HLA Value Fund (HLVF)

Aug 2017

Fund Features

1. Investment Objective

The objective of the fund is to achieve large capital gains by investing in companies that are well-managed and financially stable which are undervalued or at deep discount to their net tangible asset values.

2. Investment Strategy & Approach

The strategy is to provide investors an access into a diversified portfolio of value stocks listed on Bursa Malaysia and/or in any foreign stock exchanges that offer potential capital appreciation. The fund may feed into collective investment schemes that meet the fund's objective. At inception, the fund will invest by feeding into Hong Leong Penny Stock Fund ('Target Fund') with the option to increase the number of funds or replace the Target Fund in future. The Target Fund will invest with a value investment strategy across equity securities of all market capitalization level of companies operating in Malaysia. Generally, companies that have valuations at a discount to the market and/or its sector peers are selected. Additionally, the Target Fund may also invest in stocks with market capitalization of up to RM1 billion that are not well covered by equity research houses and stockbrokers.

3. Plough Back Mechanism

In the event that the net fund performance is below 5% per annum based on the performance assessment on the last business day of September of each year, an amount equivalent to 0.5% per annum of the fund's Net Asset Value (NAV) will be ploughed back to the fund in four equal weekly payments. The first payment will be due on the first business day of October of each year.

4. Asset Allocation

The indicative asset allocation for Hong Leong Penny Stock Fund ('Target Fund') is to invest a minimum of 70% of its NAV in equities and maximum 30% of its NAV in fixed income securities. Generally, HLA Value Fund may invest up to 95% of its NAV in equities.

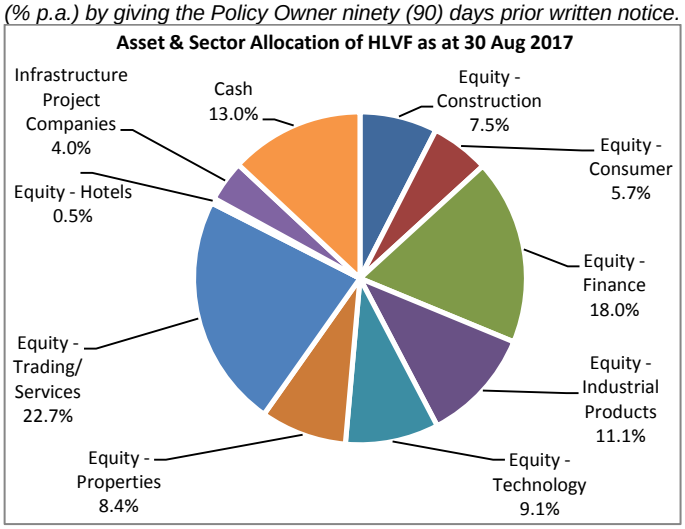
5. Target Market

This fund is suitable for investors who have a higher than average risk tolerance level, medium-term investment horizon, and are able to accept the anticipated higher volatility of the fund.

Fund Details

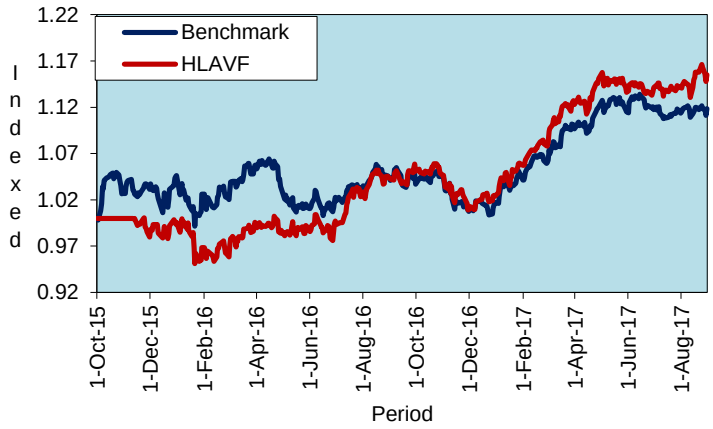
Unit Price (30/8/2017)	: RM 1.1551
Fund Size (30/8/2017)	: RM 47.5mil
Fund Management Fee (effective as at 01/10/2015)	: 1.45% p.a.
Fund Manager	: Hong Leong Assurance Berhad
Fund Category	: Equity
Fund Inception	: 01 October 2015
Benchmark	: FTSE Bursa Malaysia EMAS
Frequency of Unit Valuation	: Daily

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



Top 10 Holdings for HLVF as at 30 Aug 2017		%
1.	PUBLIC BANK BERHAD	6.1
2.	LOTTE CHEMICAL TITAN	4.4
3.	TELEKOM MALAYSIA BERHAD	4.3
4.	GAMUDA BERHAD	4.2
5.	UNISEM (M) BERHAD	4.0
6.	BURSA MALAYSIA BERHAD	4.0
7.	TENAGA NASIONAL BERHAD	3.2
8.	TIME DOTCOM BERHAD	3.0
9.	DIALOG	2.9
10	PRESS METAL	2.7
	Total Top 10	**38.8**

Historical Performance



	1 month	6 months	YTD	Since Inception	1 year
HLVF	1.13%	7.15%	12.80%	15.51%	10.63%
Benchmark	0.46%	5.52%	9.97%	11.86%	7.02%
Relative	0.67%	1.63%	2.83%	3.65%	3.62%

Market Review, Outlook & Strategy

During the month, the FTSE BM KLCI rose 0.8% to close at 1,773 points. The broader market underperformed as the FTSE BM EMAS Index rose 0.5% to close at 12,610 points. Small caps underperformed as the FTSE BM Small Cap Index declined 3.1% to close at 16,747 points.

August saw the official launch of the RM55 billion East Coast Rail Link (ECRL). Malaysia also celebrated its 60th anniversary of Independence Day and wrapped up the 2017 SEA Games at the top of the medal table.

On the corporate front, WCT Holdings Berhad has secured a RM840 million LRT 3 construction contract. The proposed merger between RHB Bank Berhad and AMMB Holdings Berhad has been called off. AirAsia Berhad is seeking a back-door listing of PT Indonesia AirAsia on the Indonesia Stock Exchange.

The Fund will continue to invest in companies that would benefit from superior pricing power and efficient cost management.

HLA Value Fund (HLVF)

Actual Annual Investment Returns for the Past Five (5) Calendar Years

Year	2015	2016
Benchmark	4.6%	-2.8%
HLVF- Gross	-0.1%	4.7%
HLVF - Net	-0.4%	2.8%

Net returns are adjusted for tax and fund management fees.
Those are the actual returns in the past five (5) 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 1 October 2015. The actual investment returns are calculated based on unit price from 1 October 2015 to 31 December 2015.

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. **Concentration Risk**
   This risk is associated with a feeder fund whereby the investments of such fund are not diversified. A feeder fund invests mainly into another collective investment scheme.

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

7. **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 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.

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.

Target Fund Details
Hong Leong Penny Stock Fund is an Equity fund managed by Hong Leong Asset Management. The past performance of this fund is as follows:

Year	2012	2013	2014	2015	2016
Performance	8.1%	19.6%	1.1%	18.8%	3.1%

Source: Hong Leong Asset Management

HLA Value Fund (HLVF)

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 Value 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 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.