HLA Horizon Funds

Oct 2020

Fund Features

1. Investment Objective

The fund is designed to offer customers a Minimum Guaranteed Unit Price upon fund maturity and yet offer the opportunity to enhance returns via a leveraged exposure. The fund will periodically lock in part of the gains (10 years after launch of the fund) and thereby increasing the customers' Minimum Guaranteed Unit Price at fund maturity.

The fund is open ended with three maturity dates to match customer financial planning needs: Horizon28 to be matured in Year 2028, Horizon38 in Year 2038 and Horizon48 in Year 2048.

2. Investment Strategy & Approach

The fund will invest into Floating Rate Negotiable Instrument of Deposit (FRNID). FRNID allocate into two major components: Mean Variance Optimization (MVO) Strategy and Zero-coupon Negotiable Instrument of Deposit (ZNID).

To enhance investment return, MVO Strategy will be leveraged by 3 times. This MVO Strategy uses the Efficient Frontier to find the optimal portfolio returns for a defined risk, limiting to basket volatility to around 8%. The portfolio consists of 4 asset classes:

(i) 4 equities indices (S&P500, Euro Stoxx 50, Hang Seng China Enterprises, MSCI Emerging Market),
(ii) 2 bond indices (Franklin Templeton & PIMCO),
(iii) Spot Gold index
(iv) Cash index

These indices are published at Bloomberg to provide transparency to customer.

The ZNID provides the Minimum Guaranteed Unit Price upon each fund's maturity. The initial Minimum Guaranteed Unit Price as follow:

Fund	Initial Minimum Guaranteed Unit Price at fund maturity
HLA Horizon28	RM 1.00
HLA Horizon38	RM 1.50
HLA Horizon48	RM 2.00

Over time, Minimum Guaranteed Unit Price may go up via a profit taking mechanism. This mechanism will lock the gains provided the condition stated below is met, by transferring portion of gains from the MVO Strategy to the ZNID on a yearly basis as follow:

Fund Year	% of the MVO Strategy Gains
1 to 10	0%
11 to 20	50%
21 to 30	100%

The condition for profit taking:

$$\left(\frac{MVO_t}{MVO_{prevPT}} - 1 \right) > 0$$

Where,
MVO_t is the mark-to-market value of MVO per unit
MVO_{prevPT} is the mark-to-market value of MVO at the time of previous actual executed profit taking per unit

3. Target Market

The fund is suitable for investors who wish to engage in mid-term and long-term wealth-planning. The feature of this Minimum Guaranteed Unit Price upon fund maturity will help to safeguard the savings goal for their children's education, retirement planning or wealth-building for future generations.

Fund Details

Fund Management Fee	: 1.30% p.a.
Fund Manager	: Hong Leong Assurance Berhad
Fund Inception	: 9 Oct 2018
Benchmark	: 3-month Klibor *+ 2.65%
Frequency of Unit Valuation	: Weekly

The Company reserves the right to change the Fund Management Fee (% p.a.) by giving the Policy Owner ninety (90) days prior written notice.
*Source: Bloomberg

Other Details

Fund Name	Fund Maturity Date	Unit Price @ 27/10/2020	Fund Size 27/10/2020	Guaranteed Unit Price upon Fund Maturity (updated @ 27/10/2020)
HLA Horizon28 Fund	:08/10/2028	RM1.0449	RM4,154,095.15	RM1.00
HLA Horizon38 Fund	:08/10/2038	RM1.1538	RM159,097,374.02	RM1.50
HLA Horizon48 Fund	:08/10/2048	RM1.2124	RM78,630,339.73	RM2.00

The Guaranteed Unit Price upon Fund Maturity stated above may be revised upwards from time to time via profit taking.

HLA Horizon Funds

Performance Snapshot

Fund	1 Month	1 Year
HLA Horizon28	0.34%	-2.98%
HLA Horizon38	0.67%	-0.32%
HLA Horizon48	0.86%	-0.75%

Exposure to MVO Strategy

Fund	Exposure as at 27/10/2020
HLA Horizon28	74.02%
HLA Horizon38	85.23%
HLA Horizon48	114.10%

Market Review *(by Hong Leong Bank Berhad)*

On the international front, we have the US presidential election. We are looking at a potential knee-jerk reaction of Asian currencies and markets to the election outcome. If Trump is reelected for a second term, we expect President Trump to push for more tax and expenditure cuts, further deregulation, and a unilateral trade policy that uses tariffs, export controls and foreign investment reviews to open doors for American products and services abroad and to protect markets at home.

Under a Biden administration, we would likely see higher taxes on corporations and high income earner, but also higher spending. We would expect Biden to return to multilateral engagement, working with European leaders to confront China with a common position on trade and investment concerns. Tariff reductions would still be conditional on China agreeing to improve the access of American firms to the Chinese markets, reduce subsidies to SOEs that engage in international trade, and protect intellectual property rights more forcefully. We think a Biden administration would also continue to encourage firms to diversify production to create non-China supply chains serving the US.

On the local front, a few risk events for early November being the BNM Monetary Policy Committee decision on Nov 3 and the tabling of budget 2021 on Nov 6. Market is pricing in a 50% chance of an interest rate cut. In addition to this, the constant tension on the political front will continue to weigh heavy on market.

Gains of MVO Strategy (per unit)	HLA Horizon28	HLA Horizon38	HLA Horizon48
Previous actual executed profit taking at -	N/A	N/A	N/A
Basket Value (as of 27-Oct-20)	-9.62%	-11.40%	-15.26%
Basket Value (as of 29-Sep-20)	-9.80%	-11.61%	-15.54%

The next observation date for profit taking is 8 Oct 2029. If this date is not a Business Day, then shall be the Business Day immediately following the date stated.

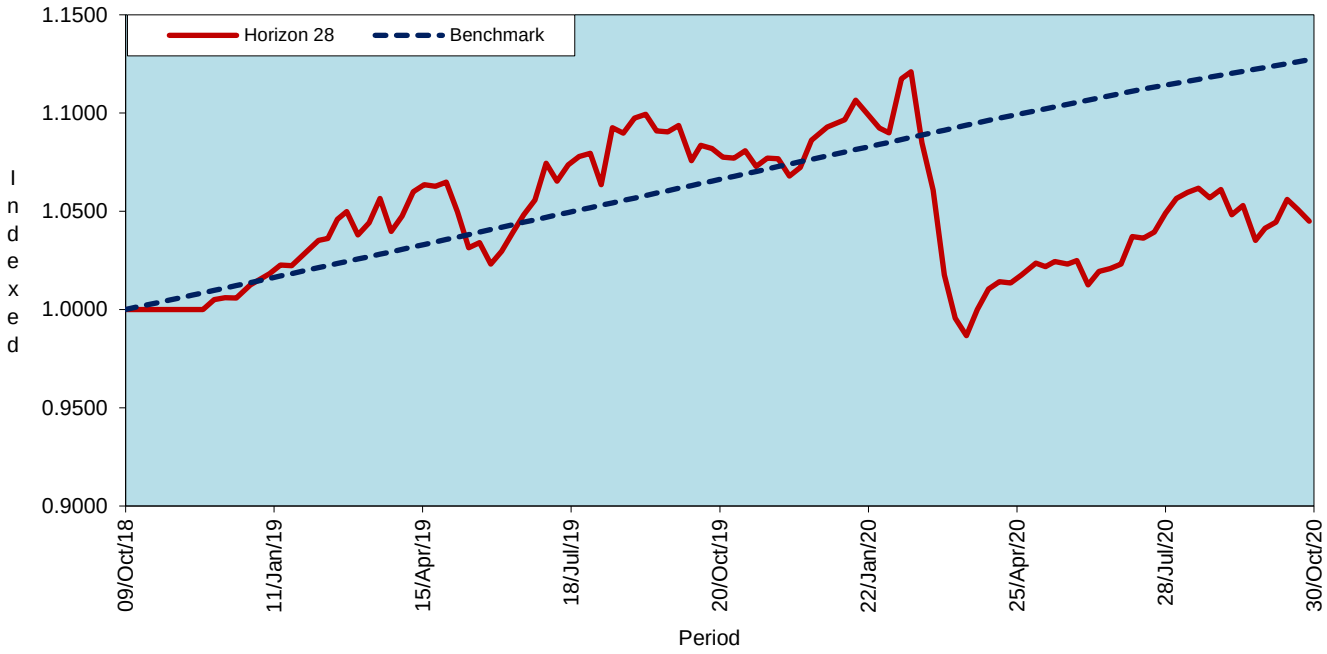
Underlying Asset in the MVO Strategy as at 27 Oct 2020

Indices	Bloomberg Ticker	Weightage (%)	Monthly Performance
iShares MSCI EM Index Fund	EEM US Equity	1.11%	5.83%
S&P 500 Index	SPX Index	20.91%	1.66%
Euro Stoxx 50 Index	SX5E Index	9.48%	-3.58%
Hang Seng China Enterprises Index	HSCEI Index	0.00%	7.78%
Gold	GOLDLNAM Index	24.38%	0.88%
Templeton Global Bond Fund	FTGBFAC LX Equity	0.00%	0.63%
PIMCO Funds – Total Return Bond Fund	PTRBDFE ID Equity	20.00%	-0.23%
DB Fed Funds Effective Rate TR Index	DBMMFED1 Index	24.13%	0.01%
Total		**100.00%**	

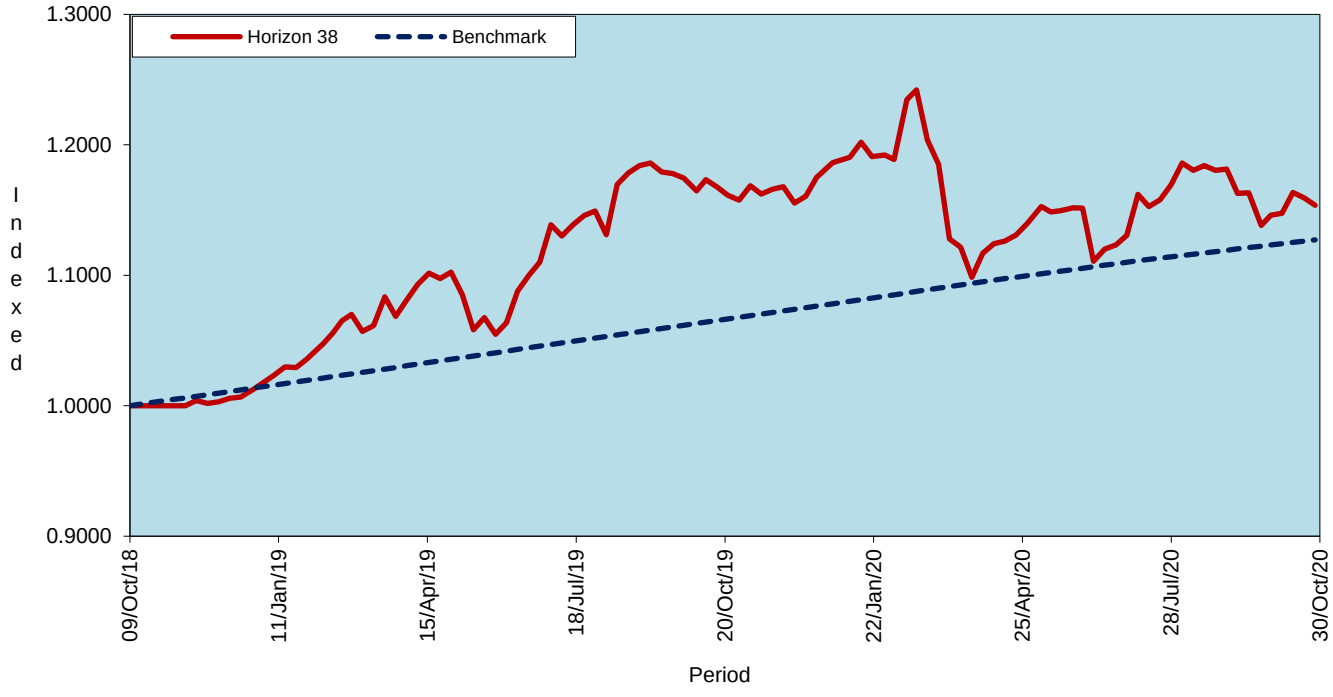
HLA Horizon Funds

Historical Performance

HLA Horizon28 Fund						
As of 27/10/20	Year to-date	1 month	1 Year	3 Years	5 Years	Since Inception
HLA Horizon28	-4.38%	0.34%	-2.98%	-	-	4.49%
KLIBOR+2.65% p.a.*	4.54%	0.35%	5.56%	-	-	12.72%
Performance vs Benchmark	-8.92%	-0.02%	-8.54%	-	-	-8.23%

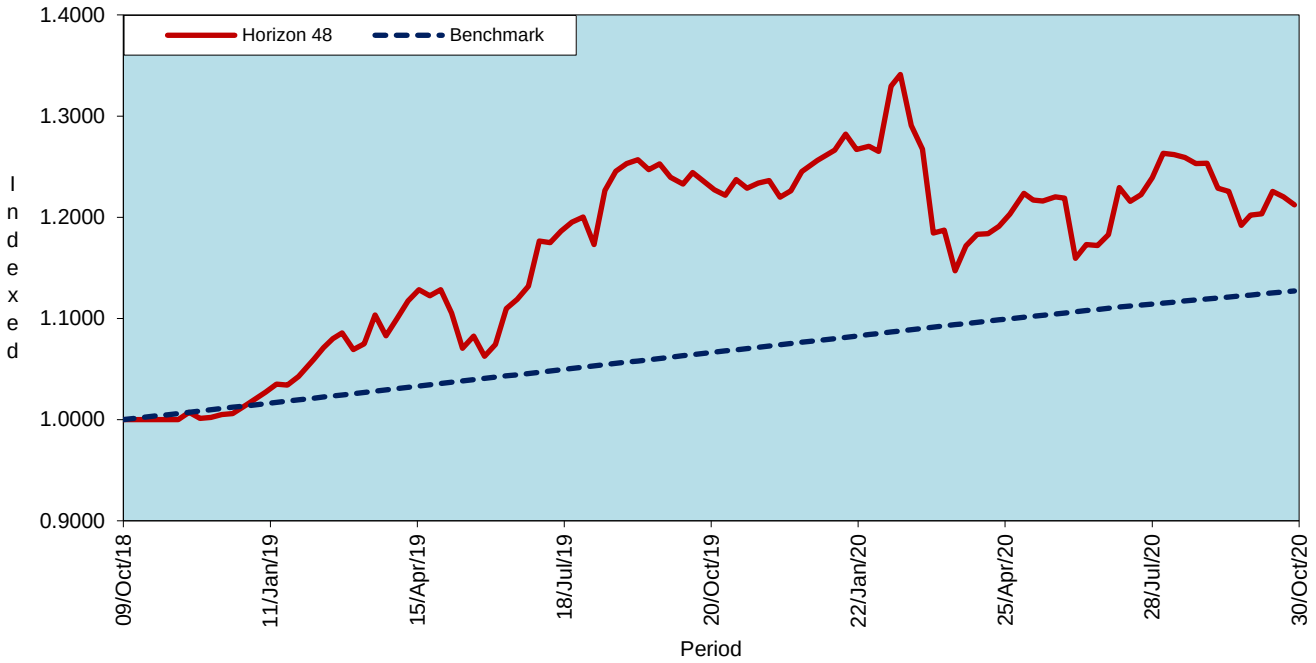


HLA Horizon38 Fund						
As of 27/10/20	Year to-date	1 month	1 Year	3 Years	5 Years	Since Inception
HLA Horizon38	-2.73%	0.67%	-0.32%	-	-	15.38%
KLIBOR+2.65% p.a.*	4.54%	0.35%	5.56%	-	-	12.72%
Performance vs Benchmark	-7.27%	0.32%	-5.88%	-	-	2.66%



HLA Horizon Funds

HLA Horizon48 Fund						
As of 27/10/20	Year to-date	1 month	1 Year	3 Years	5 Years	Since Inception
HLA Horizon48	-3.49%	0.86%	-0.75%	-	-	21.24%
KLIBOR+2.65% p.a.*	4.54%	0.35%	5.56%	-	-	12.72%
Performance vs Benchmark	-8.04%	0.50%	-6.31%	-	-	8.52%



*Source: Bloomberg

Actual Annual Investment Returns for the Past Two (2) Calendar Years

Year	2018	2019
Benchmark	6.4%	6.4%
HLA HORIZON28 – Gross	1.7%	10.0%
HLA HORIZON28 – Net	1.3%	7.9%
HLA HORIZON38 – Gross	1.8%	19.9%
HLA HORIZON38 – Net	1.3%	17.1%
HLA HORIZON48 – Gross	1.9%	27.3%
HLA HORIZON48 – Net	1.5%	23.8%

Net returns are adjusted for tax and fund management fees.
Those are the actual returns in the past two (2) 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.

The fund was only launched on 9 October 2018. The actual investment returns are calculated based on unit price from 9 October 2018 to 31 December 2018.

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 detailed explanation of the risk 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. **Deleverage Risk**
   Deleveraging may occur if the bond floor rises due to falling interest rates or due to nearing maturity, or due to sustained underperformance of the underlying asset. When this occurs, the Funds will unwind all allocation to the underlying asset and will effectively become a zero-coupon bond fund.

HLA Horizon Funds

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.

7. Country Risk
The foreign investment of a fund may be affected by the political & economic conditions of the country which the investments are made.

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.

$$\frac{\text{Unit Price}_t - \text{Unit Price}_{t-1}}{\text{Unit Price}_{t-1}}$$

Others
HLA Horizon Funds are managed by Hong Leong Assurance Berhad (HLA). Allocated premiums of the policy invested in the fund are invested by HLA on behalf of the Policy Owner in a FRNID issued by Hong Leong Bank Berhad. If the issuer of the FRNID defaults or becomes insolvent, the Policy Owner risks losing part or all of his/her allocated premium amounts that were invested into the FRNID on his/her behalf by HLA. Should the issuer/financial institutions default the above investment instrument, the Minimum Guaranteed Unit Price at Fund Maturity will not be applicable.

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.