

## HLA Global ESG Fund (HLAGEF)

May 2024

### 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

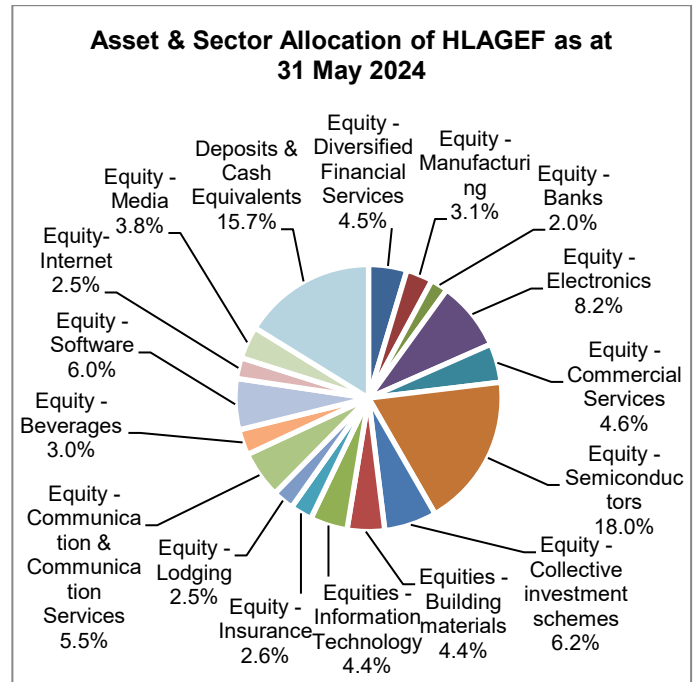
This fund is suitable for investors looking who have a medium-to-long term investment horizon and are willing to assume a higher risk in their investments with exposure to foreign investments.

### Fund Details

Unit Price (31/5/2024)	: RM 1.0212
Fund Size (31/5/2024)	: RM 6.606 mil
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 three (3) months prior written notice.

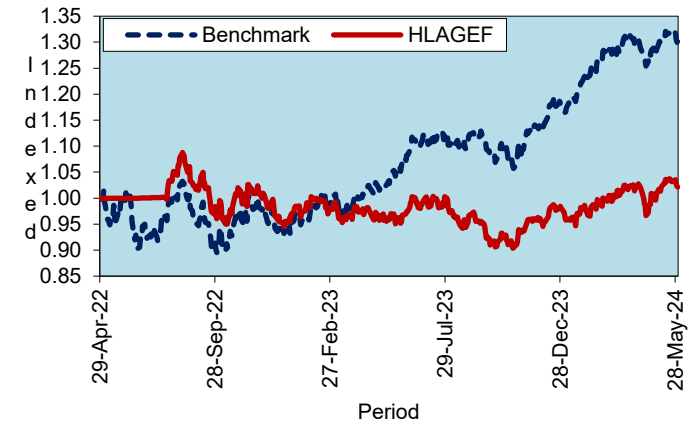
Asset Allocation for HLAGEF as at 31 May 2024	%
Hong Leong Global ESG fund	99.91
Cash	0.09
<b>Total</b>	<b>100.0</b>



### Top 5 Holdings for HLAGEF as at 31 May 2024

Rank	Company Name	%
1.	Broadcom Incorporated	6.8
2.	Microsoft Corporation	6.0
3.	ASML Holdings	5.8
4.	TSMC	5.6
5.	Alphabet Incorporated	5.5
<b>Total Top 5</b>		<b>29.7</b>

### Historical Performance



	YTD	1 month	1 year	3 years	5 years	Since Inception
HLAGEF	4.14%	2.07%	2.86%	-	-	2.12%
Benchmark*	11.17%	2.62%	23.85%	-	-	30.87%
Relative	-7.03%	-0.55%	-21.00%	-	-	-28.75%

\*Source: Bloomberg, Lipper

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

## HLA Global ESG Fund (HLAGEF)

### Market Review, Outlook & Strategy

The United States (US) economy remains solid, although data released in May indicates signs of moderation, with capital spending and home sales trending sideways. The flash Purchasing Managers' Index (PMI) data provided a bright spot, with the manufacturing component rising to 50.9 and services to 54.8. After a decline in April, US equities rebounded with a 5.0% monthly return in May, supported by better-than-expected first-quarter earnings results across multiple sectors.

However, disinflationary trends in the US are stalling, particularly with persistent price pressures in the services sector. The latest inflation release showed only a modest slowing in both headline and core categories, reducing year-over-year (YoY) rates to 3.4% and 3.6%, respectively. The minutes from the May Federal Open Market Committee (FOMC) meeting underscored concerns about the lack of progress on disinflation, diminishing hopes for an imminent rate cut. Nevertheless, Chairman Powell's pushback against further rate hikes helped US Treasuries (UST) rally, with 2-Year and 10-Year yields falling by 17 and 19 basis points (bps), respectively.

In the eurozone, the European Central Bank (ECB) is more optimistic about the economy's disinflationary trajectory, as wage growth moderates despite recovering activity. Headline and core inflation in May accelerated to 2.6% and 2.9% YoY, respectively. Despite this upside surprise, the ECB's governing council remains confident about rate cuts in June, although the subsequent path is less certain. European PMI data released in May confirmed improving economic activity, with services sectors as the main pillar of strength and signs of recovery in manufacturing. First-quarter Gross Domestic Product (GDP) growth was confirmed at 0.3% quarter-over-quarter (QoQ), with corporate profits surprising to the upside. This economic reacceleration, coupled with relatively low valuations, is attracting international investors. In May, European equities (excluding the United Kingdom (UK)) returned 3.6%, while UK equities returned 2.4%.

UK headline inflation fell significantly in April to 2.3% YoY, but services inflation remains high at 5.9%, making a June rate cut from the Bank of England unlikely. Conversely, the Bank of Japan faces a contrasting situation. While rate hikes appear necessary to support a weak currency, excessive tightening risks reversing the return of reflation. Currency weakness typically benefits the export-heavy equity market. However, the extremely low levels of the Japanese Yen are starting to weigh on consumer sentiment, resulting in Japanese stocks being one of the weakest regional performers in May, with a return of 1.2%.

Across Asian economies, there are encouraging signs of improvement, though with some caveats. Chinese data generally surprises to the upside, coinciding with a rebound in the equity market. However, the recovery details are less convincing as continued weakness in domestic demand necessitates strong export growth. Challenges in the real estate sector remain unresolved, casting doubts on the sustainability of the Chinese rally.

Overall, economic data released in May alleviated concerns of overheating in the US economy and indicated signs of rebalancing in economic momentum. Corporate fundamentals remain strong, and while the next move for interest rates in the West is likely to be lower, the timing may vary across regions. We remain focused on identifying stocks which are resilient against any economic downturns and with strong earnings visibility through our fundamental and ESG analysis.

### **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.