

HLA Venture Managed Fund (HLAVMF)

August 2022

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.

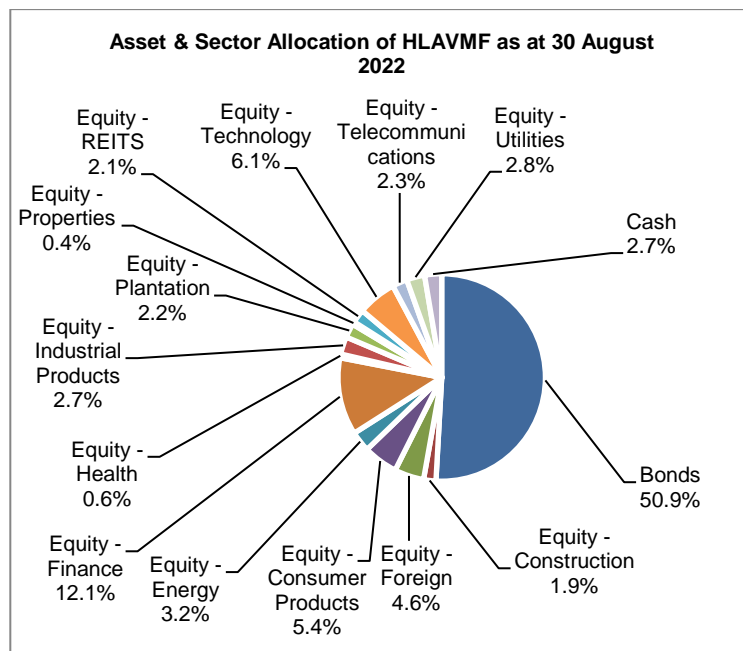
4. Target Market

This fund is suitable for investors who are willing to take moderate risk.

Fund Details

| | |
|--|--|
| Unit Price (30/8/2022) | :RM2.2864 |
| Fund Size (30/8/2022) | :RM314.0 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.

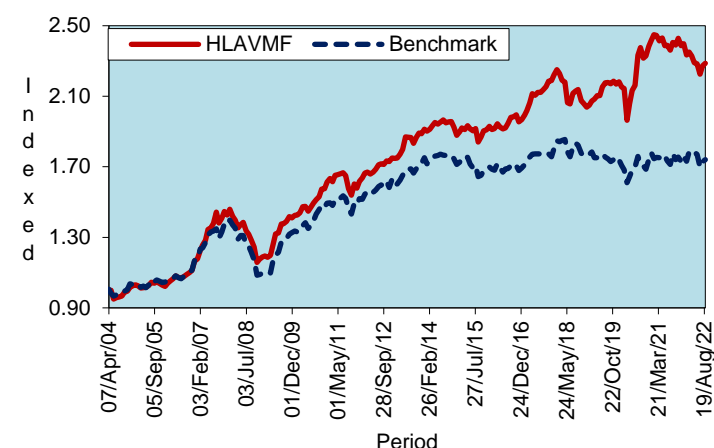


FI : Fixed Income
EQ : Equities

Top 5 Holdings for HLAVMF as at 30 Aug 2022

| | | % |
|-------------|----------------------------------|---------|
| 1. | TNB POWER GENERATION SDN BHD 0 | FI 10.0 |
| 2. | IMTIAZ SUKUK II BERHAD 1 | FI 8.1 |
| 3. | MALAYSIA GOVERNMENT SECURITIES 1 | FI 7.4 |
| 4. | CIMB | EQ 4.4 |
| 5. | MAYBANK | EQ 4.0 |
| Total Top 5 | | 33.9 |

Historical Performance



| | YTD | 1 month | 1 year | 3 years | 5 years | 10 years | Since Inception |
|------------|--------|---------|--------|---------|---------|----------|-----------------|
| HLAVMF | -4.61% | 0.62% | -4.97% | 4.99% | 7.06% | 33.15% | 128.64% |
| Benchmark* | -1.12% | 0.75% | -1.89% | -0.13% | -2.34% | 8.98% | 73.29% |
| Relative | -3.50% | -0.13% | -3.08% | 5.12% | 9.40% | 24.18% | 55.35% |

*Source: Bloomberg, Maybank

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

HLA Venture Managed Fund (HLAVMF)

Market Review, Outlook & Strategy - Equities Market

The rebound in global equities and most risk assets fizzled out in August. This was following the Fed Chair's speech at the 2022 Jackson Hole Economic Symposium where he signalled "higher interest rates for longer" and the need for restrictive monetary policy to restore price stability as well as cautioning against any premature loosening of monetary conditions, with important emphasis on the experience of the 1970s and 1980s. The Fed also indicated the willingness to accept negative growth and labour market consequences in order to restore price stability. These reverberated across markets, supporting the US\$ strength and pushing up sovereign bond yields. Rising recession concerns have also overshadowed China's announcement of an additional RMB1 trillion stimulus package to help boost the economy. The stimulus will be targeting investments in new energy projects, high-speed rail and water tunnels. Commodity prices continued to retrace as China's bumpy recovery added to worries that aggressive tightening by central banks to rein in inflation are denting demand. On a positive note, China and the US have reached a landmark audit inspection agreement which will allow the US Public Company Accounting Oversight Board inspectors to travel to Hong Kong or China for inspection of Chinese companies listed in New York.

Domestically, we saw the release of a relatively good set of economic data. A strong 2Q22 GDP print of +8.9% yoy was led by recovery in both the manufacturing and services segments as well as the low base effect from Jun 21. Unemployment rate also improved further to 3.8%, the lowest since the Covid-19 pandemic outbreak two years ago. However, inflationary pressures are also broadening with July's CPI picking up to +4.4% yoy. The broad trend is reflective in the 2Q22 results where most companies reported results that met expectations; topline growth appeared to be robust on the back of economic reopening activities but bottomline was constrained by higher input costs (materials and wages), supply disruption and labour shortages. Towards month-end, Petronas announced an additional RM25b dividend payment to the government, bringing total dividend paid out to RM50b for 2022.

Average daily trading value increased to RM1.7b in August from RM1.3b in July. Retailers turned net buyers +RM100m while local institutions turned net sellers -RM2.3b. Foreign institutions remained net buyers with +RM2b. Retailers and local institutions accounted for 26% and 37% of the value traded with foreign institutions contributing the balance 24%. The FBMKLCI continued to outperform the broader market with a +1.3% mom gain to 1,512.05 pts. The FBM Shariah, FBM Emas and FBMSC increased by +0.7% mom, +0.9% mom and +0.5% mom respectively.

Macroeconomic risks remain centred on monetary policy trajectory coupled with an evolving geopolitical environment that will affect investors' risk appetite. In the near term, investors are likely to remain cautious as 1) inflation remains elevated despite some relief from the easing of commodity prices and supply chain bottlenecks and 2) the Fed is unlikely to pivot despite signs of deterioration in economic growth. China will also be hosting the 20th Chinese Communist Party (CPC) Central Committee meeting on 16th October and investors may remain sidelined until then for better clarity of the development plans for China over the next 5 years as well as the new leadership. Domestically, Budget 2023 was brought forward to 7th October, potentially paving the way for GE15 by end-2022. Political uncertainty could be a near term overhang for the market. We remain defensive, investing in both value and growth. Sectors that we continue to favour include interest rate hike beneficiaries (banks), selected recovery/reopening names (consumers with pricing power) and 5G/ technology (easing of supply chain bottlenecks).

Market Review, Outlook & Strategy - Fixed Income Market

UST rates increased in August as inflationary concerns took center stage and eclipsed concerns of an impending recession. The 2-, 5-, 10- and 30-year UST yields increased by 61, 67, 54 and 28 bps respectively m-o-m. Market participants opined that inflation was nearing its peak and has started to come off subsequent to July's CPI readings which came in lower than June. CPI reading in July registered an 8.5% y-o-y increase, a decline from the staggering 9.1% increase recorded a month prior. Investors were receptive of the news and deduced that the lower readings would temper the Fed's aggressiveness. This was reflected in a rally shortly after the announcement with the 10Y note declining to 2.67%. The end of the month closing speech from Fed Chairman at the Jackson Hole Symposium sent a clear message to the investment community that the Fed will remain steadfast in its attempt to bring inflation down to 2% and that current levels are still far from ideal. Market participants took heed from the implication that aggressive tightening will still be in play which sent yields surging with the 2Y note reaching 3.49%, its highest level since October 2007.

On the local front, relatively similar trends were observed in govies yield as it continued to track the trend in the US albeit to a smaller magnitude. The yields on the 5-, 10-, and 15 year tenors increased by 3, 9, and 3 bps respectively. Fundamentally, the economy has displayed concrete signs of growth and recovery which was accompanied by higher inflation readings. GDP in the 2Q came in at a strong 8.9% y-o-y which suggested that a tightening would be warranted to curb price increases given that the economy is now perceived to be on steady footing. As anticipated by most market participants, inflation readings began to creep up with July's CPI increasing by 4.4% y-o-y, higher than June's 3.4%. These factors have contributed to the increase in yield given the relatively ripe macro environment for BNM to implement further rate hikes. The 10Y MGS settled at 3.99% at the end of August against 3.90% a month prior.

In the corporate bonds segment, some prominent new issuances during the month were Lembaga Pembiayaan Perumahan Sektor Awam (RM4.0 billion, GG), Cagamas Berhad (RM1.6 billion, AAA), Danainfra Nasional Berhad (RM1.6 billion, GG) and Prasarana Berhad (RM1.5 billion, GG).

Outlook & Strategy

The UST is likely to be influenced by inflation data coupled with comments from Fed officials who are currently headstrong in their attempt to bring inflation down to 2%, a far cry from current levels. The upcoming FOMC in September will likely result in a rate hike and the only thing up for debate is the magnitude of it which in our view will be a function of upcoming inflation related data. We are also cognizant of recessionary risk and will continue monitoring economic data to gauge if a reversal in aggressive tightening is on the cards.

Domestically, MGS will likely track the movement of its US counterpart. Yields would most likely trend higher on account of the Fed's current aggressive trajectory. The upcoming MPC meeting in September will likely result in a rate hike owing to strong GDP growth and creeping inflation. MGS could rise should the hike amount to more than 25bps, higher than most market participants' expectation. In view of the above, we would stay cautious and gradually take profit on the bonds that are currently rich in valuation.

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

| Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|-----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Benchmark | 7.0% | 7.3% | -2.6% | -1.3% | -0.8% | 6.6% | -1.9% | -1.8% | 2.3% | -1.0% |
| HLAVMF - Gross | 10.3% | 11.4% | -0.7% | 4.3% | 3.4% | 15.4% | -7.6% | 9.0% | 13.1% | 0.4% |
| HLAVMF - Net | 8.3% | 9.3% | -1.9% | 2.7% | 2.0% | 12.9% | -8.3% | 7.0% | 10.8% | -0.9% |

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.

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.