a FRNID issued by Hong Leong Bank Berhad. If the issuer of the FRNID defaults or becomes insolvent, the Policy Owner risks losing part or all of his/her allocated premium amounts that were invested into the FRNID on his/her behalf by HLA. Should the issuer/financial institutions default the above investment instrument, the Minimum Guaranteed Unit Price at Fund Maturity will not be applicable.

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.