

## HLA Global ESG Fund (HLAGEF)

September 2022

### 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

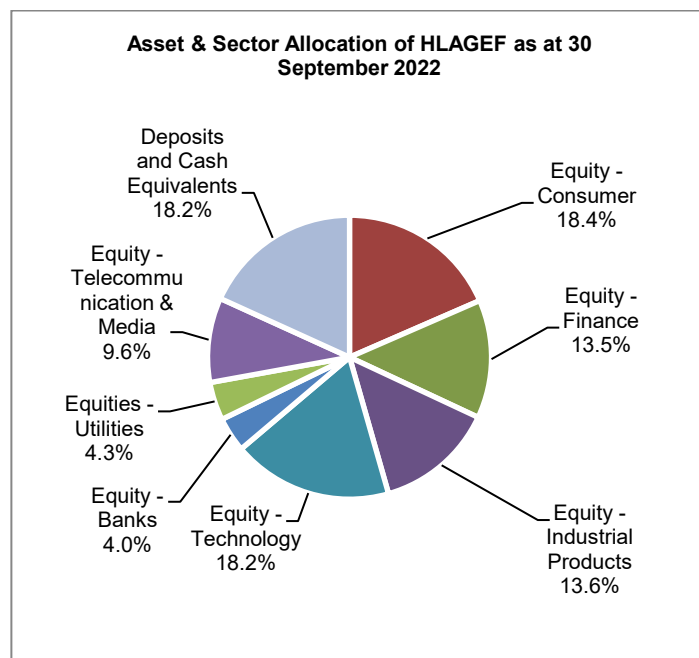
This fund is suitable for investors looking who have a medium-to-long term investment horizon and are willing to assume a higher risk in their investments with exposure to foreign investments.

### Fund Details

Unit Price (30/9/2022)	: RM 0.9603
Fund Size (30/9/2022)	: RM 717,297
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.

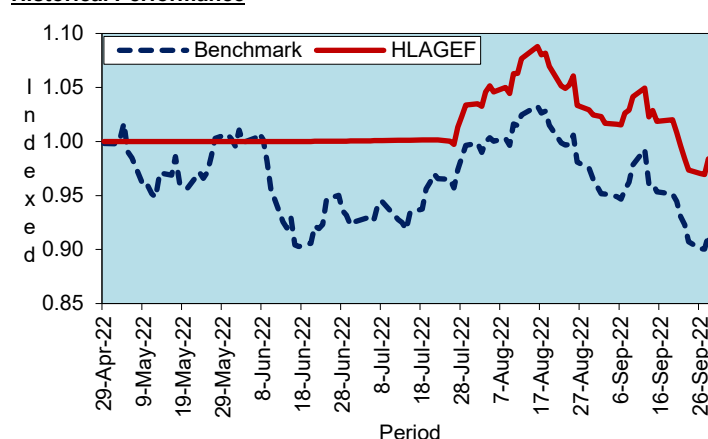
Asset Allocation for HLAGEF as at 30 Sept 2022	%
Hong Leong Global ESG fund	99.60
Cash	0.40
<b>Total</b>	<b>100.0</b>



### Top 5 Holdings for HLAGEF as at 30 Sept 2022

	%
1. Visa Inc	6.8
2. Mastercard Incorporated	6.6
3. Advanced Micro Devices, Inc.	5.5
4. Paypal Holdings, Inc.	5.1
5. Honeywell International Inc.	5.0
<b>Total Top 5</b>	<b>29.0</b>

### Historical Performance



	YTD	1 month	1 year	3 years	5 years	Since Inception
HLVF	-	-6.27%	-	-	-	-3.97%
Benchmark*	-	-7.21%	-	-	-	-10.46%
Relative	-	0.94%	-	-	-	6.49%

\*Source: Bloomberg

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

## HLA Global ESG Fund (HLAGEF)

### Market Review, Outlook & Strategy

Share markets fell sharply again in the month of September in response to continuing hawkish central bank comments and rising recession fears, not helped by the UK crisis. For the week, US shares fell 2.9% to a new bear market low, Eurozone shares fell 1% and Japanese shares fell 4.5%. This capped off sharp falls for the month with US shares down 9.3% in September and global shares down 8.5%.

US's underlying capital goods orders continue to rise, consumer confidence bounced, consumer spending rose a bit more than expected in September (but is soft in real terms), jobless claims fell and new home sales rose sharply in August (although this looks like an aberration). Against this, pending home sales fell and home prices are falling.

While short-term inflation remains high, these considerations are consistent with the US having reached peak inflation and point to sharply lower inflation ahead, which should enable central banks to slow down the pace of hiking by year-end, hopefully in time to avoid a severe recession.

The financial market turmoil in the UK, which saw a surge in bond yields and a plunge in the pound triggered by the UK's fiscal stimulus, would normally have been a bit of a sideshow. But it impacted global markets because it engendered a sense of crisis. The Bank of England's (BoE) intervention to calm the gilt market (which was threatening financial problems for UK pension funds) by buying bonds.

China's economic recovery stalled after the second quarter lockdown was lifted. Downbeat sentiment with the real estate market continued despite more supportive measures from both the central and local governments. Consumers are still cautious over their outlooks on job and income, and the risk of another round of lockdown when COVID-19 cases rise again. A number of cities, the latest being Chengdu, have again experienced lockdowns. The government has stepped up its support to the economy. The State Council executive meeting on 24 August announced additional measures to stabilize the economy, including an additional RMB 300 billion worth of spending and plans for more infrastructure projects to be approved. The People's Bank of China has cut its reference rates to support liquidity.

The market correction has improved the valuation proposition of equities, especially in the US. Corporate earnings for second quarter 2022 in the US have been solid, and the key going forward is for companies to better manage their profit margins. Not all companies can achieve this, and therefore active management is key in selecting companies that can benefit from ongoing economic growth, strong pricing power and discipline on cost management. Value and quality should remain in favour until there is a clear peak in interest rates.

On the strategy front, we believe the coming US Consumer Price Index will be coming off from the peak in June, given the decline in food prices and ease of supply chain shortage issues. The market correction created a good entry opportunity to collect strong fundamental companies at reasonable valuation. We maintain buy at low and focus with companies which have strong ESG ratings plus good earnings growth.

### **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.

## HLA Global ESG Fund (HLAGEF)

### 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.