

HLA Venture Blue Chip Fund (HLAVBCF)

March 2024

Fund Features

1. Investment Objective

The objective of the fund is to achieve returns comparable to the general stock market by taking average risks, with focus on well-capitalised and financially sound “blue chip” stocks to achieve a balance of capital gains and dividend income.

2. Investment Strategy & Approach

This fund provides participation in the stock market without taking excessive risk by focusing on fundamentally strong “blue chip” stocks listed in Bursa Malaysia and/or in any foreign stock exchanges. This fund is suitable for investors with moderate risk tolerance and expects returns that are comparable to the market as represented by the FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBM KLCI).

3. Asset Allocation

The fund may invest up to 95% of its NAV in equities.

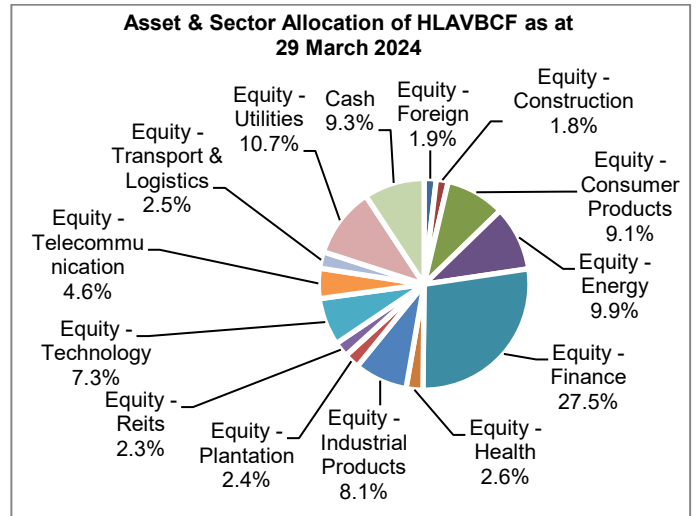
4. Target Market

This fund is suitable for investors with moderate risk tolerance and expects returns that are comparable to the market as represented by the FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBM KLCI).

Fund Details

| | |
|--|---|
| Unit Price (29/3/2024) | : RM2.5431 |
| Fund Size (29/3/2024) | : RM757.16 mil |
| Fund Management Fee (effective as at 01/05/2018) | : 1.43% p.a. (capped at 1.50%) |
| Fund Manager | : Hong Leong Assurance Berhad |
| Fund Category | : Equity |
| Fund Inception | : 19 Jan 2000 |
| Benchmark | : FTSE Bursa Malaysia KLCI Index (FBM KLCI) |
| Frequency of Unit Valuation | : Daily |

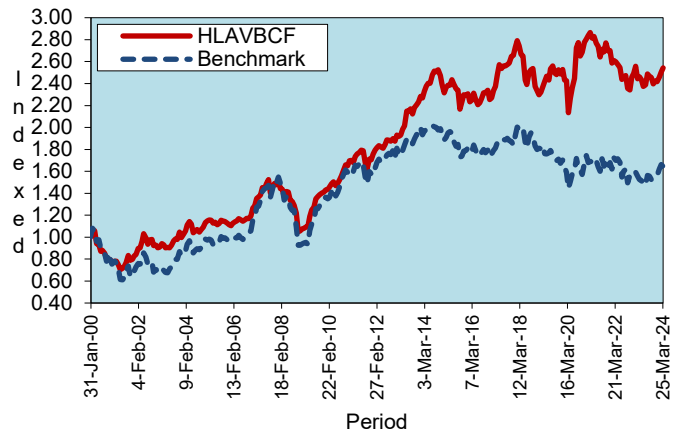
The Company reserves the right to change the cap of Fund Management Fee (% p.a.) by giving the Policy Owner three (3) months prior written notice. The Fund Management Fee will be reviewed monthly and will be revised if the previous month end actual asset allocation deviates by more than ten percent (10%) of the initial asset allocation.



Top 5 Holdings for HLAVBCF as at 29 March 2024

| Rank | Company | % |
|-------------|---------|------|
| 1. | MAYBANK | 8.7 |
| 2. | TENAGA | 7.8 |
| 3. | CIMB | 7.2 |
| 4. | PBBANK | 5.7 |
| 5. | YINSON | 4.7 |
| Total Top 5 | | 34.0 |

Historical Performance



| | YTD | 1 month | 1 year | 3 years | 5 years | 10 years | Since Inception |
|------------|--------|---------|--------|---------|---------|----------|-----------------|
| HLAVBCF | 5.15% | 1.53% | 3.39% | -9.67% | 5.02% | 7.05% | 154.31% |
| Benchmark* | 5.60% | -0.99% | 7.98% | -2.38% | -6.54% | -16.93% | 64.57% |
| Relative | -0.45% | 2.52% | -4.59% | -7.29% | 11.56% | 23.98% | 89.74% |

*Source: Bloomberg

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

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Market Review, Outlook & Strategy

Resilient global economic data helped support global equities markets during the first quarter of 2024. The US economy was confirmed to have grown by more than expected during Q4 2023, while survey data from the composite Purchasing Managers' Index (PMI) remained firmly in expansionary territory, boosting investor sentiment. Macroeconomic data elsewhere around the world also showed encouraging signs, further supporting the prospect of a soft landing. Against this backdrop, global equities posted strong returns, with the MSCI ACWI index up 7.4% during the first quarter. The best performing market of the quarter was once again Japan, with the Topix index going up by 18.1% in the first three months of the year, despite the Bank of Japan beginning the normalisation of its monetary policy in March. The HK/China (MSCI China) market also rebounded by 12.3% from its January low on the back of better economic activity data during the Lunar New Year holiday and some easing measures from the People's Bank of China.

During March 2024, the KLCI incurred its first monthly loss for the year, falling by 1%, following five consecutive months of gains. The decline was fairly modest, considering the reversal in foreign investors' appetite in Malaysia, shifting from a net buy of RM2.0 bn in the first two months of 2024 to a net sell of RM 2.9 bn in March. Foreign investors were profit taking in the banking stocks, with a net sell value of RM1.8 bn in the financial sector. The downward pressure was mitigated by strong buying from local institutional investors, whose net buy rose to RM3.6 bn in March. Best sectoral performance in March were construction and transport, while the consumer, telecom and REIT sectors were the three worst performing sectors during the same period. The top three biggest gainers in KLCI were CIMB, Maybank and QL Resources.

During the month, Malaysia witnessed several notable events, including decisions by Bank Negara Malaysia and the Federal Reserve to keep their interest rates unchanged. Additionally, Malaysia has decided to raise the airport passenger service charges and signed new operating agreements with Malaysia Airports. The government also revealed that it will be reviewing the minimum wage policy this year and has delayed the implementation of the High Value Goods Tax originally slated for 1 May 2024.

The cabinet also approved the Penang LRT project and expanded the scope of logistics and maintenance services that will be given service tax exemptions to ease cost of living pressures. Lastly, the government and Bank Negara revealed plans to intensify engagement with corporates, including exporters, importers, government-linked investment companies and government-linked companies to Repatriate foreign proceeds back to the nation to shore up the value of the Ringgit.

Globally, investors will continue to watch the latest developments in the Hamas Israeli conflict, the Russia-Ukraine conflict, global inflation trends, US 10-year bond yields, global growth projections, and worldwide interest rate trajectories to determine the next direction for equity markets. In Malaysia, the market will closely watch the release of the 1Q24 advance GDP estimate on 19 April. Further attention will be directed towards the government's plans to rationalize subsidies following the deadline of Padu on 31 March and details of the EPF Account 3 expected in April. Also in focus will be the capital gains tax and the rise in service tax which came into effect on 1 March 2024. While sentiment remains positive overall, our strategy remains defensively tilted towards dividend-yielding names. Sectors that we favour include financials (banks), transport, tourism, construction, and commodities (Metals/Oil & Gas).

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

| Year | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|----------------------|-------|-------|-------|-------|-------|--------|-------|-------|-------|-------|
| Benchmark | 10.5% | -5.7% | -3.9% | -3.0% | 9.5% | -5.9% | -6.0% | 2.4% | -3.7% | -4.6% |
| HLAVBF- Gross | 21.4% | 3.2% | 1.1% | -0.1% | 23.6% | -15.7% | 12.5% | 13.4% | -2.5% | -6.8% |
| HLAVBF - Net | 18.3% | 1.5% | -0.4% | -1.6% | 20.3% | -15.9% | 10.1% | 10.9% | -3.7% | -7.6% |

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.

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

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. Derivatives are used to hedge against currency risk. The Fund aims to hedge up to 100% of foreign currency exposure using derivatives.

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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 through foreign currency forward where appropriate

Additional risk disclosure on hedging of foreign currency

| Currency | Hedging exposure (mil) | Investment exposure (mil) |
|----------|------------------------|---------------------------|
| HKD | 62.6 | 1.9 |
| SGD | 0.7 | 0.6 |

- a) Positions in derivative instruments are only for hedging in order to manage foreign currency risk, and should not be used for speculative purposes.
- b) Fund Managers have the flexibility to hedge against its respective currency through the use of FX forwards to cover the market value of the underlying asset. In the event if the ringgit strengthens against the foreign currency, the losses from the movement would be offset by the hedging instrument and vice versa.
- c) The fund is required to hedge at least 50% of the **total** cost of the portfolio.

Scenario analysis of the derivatives

Fund Manager X invests in a Foreign Asset A with a market value of USD 250,000 using MYR 1,000,000 based on the exchange rate of USD/MYR of 4.00 (One US dollar is equivalent to MYR 4.00). At the same time, Fund Manager X hedged its exposure of USD 250,000 at USD/MYR at 4.00.

Scenario A

Assuming:

- a) MYR weakens to USD/MYR 4.50 (One US Dollar is equivalent to MYR 4.50)
- b) Foreign Asset A market value is unchanged at USD250,000.

Fund manager would have made a gain of MYR 125,000 from currency weakness alone (USD250,000 x 4.50 = MYR1,125,000 – initial outlay of MYR1,000,000). However, due to the hedging contract entered earlier at USD/MYR 4.00, there will be no gain on the currency movement.

Scenario B

Assuming:

- a) MYR strengthens to USD/MYR 3.50 (One US Dollar is equivalent to MYR 3.50)
- b) Foreign Asset A market value is unchanged at USD250,000.

Fund manager would have made a loss of MYR 125,000 from currency weakness alone (USD250,000 x 3.50 = MYR875,000 – initial outlay of MYR1,000,000). However, due to the hedging contract entered earlier at USD/MYR 4.00, there will be no loss on the currency movement.

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 Venture Blue Chip 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.

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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.