

HLA Venture Managed Fund (HLAVMF)

February 2023

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

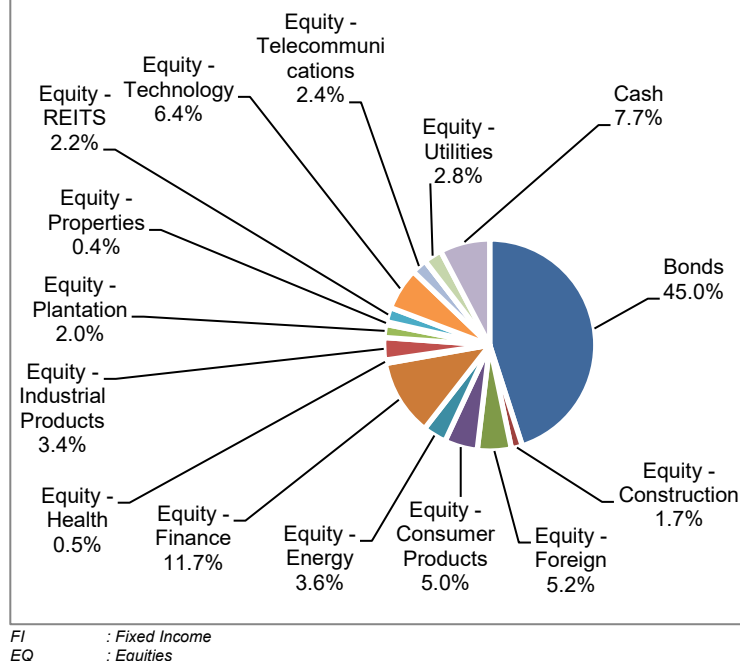
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Fund Details

| | |
|--|--|
| Unit Price (28/2/2023) | :RM2.3207 |
| Fund Size (28/2/2023) | :RM328.1 mil |
| 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.

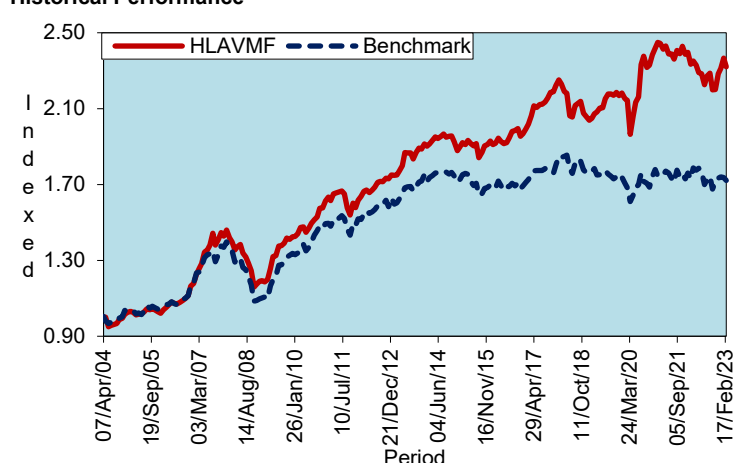
Asset & Sector Allocation of HLAVMF as at 28 Feb 2023



Top 5 Holdings for HLAVMF as at 28 Feb 2023

| | | % |
|-------------|--------------------------------|--------|
| 1. | TNB POWER GENERATION SND BHD 0 | FI 9.8 |
| 2. | IMTIAZ SUKUK II BERHAD 1 | FI 7.8 |
| 3. | CIMB | EQ 4.5 |
| 4. | MAYBANK | EQ 3.8 |
| 5. | RHBBANK | EQ 3.1 |
| Total Top 5 | | 28.8 |

Historical Performance



| | YTD | 1 month | 1 year | 3 years | 5 years | 10 years | Since Inception |
|------------|--------|---------|--------|---------|---------|----------|-----------------|
| HLAVMF | 0.38% | -1.89% | -1.26% | 8.26% | 4.12% | 32.66% | 132.07% |
| Benchmark* | -1.10% | -0.92% | -3.69% | 2.27% | -6.61% | 7.31% | 71.24% |
| Relative | 1.49% | -0.97% | 2.43% | 6.00% | 10.73% | 25.34% | 60.83% |

*Source: Bloomberg, Maybank

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

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Market Review, Outlook & Strategy - Equities Market

Global equities retreated in February from the strong 2023 start following stubbornly-high inflation data which created uncertainties on the Fed rate outlook and the rising geopolitical tensions between the US and China. The recent release of PCE price index, which is a key inflation measure for the US Fed, came in higher than market expectations suggesting that inflationary pressures may not be fading anytime soon. The US 4Q corporate results season also underperformed expectations, where more companies were finding it more difficult to maneuver the weak growth, waning price power and increased interest rate. Over to the HK/ China markets, it was equally challenging as investors remained cautious as they await policy signals from the upcoming National People's Congress. The financial industry was rocked by the disappearance of an individual who oversaw the nation's biggest tech deals over the past decade. Sentiment over the big internet players further soured when JD.com announced that it is launching a US\$1.5b (RMB10b) subsidy campaign in March to lower the prices of certain products.

Domestically, the focus for the month was the re-tableting of Budget 2023. The re-tableted Budget 2023 was market neutral with no major immediate taxes announced with the economy and cost of living issues being the main priority. Overall budget expanded to account for higher subsidies funded by direct taxes and the government reaffirmed its plans for targeted subsidies. Government revenue is also expected to be higher from direct taxes and Petronas has committed to declare an extra RM5b of dividend to RM40b. Development expenditures were little changed. The recent results reporting season for 4Q saw most companies coming in within expectations with a more cautious outlook for 2023. The resurgence in US\$ in February saw the Ringgit depreciating by 5% to 4.4873 per US\$.

Average daily trading value increased to RM2.3b in February from Jan's RM2.1b. Foreign investors stayed net sellers at -RM0.1b, while local institutions turned net sellers -RM0.6b. Local retailers turned net buyers +RM0.4b. Foreign, local institutions and retailers accounted for 24.9%, 36.2% and 26.7% respectively of value traded. The best-performing sectoral indices in Feb 23 were construction and property whilst the worst three performing sectors were industrials, technology and energy. In February, the FBMSC fell the most by -4.5% m-o-m. The FBM KLCI, FBM Shariah and FBM Emas reported negative returns of -2.1% m-o-m, -2.5% m-o-m and -2.2% m-o-m respectively.

Globally, investors will continue to monitor US bond yield movements where the 10-Year had recently breached the 4% resistance, global monetary policies as well as any potential indications of a recession. The upcoming FOMC session will also be closely followed to better gauge the Fed Fund rate outlook. China will also be kicking off its annual National People's Congress in March where 2023 economic growth target could be set and more measures aimed at boosting consumption could be unveiled. Domestically, key major event will be the MPC meeting following BNM's decision to pause its rate hike in the previous meeting. On politics, the outcome of UMNO's party polls will also be closely followed. We remain defensive, investing in value, growth and dividend-yielding names. Sectors that we continue to favour include selected recovery/reopening names (consumers with pricing power) and 5G/ technology (easing of supply chain bottlenecks). We are neutral on interest rate hike beneficiaries (banks) given the peak in inflation.

Market Review, Outlook & Strategy - Fixed Income Market

UST rates took a bearish turn in February as CPI data indicated that the battle against inflation has yet to be a story of the past. The CPI reading for January came in above expectations at 6.4% y-o-y and 0.5% m-o-m. At a time when the market appeared to be convinced that inflation readings had peaked, the unfavorable data resulted in a reversal of the previous month bullish trend. The 2-, 5-, 10- and 30-year UST yields increased by 61, 56, 41 and 28 bps m-o-m, respectively. Further adding to the rout were comments made by Fed officials which carried hawkish undertones, leading to a higher terminal rate pricing in the futures market. To close out the month, the 2- and 10-year UST settled at 4.82% and 3.92% respectively.

On the local front, similar trend was observed in govies' yield but the reversal was relatively lesser in quantum. The yields on the 3-, 5-, 10-, and 30-year MGS increased by 11, 10, 12, and 5 bps respectively as it tracked the trend in the UST market. The market reacted relatively neutral to the recent budget tabling because there were no unexpected surprises. A slightly tamer inflation reading of 3.7% in January (December: 3.8%) appeared insufficient to halt the sell-off as domestic rates were not immune to the rise in yield in the US market. Similar to 10-years UST, 10-years MGS also settled at 3.92% at the end of the month.

In the corporate bond segment, some prominent new issuances during the month were Petroleum Sarawak Exploration & Production Sdn Berhad (RM1.5 billion, AAA) and Pengurusan Air SPV Berhad (RM1.5 billion, AAA).

Outlook & Strategy

Given recent inflation data and the strength of the economy as reflected by various relevant indicators, the UST is currently on a bearish trajectory. We believe that economic data releases in the near term will be critical for investors in determining the Fed's direction. Seeing as how fickle the rally in the previous month was, we think that concrete indicators such as consistent decline in CPI readings combined with labour market weakness would be required to reverse the current bearish sentiment.

Domestically, the MGS will still remain subject to movement of its US counterpart. While CPI numbers have declined, the interest rate differential with its US counterpart will continue to influence domestic rates. On a fundamental level, we do not see any significant catalyst that will move rates in the near term. Hence, we remain neutral at this juncture.

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

| Year | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Benchmark | 7.3% | -2.6% | -1.3% | -0.8% | 6.6% | -1.9% | -1.8% | 2.3% | -1.0% | -1.2% |
| HLAVMF - Gross | 11.4% | -0.7% | 4.3% | 3.4% | 15.4% | -7.6% | 9.0% | 13.1% | 0.4% | -2.6% |
| HLAVMF - Net | 9.3% | -1.9% | 2.7% | 2.0% | 12.9% | -8.3% | 7.0% | 10.8% | -0.9% | -3.6% |

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.

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HLA Venture Managed Fund (HLAVMF)

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. Derivatives are used to hedge against currency risk. The Fund aims to hedge up to 100% of foreign currency exposure using derivatives.

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.

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.