

HLA Global ESG Fund (HLAGEF)

March 2023

Fund Features

1. Investment Objective

The objective of the fund is to provide medium-to-long term capital growth by investing in a globally diversified portfolio of companies with a focus on Environmental, Social and Governance ("ESG") criteria in the investment process.

2. Investment Strategy & Approach

HLAGEF will principally feed into third party collective investment schemes that meet the fund's objective. HLAGEF 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 Global ESG Fund ("Target Fund"), with the option to increase the number of funds or replace the Target Fund in future.

The Target Fund follows a rule-based strategy and will only invest in securities of companies with a strong ESG scoring. The Target Fund will incorporate the principles of ESG in security selection through MSCI ESG Ratings. Through MSCI ESG Ratings, companies with poor performance on ESG Factors would be excluded in the investable universe. The Target Fund will only invest in securities with an ESG rating that indicates that the company has a good track record of managing the most significant ESG risks and opportunities relative to industry peers. As such, the investable universe of the Target Fund comprises all equities with a minimum of BBB ESG rating by MSCI. The Target Fund emphasizes on responsible investing and as such will ensure a minimum of 70% of its NAV is invested in accordance with ESG criteria.

Additionally, the Target Fund may also invest in money market instruments and deposits with financial institutions. The Target Fund does not incorporate ESG factors for money market instruments and deposits as the said instruments are used for liquidity purposes.

3. Asset Allocation

The Target Fund will invest a minimum of 70% and maximum of 98% of its NAV in equities. The balance of its NAV will be invested in money market instruments.

4. Target Market

This fund is suitable for investors looking who have a medium-to-long term investment horizon and are willing to assume a higher risk in their investments with exposure to foreign investments.

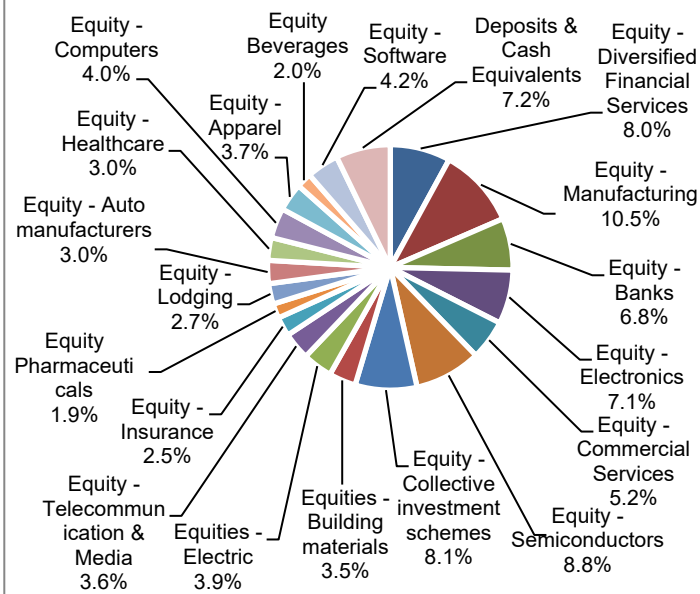
Fund Details

Unit Price (31/3/2023)	: RM 0.9830
Fund Size (31/3/2023)	: RM 2,423,996
Fund Management Fee	: 1.50%
Fund Manager	: Hong Leong Assurance Berhad
Fund Inception	: 27 April 2022
Benchmark	: MSCI ACWI ESG Universal Index
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 HLAGEF as at 31 March 2023	%
Hong Leong Global ESG fund	99.98
Cash	0.02
Total	100.0

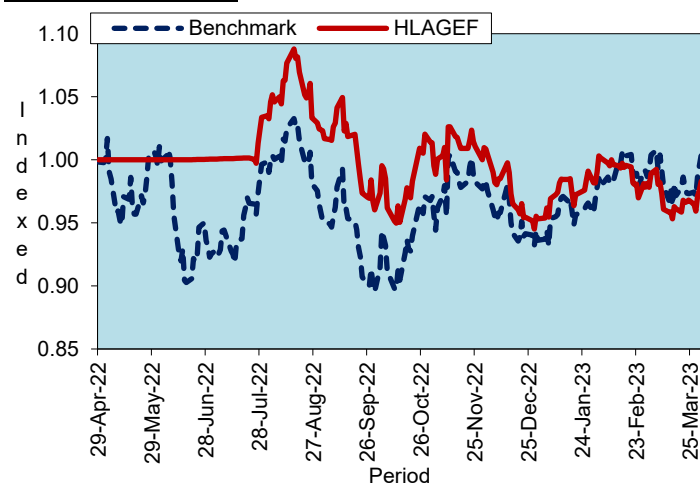
Asset & Sector Allocation of HLAGEF as at 31 March 2023



Top 5 Holdings for HLAGEF as at 31st March 2023

	%
1. Sunny Optical Technology Company Limited	5.0
2. Taiwan Semiconductor Manufacturing company Limited	4.7
3. Microsoft Corporation	4.2
4. ASML Holdings N.V	4.1
5. Visa Incorporated	4.1
Total Top 5	22.1

Historical Performance



	YTD	1 month	1 year	3 years	5 years	Since Inception
HLVF	3.13%	0.48%	-	-	-	-1.70%
Benchmark*	7.21%	1.28%	-	-	-	0.37%
Relative	-4.08%	-0.80%	-	-	-	-2.07%

*Source: Bloomberg

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

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Market Review, Outlook & Strategy

In March, the collapse of Silicon Valley Bank, the second largest banking failure in United States (US) history, led to a major sell-off in the US and European financial sectors. This event raised concerns about the stability of the global financial system and questioned the effectiveness of regulatory oversight in the banking industry. The global aggregate bond index returned 3% over the quarter. As a result of the fall in bond yields, growth stocks saw a rally of over 15% during the same period. However, value stocks were affected by the decline in bank shares, resulting in a more modest return of around 1% over the quarter.

The US economy continued to grow in the first quarter, as indicated by economic data published since the beginning of the year. The labour market remained resilient with non-farm payrolls growing by a stronger-than-expected 311,000 in February. Wage pressures are gradually decelerating, with average hourly earnings rising by just 0.2% month-on-month and 4.6% year-on-year (YoY). The February consumer price index (CPI) report showed that headline inflation fell to 6.0% YoY, marking the eighth consecutive monthly decline and a significant decrease from its peak of 8.9% in June. It's worth noting that shelter costs now dominate inflation, accounting for over 70% of the increase in prices. However, changes in rents and house prices tend to have a lagged effect on shelter inflation. Recent data suggests that rent increases have generally slowed and house prices are coming under pressure, which may impact future inflation readings. Overall, the US economy showed signs of growth, with a resilient labour market and declining inflation pressures in the first quarter.

In Europe, economic activity exceeded expectations despite rising interest rates and banking sector turmoil in March. The resilience of the services sector and falling energy prices contributed to the positive performance. The euro-area composite purchasing managers' index (PMI) for March reached a 10-month high of 54.1, driven mainly by the services sector, which saw a significant increase in PMI from 52.7 in February to 55.6 in March. However, the manufacturing sector continued to face challenges, as indicated by a drop in the manufacturing PMI to 47.1 in March.

China surprised with its abandonment of the zero COVID-19 policy at the end of last year, resulting in a strong rebound in its economy since the beginning of this year. Inflation has remained surprisingly low, allowing the People's Bank of China (PBOC) to maintain an easy monetary policy. The domestic service sectors are showing a strong rebound according to non-manufacturing business surveys. The better-than-expected credit growth in January and February has contributed to this positive economic momentum, with total social financing growing by 9.9% YoY in February and the credit impulse rising to 5.6%, the highest since January 2021. However, despite the strong economic momentum and credit growth, China's February CPI came in below expectations, with only a 1% YoY increase, and the producer price index remaining in deflation territory with a 1.4% decline. In response, the PBOC announced a 25 basis points cut to its reserve requirement ratio for banks in March, earlier than expected.

As we move into the second quarter, we anticipate continued support for China's economy due to its COVID-19 reopening, but we see increased downside risks in developed economies. Recent events in the banking sector may result in further tightening of lending standards, potentially leading to a moderate recession in developed economies throughout the year. However, we do not foresee a repeat of the 2008 financial crisis, as banks are better capitalized and there is little evidence of extreme excess in the real economy. If commercial banks tighten lending standards, central banks like the Federal Reserve may need to take less action to slow down activity and reduce inflation. We remain positive about the recovery in equity market valuations, particularly in sectors and industries benefiting from the easing of supply chain constraints. China's reopening theme is expected to boost market sentiment in 2023. We also continue to diversify our portfolio across geographical regions and invest in companies with strong ESG ratings on the strategy front.

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 instruments, 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.

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.

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 Global ESG 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.