

HLA Balanced Fund (HLABF)

December 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.

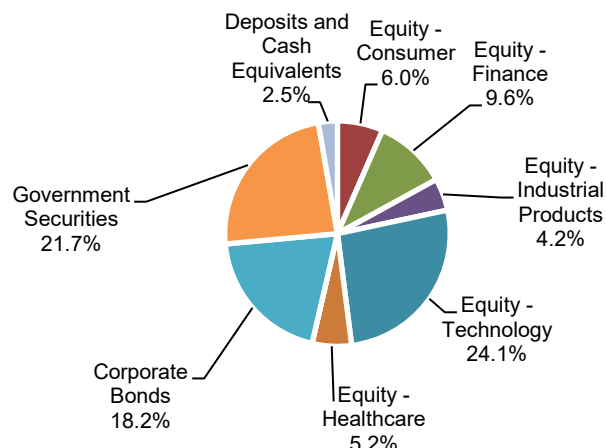
Fund Details

Unit Price (30/12/2022)	: RM1.041
Fund Size (30/12/2022)	: RM307,224
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 Dec 2022	%
Hong Leong Balanced Fund	91.61
Cash	8.390
Total	100.0

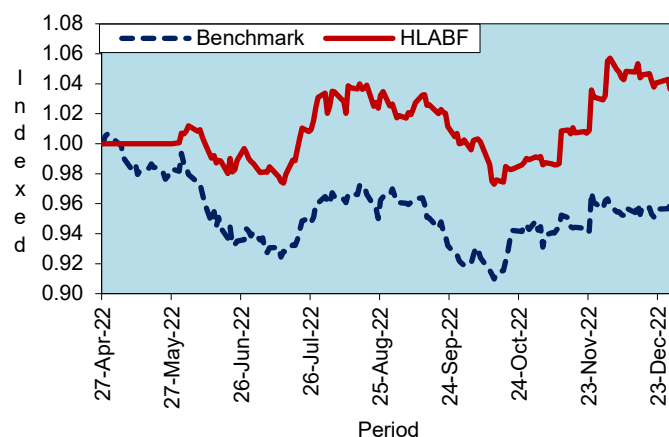
Asset & Sector Allocation of HLABF as at 30 December 2022



Top 5 Holdings for HLABF as at 30 Dec 2022

	%
1. Malaysian Government Securities 2028	5.9
2. Frontken Corporation Berhad	4.5
3. Pentamaster Corporation Berhad	4.0
4. D&O Green Technologies Berhad	4.0
5. UWC Berhad	3.9
Total Top 5	22.3

Historical Performance



	YTD	1 month	1 year	3 years	5 years	Since Inception
HLABF	-	0.78%	-	-	-	4.01%
Benchmark*	-	0.40%	-	-	-	-3.42%
Relative	-	0.39%	-	-	-	7.43%

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

HLA Balanced Fund (HLBF)

Market Review, Outlook & Strategy

Equities

During the month, the FTSE BM KLCI rose 0.5% to close at 1,496 points. The broader market outperformed as the FTSE BM EMAS Index rose 0.6% to close at 10,702 points. Small caps underperformed as the FTSE BM Small Cap Index declined 0.1% to close at 14,924 points. For the year, the Bursa Energy Index was the best performer while the Bursa Technology Index was the worst performer.

On the corporate front, Yinson Holdings Berhad inked an agreement for preliminary activities with Azule Energy to commence preliminary activities of a floating production storage and offloading asset for the Agogo project in Angola. Hartalega Holdings Berhad acquired a land from Northern Gateway Free Zone Sendirian Berhad for its expansion plan.

The Fund will continue to invest in companies that would benefit from superior pricing power and efficient cost management.

Fixed Income

The US Federal Reserve (Fed) continued to hike interest rates by 50 basis points (bps) in December, after four straight 75bps increases to bring cumulative rate hikes to 425bps in 2022. The US Fed Funds Target Rates (at 4.25-4.50%) are at the highest level since November 2007 which is expected to weigh on US demand and growth in the coming quarters.

Domestic bond market remained active, with demand mainly concentrating on the belly of the curve which garnered strong foreign participation. On a month-on-month (MoM) basis, the 5-year Malaysian Government Securities yield trended 20bps lower to close at 3.84% while the 10-year benchmark ended the month by 23bps lower to 4.05%. In the primary news flow, markets were introduced to a 3-year Government Investment Issue auction of RM4.0 billion in size. Demand was especially strong as the auction posted a bid-to-cover ratio of 4.2 times at an average yield of 3.808%. In the corporate issuance space, Public Islamic Bank Berhad (rated AAA) issued a 5-year Islamic senior debt, garnering a decent bid-to-cover ratio of 2.7 times, with an average yield of 4.5%.

Year-on-year (YoY) in November (October: 14.9%), which was in line with Bloomberg market consensus (13.7%). Import growth decelerated for the third straight month to 15.6% YoY (October: 29.1%). The trade surplus widened to RM22.3 billion in November (October: RM18.1 billion) amid a larger MoM decline in imports.

Headline inflation held at 4.0% YoY for the second straight month in November (October: 4.0%) to bring year-to-date inflation to 3.4%. Despite steady headline inflation, food inflation accelerated further to the highest level since April 2009 (7.3%) alongside higher prices of restaurants and hotels (7.0%), recreation services and culture (3.6%), health (1.4%), education (1.5%) and miscellaneous goods and services (2.6%). This was offset by slower inflation for housing, water, electricity, gas and other fuels (1.4%), as well as household furnishings (3.8%) and transport (5.0%). We continue to expect headline inflation to stay elevated in the near-term before decelerating in 2023. We expect the Overnight Policy Rate to be hiked by another 25bps to 3.00% at the next policy meeting in January 2023.

Given the volatile environment, our defensive stance remains largely unchanged for most of our portfolios. We will also participated in primary auctions and corporate bond issuances as well as buying corporate bonds in the secondary market when opportunity arises for better yield pick up.

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.

HLA Balanced Fund (HLABF)

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.

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

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.

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.