

# HLA Venture Blue Chip Fund (HLAVBCF)

August 2020

## Fund Features

### 1. Investment Objective

The objective of the fund is to achieve returns comparable to the general stock market by taking average risks, with focus on well-capitalised and financially sound "blue chip" stocks to achieve a balance of capital gains and dividend income.

### 2. Investment Strategy & Approach

This fund provides participation in the stock market without taking excessive risk by focusing on fundamentally strong "blue chip" stocks listed in Bursa Malaysia and/or in any foreign stock exchanges. This fund is suitable for investors with moderate risk tolerance and expects returns that are comparable to the market as represented by the FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBM KLCI).

### 3. Asset Allocation

The fund may invest up to 95% of its NAV in equities.

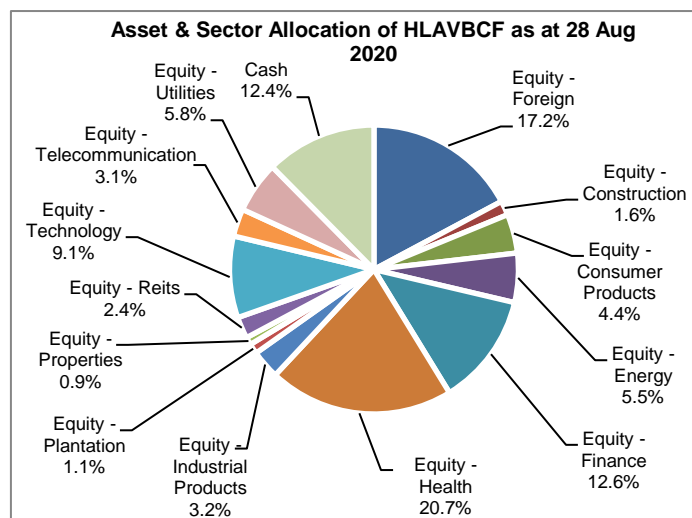
### 4. Target Market

This fund is suitable for investors with moderate risk tolerance and expects returns that are comparable to the market as represented by the FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBM KLCI).

## Fund Details

|  |   |
|--|---|
| Unit Price (28/8/2020)                           | : RM2.7741                                  |
| Fund Size (28/8/2020)                            | : RM363.1mil                                |
| Fund Management Fee (effective as at 01/05/2018) | : 1.43% p.a. (capped at 1.50%)              |
| Fund Manager                                     | : Hong Leong Assurance Berhad               |
| Fund Category                                    | : Equity                                    |
| Fund Inception                                   | : 19 Jan 2000                               |
| Benchmark  | : FTSE Bursa Malaysia KLCI Index (FBM KLCI) |
| Frequency of Unit Valuation                      | : Daily                                     |

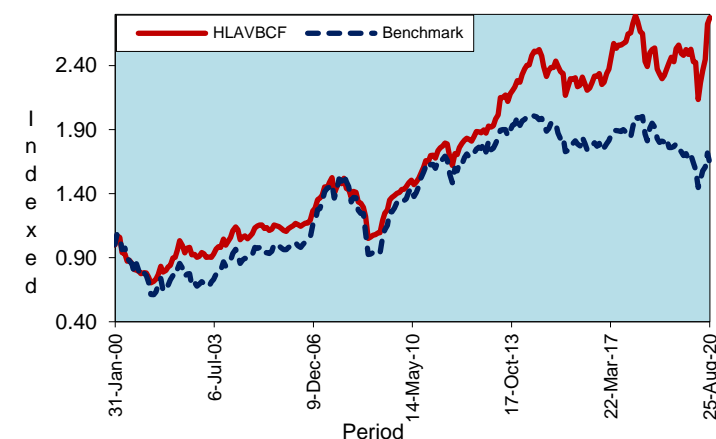
The Company reserves the right to change the cap of Fund Management Fee (% p.a.) by giving the Policy Owner ninety (90) days prior written notice. The Fund Management Fee will be reviewed monthly and will be revised if the previous month end actual asset allocation deviates by more than ten percent (10%) of the initial asset allocation.



## Top 5 Holdings for HLAVBCF as at 28 Aug 2020

|                    | %           |
|--------------------|-------------|
| 1. SUPERMX         | 9.1         |
| 2. TOPGLOV         | 8.6         |
| 3. TENAGA          | 5.1         |
| 4. ALIBABA         | 5.1         |
| 5. MAYBANK         | 4.8         |
| <b>Total Top 5</b> | <b>32.6</b> |

## Historical Performance



|            | YTD    | 1 month | 1 year | 3 years | 5 years | 10 years | Since Inception |
|------------|--------|---------|--------|---------|---------|----------|-----------------|
| HLAVBCF    | 9.70%  | 1.78%   | 11.16% | 7.80%   | 28.03%  | 77.91%   | 177.41%         |
| Benchmark* | -4.00% | -4.90%  | -5.39% | -13.98% | -5.43%  | 7.22%    | 63.41%          |
| Relative   | 13.70% | 6.68%   | 16.56% | 21.79%  | 33.45%  | 70.69%   | 114.00%         |

\*Source: Bloomberg

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## Market Review, Outlook & Strategy

Regionally, it was a stronger month aided by robust results and guidance from the US technology companies and better broad-based economic data, suggesting demand recovery associated with the re-opening of the major economies. The US-China trade relations remain mixed - the US Trade Representative issued a statement to reinforce that the two countries are committed to taking steps necessary to ensure the success of the Phase One agreement which was positive but sanctions on Huawei, export controls and the South China disputes were clear negatives. However, during the month the US dollar weakened as the unattractive carry trade and twin deficits continue to weigh on the dollar. The US Fed Chairman also announced that the Fed would shift its policy-setting framework to an average inflation-targeting regime. The Fed will allow inflation to overshoot its 2% target following periods of inflation below the target in pursuit of maximum employment. This implies that US monetary conditions will remain accommodative in 2021. Oil prices continued to trend higher with WTI posting a 6% mom gain to US\$42.82/ barrel on the back of an expected pick-up in demand as economic activities normalize with the weak dollar providing support to the price.

Domestically it was the results reporting season. Sectors that were most impacted by the MCO in 2Q20 were airlines, auto, construction, property, media and gaming. Malaysia's 2Q20 GDP also came in weaker than expected at -17.1%. As a result, Bank Negara Malaysia revised its growth projection to a range of -3.5% to -5.5%. A combination of weaker-than-expected GDP, low inflation and high household indebtedness indicated there could potentially be further monetary easing later this month. During the month, the Parliament also approved the government's plan to raise its debt ceiling to 60% of GDP to mitigate the effects of Covid-19.

For the month of August, FBMSC was the outperformer with a +5% mom return. FBM KLCI was down by 5%, FBM Emas Shariah -2% and FBM Emas - 3%. Foreign selling on Malaysian equities continued but tapered to around RM1.5b in Aug vs the average of RM2.8b in the previous 4 months. Retailers continued to be net buyers at RM1.7b.

Going forward, regional key events that investors will be looking out for would include the severity of the second wave of Covid-19 as well as the success of the vaccines development during the final stages of the trials and the upcoming US presidential elections. Domestically, investors will track the end of the blanket loan moratorium to check if the liquidity-driven rally will sustain with the same vigour come October. In addition, investors will also continue to watch for the roll-out of the medium-to-long-term policy measures by the government in October, Budget 2021 in November and also political developments. We continue to advocate a defensive stance, favoring high dividend yielding stocks as well as stocks offering resilient earnings prospects in the current challenging economic environment. We would also favour structural stocks that provide earnings certainty as we look forward to a world post-Covid-19.

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

| Year                 | 2010  | 2011 | 2012  | 2013  | 2014  | 2015  | 2016  | 2017  | 2018   | 2019  |
|----------------------|-------|------|-------|-------|-------|-------|-------|-------|--------|-------|
| <b>Benchmark</b>     | 19.3% | 0.8% | 10.3% | 10.5% | -5.7% | -3.9% | -3.0% | 9.5%  | -5.9%  | -6.0% |
| <b>HLAVBF- Gross</b> | 21.6% | 5.4% | 11.9% | 21.4% | 3.2%  | 1.1%  | -0.1% | 23.6% | -15.7% | 12.5% |
| <b>HLAVBF - Net</b>  | 18.5% | 3.6% | 9.6%  | 18.3% | 1.5%  | -0.4% | -1.6% | 20.3% | -15.9% | 10.1% |

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.

### 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

The 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 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 Venture Blue Chip Fund (HLAVBCF)

### 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 Blue Chip 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.