HLA Balanced Fund (HLABF)

August 2022

Fund Features

1. Investment Objective

This fund aims to achieve consistent capital growth over the medium-to-long term by investing in a diversified investment portfolio containing a balanced mixture of equities and fixed income securities.

2. Investment Strategy & Approach

HLABF will principally feed into third party collective investment schemes that meet the fund's objective. HLABF may also invest directly in a diversified portfolio of domestic and/or foreign assets including equities, equity-related securities, deposits or any other financial instruments that offer potential capital appreciation.

At inception, the fund will invest by feeding into Hong Leong Balanced Fund ("Target Fund"), with the option to increase the number of funds or replace the Target Fund in future.

The Target Fund invests in equity securities of companies operating in Malaysia. Generally, companies that have low shareholders' risk, strong balance sheets with strong operating cash flows and sustainable earnings, and low relative valuations represented by reasonable price earnings ratio (PER) or price-to-book ratios (P/B) are selected. The manager combines a "top-down" asset and sector allocation analysis with a "bottom-up" stock selection process for the equity portion of the fund. For the fixed income portion of the Target Fund, the manager maintains fundamental and active management of the Target Fund, where investment decisions are made in accordance to future projections of interest rates, return on investments and access to liquidity.

3. Asset Allocation

The Target Fund will invest a minimum of 40% and maximum of 60% of its NAV in equities. The balance of its NAV will be invested in fixed income securities and money market instruments.

4. Target Market

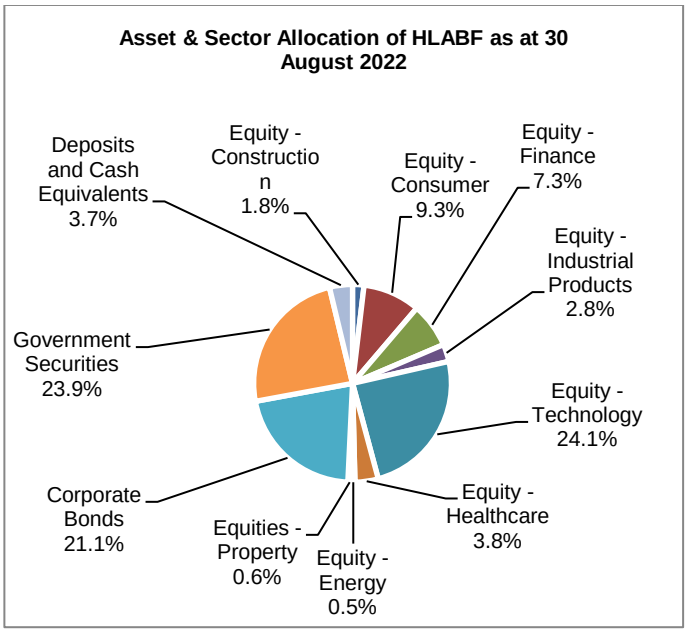
This fund is suitable for investors have conservative to moderate risk-reward temperament and have a medium-to-long term investment horizon.

Fund Details

Unit Price (30/8/2022)	: RM1.0265
Fund Size (30/8/2022)	: RM119.856
Fund Management Fee	: 1.30%
Fund Manager	: Hong Leong Assurance Berhad
Fund Inception	: 27 April 2022
Benchmark	: (60% x FTSE Bursa Malaysia KLCI Index (FMB KLCI) + (40% x 3-month KLIBOR)
Frequency of Unit Valuation	: Daily

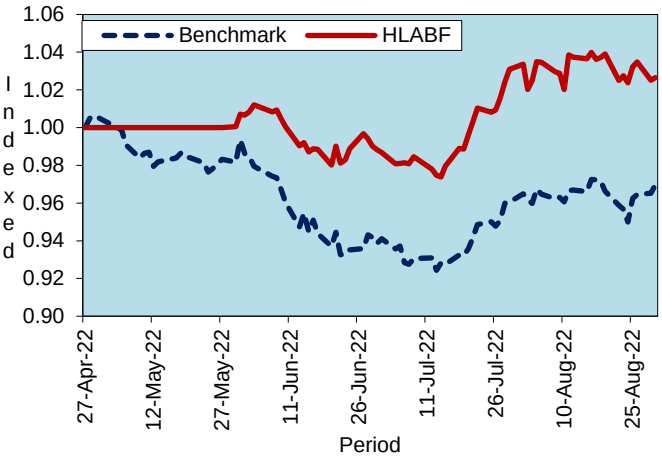
Fund management charge of underlying Collective Investment Scheme(s) is part of Fund Management Fee as stated in table above. There are no additional charges being charged to the Policy Owner. The Company reserves the right to change the Fund Management Fee (% p.a.) by giving the Policy Owner ninety (90) days prior written notice.

Asset Allocation for HLABF as at 30 August 2022	%
Hong Leong Balanced Fund	98.92
Cash	1.08
Total	**100.0**



Top 5 Holdings for HLABF as at 30 August 2022		%
1.	Malaysian Government Securities 2028	6.5
2.	Frontken Corporation Berhad	4.4
3.	D&O Green Technologies Berhad	4.0
4.	Pentamaster Corporation Berhad	3.9
5.	UWC Berhad	3.7
	Total Top 5	22.5

Historical Performance



	YTD	1 month	1 year	3 years	5 years	Since Inception
HLABF	-	-0.43%	-	-	-	2.65%
Benchmark*	-	0.99%	-	-	-	-3.01%
Relative	-	-1.41%	-	-	-	5.66%

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

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Market Review, Outlook & Strategy

Equities

During the month, the FTSE BM KLCI rose 1.3% to close at 1,512 points. The broader market underperformed as the FTSE BM EMAS Index rose 0.9% to close at 10,698 points. Small caps underperformed as the FTSE BM Small Cap Index rose 0.5% to close at 14,380 points. The local market continues to appeal to foreign investors as reflected by the sizeable net foreign inflow into the equity market during the month. With the local economic recovery gaining momentum, the Malaysia equity market appears attractive, especially against the backdrop of possible economic slowdown in other parts of the global economy. On the corporate front, Kelington Group Berhad secured a contract to construct a specialty gas system for a customer in Singapore. IOI Corporation Berhad sold a 10% stake in sustainable plant-based products firm Bunge Loders Croklaan Hogeweg to Koninklijke Bunge BV. The Fund will continue to invest in companies that would benefit from superior pricing power and efficient cost management.

Fixed Income

The 10-year Treasury yield climbed to as high as 3.12%, its highest level since July as medium-term inflation expectations continue to rise after Powell's hawkish comments in the Jackson Hole speech. Powell mentioned that central bank will not back off in its fight against rapid inflation. Powell also mentioned a tough stance against inflation, signalling to investors that a decision on the September rate hike is necessary to return inflation to 2%. However, the decision on September rate hike will hinge upon economic indicators since the July meeting. The 2-year benchmark bond yield rose 16.5 basis points (bps) week-on-week to 3.400% while the 30-year debt yield dropped 2.1bps week-on-week to 3.194% month end. Locally, sovereign bonds enjoyed modest gains in the month with the bulk of support concentrating on the short-to-medium end of the curve. The 3-year Malaysia Government Securities (MGS) closed 13bps lower to 3.37% as the notable outperformer, while the 10-year MGS benchmark also trended 2bps lower to close at 3.96% month end. On the flipside, the longer-tenured bonds were sold-off by some 4 to 5bps month end, in line with the steepening of the US treasury curve. On the primary front, markets were greeted by a couple of government-guaranteed issuances. Notably, we saw Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA) raising RM485.0 million via a 3- and 5-year tranche, which were priced 20-25bps above the respective sovereign bonds benchmarks. In the primary issuance space, Edotco Malaysia and CIMB Bank issued RM1.0 billion and RM1.5 billion worth of bonds, respectively. We also saw the 15-year MGS reopening auction with a decent book to cover ratio of 2.2 times with an issuance size of RM4.5 billion. Locally, the tabling of Budget has been brought forward by three weeks to 7 October from 28 October based on the Prime Minister's decision. Market is speculating that the 15th General Elections may be heldin November, if the parliament is dissolved shortly after the Budget announcement. Headline inflation accelerated for the fourth straight month to a 14-month high of 4.4% year-on-year in July (from +3.4% in June), in line with Bloomberg consensus (4.4%). This big jump in headline inflation largely reflected upward adjustments in prices of some essential food items and services, the lapse of low base effects in electricity tariffs and costlier vehicle purchases after the sales tax exemption expired on 30 June 2022. Nevertheless, we expect Bank Negara Malaysia to remain gradual and accommodative in its current rate hiking cycle. We continue to remain defensive due to rising rate environment and inflationary pressure.

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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**
   Defined as the ease with which a security can be sold at or near its fair value. This risk occurs in thinly traded or illiquid securities. Should the fund need to sell a relatively large amount of such securities, such action itself may significantly depress the selling price.

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. **Concentration Risk**
   Concentration risk occurs when a portfolio is overweight on a particular security, sector or asset class. As the fund invests mainly into third party collective investment scheme (CIS) and by virtue of the CIS investing in a diversified portfolio of equities as well as dynamic asset allocation strategy between equities and other financial securities, the concentration risk is mitigated.

6. **Target Fund(s) Risk**
   The fund invests in third party CIS which is being managed by another fund manager. The CIS is carefully selected in order to ensure that the objectives of said CIS are appropriately aligned with the fund. Nevertheless, the Fund Manager does not have control over the management of the CIS and any adverse effect on the CIS will inevitably affect the fund. In such instance, the Fund Manager may replace the CIS with another CIS which the Fund Manager considers to be more appropriate or invest directly in a diversified portfolio in order to meet the objective of the fund. Please also refer to the Target Fund's prospectus for more detailed and comprehensive information on Target Fund specific risks.

If the fund invests in Foreign Assets, it will be exposed to the following risks:

7. **Country Risk**
   The foreign investments made by the fund are subjected to risks specific to the country in which it invests. Such risks include changes in a country's economic fundamentals, social and political stability, currency movements, foreign investment policies and etc. The risk may be mitigated by closely monitoring the developments in the countries in order to identify any emerging risk.

8. **Currency Risk**
   This risk applies to foreign investment, in which the investment may rise or fall due to fluctuation in the foreign currencies. Adverse movements in currencies exchange rates can result in a loss to the investment.

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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:

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

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.

Target Fund Details
Hong Leong Balanced Fund is a Balanced fund managed by Hong Leong Asset Management. The past performance of this fund is as follows:

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Performance	6.6%	9.9%	1.1%	13.6%	1.1%	15.4%	-4.7%	14.0%	15.2%	11.1%

Source: Hong Leong Asset Management

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.

$$\frac{\text{Unit Price}_t - \text{Unit Price}_{t-1}}{\text{Unit Price}_{t-1}}$$

For the underlying Target Fund, past performance is calculated after adjusting for distribution and/or additional units, if any.

Others
HLA Balanced Fund is managed by 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 becomes 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 serve as a guide to the Policy Owner to making an informed decision. This document shall not be construed as professional advice on investment choices.