

HLA Venture Managed Fund (HLAVMF)

May 2024

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.

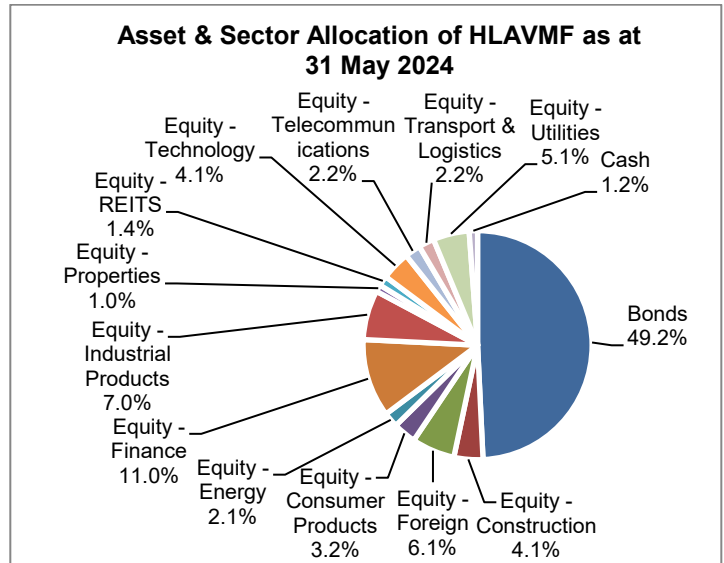
4. Target Market

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

Fund Details

Unit Price (31/05/2024)	:RM2.5628
Fund Size (31/05/2024)	:RM367.9 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 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.

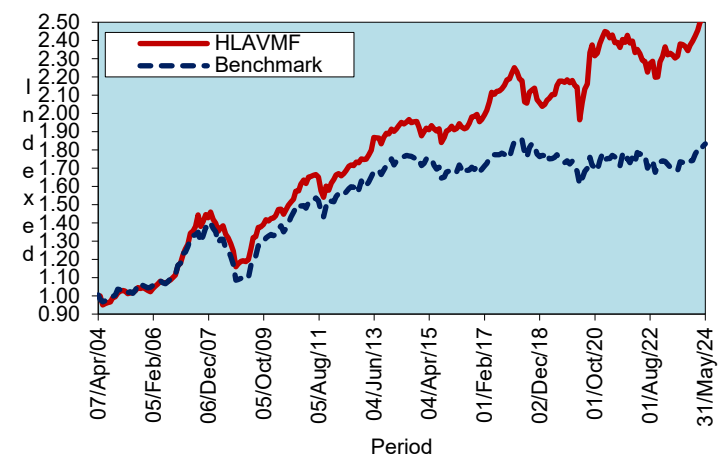


FI : Fixed Income
EQ : Equities

Top 5 Holdings for HLAVMF as at 31 May 2024

Rank	Asset	Asset Class	Percentage
1.	MSIAN GOVERNMENT SECURITIES	FI	9.6
2.	TNB POWER GENERATION SND BHD 0	FI	9.2
3.	IMTIAZ SUKUK II BERHAD 1	FI	7.0
4.	MSIAN GOVERNMENT SECURITIES 3	FI	4.8
5.	MAYBANK	EQ	4.0
Total Top 5			34.7

Historical Performance



	YTD	1 month	1 year	3 years	5 years	10 years	Since Inception
HLAVMF	6.90%	1.72%	11.23%	7.34%	21.80%	31.96%	156.28%
Benchmark*	5.23%	0.76%	8.52%	4.12%	4.21%	3.94%	82.44%
Relative	1.67%	0.96%	2.71%	3.23%	17.59%	28.02%	73.84%

*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

May was a month of 1Q24 corporate earnings release in the U.S., where 78% of S&P 500 companies reported positive EPS surprises and the S&P 500 universe registered a 6% blended earnings growth yoy. However, all eyes were on Nvidia's result release that once again beat consensus earnings and drove AI-related names higher. Macro wise, US 1Q24 GDP growth print came in at 1.3% whilst April's core CPE inflation indicator remained relatively stable at 2.8% which kept expectations the same for a single rate cut in 2024. Against this backdrop, the S&P 500 and MSCI ACWI index inched higher 4.8% mom and 3.8% mom respectively during the month as good corporate earnings delivery supported the re-rating of share prices. In HK/China, the Hang Seng Index was up 1.8% mom but to a lesser extent as the noise on convertible bond issuances capped market upside with investors weighing the pros and cons of such issuances that offers low coupon rates but equity dilution after a few years upon conversion.

Domestically, the KLCI regained its momentum upwards in May, increasing by 1.3% mom as the market was well supported by the return of foreign investors who net bought RM2.3 bil worth of shares. For the month, we saw investor moving down the value chain towards small caps where FBM Small Caps Index was the best performer rising 4.07% mom. In terms of sectors, the technology sector did well on the back of strong numbers delivered by Nvidia and TSMC amid the AI boom. Apart from that, much of the news surrounded data centers that saw more money flowing into the construction and property sectors. The laggard for the month was the plantation sector as most of the companies delivered weaker than expected earnings. The top three biggest gainers in KLCI were Mr DIY, YTL Corp and Tenaga.

Trading activities wise, it continued to hold up pretty well in May with average daily trading value coming in at RM3.95b as compared to RM2.90b a month ago. Malaysia witnessed several notable events, including the announcement of Special Economic Zones in Johor (i.e. Iskandar, Pengerang), data center investments by Microsoft (USD2.2b) and Google (RM4.9b), as well as the announcement of a RM25b National Semiconductor Strategy. We also witnessed quite a lot of mergers and acquisitions announcements with some of the key ones being MAHB privatization, YTL-Ranhill and GHL Systems. Other than that, BNM held the OPR stable at 3.0% which was in line with expectations. In May, the other Malaysian benchmarks, namely, FBM100, FBM Shariah and FBM Small Cap also gained 2.3% mom, 2.5% mom and 2.4% mom respectively.

Globally, investors will continue to watch the latest developments in global geopolitical risks, global inflation trends and global growth projections to determine the next direction for equity markets. In Malaysia, the market will closely watch for construction project awards, 11th Malaysia-Singapore Leader's Retreat (Sep 24) and Budget 2025 (Oct 24). Policy wise, market participants will closely monitor the fleet card pilot program for diesel subsidies and government's decision on mechanisms to stabilize sugar supply and pricing expected in 2Q24. 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).

Fixed Income Market Review

US Treasuries ("UST") rallied after a slew of weaker data released in May. Nonfarm payrolls rose by 175k, lower than the market consensus of 240k and previous print of 303k. Unemployment rate rose to 3.9% against Bloomberg consensus of 3.8%. GDP was revised lower from 1.6% to 1.3%, while core PCE prices printed at 3.60% vs 3.70% consensus for the quarter. At month-end, the 2-, 5-, 10- and 30-year UST closed at 4.87% (-16bps), 4.51% (-21bps), 4.50% (-18bps), and 4.65% (-14bps), respectively.

Locally, Malaysia Government Securities ("MGS") yield curve bull-flattened, benefiting from global developments, further boosted by the announcement of diesel subsidy rationalization which expected to enhance Malaysia's fiscal outlook. This led to foreign buying interest in accumulating MGS, which caused the MYR/USD to strengthen slightly to 4.7080 (end-May) from 4.7725 (end-April). On the monetary policy front, BNM paused in the May MPC meeting as widely expected. At close, the 3-, 5-, 10-, and 30-year MGS settled at 3.58% (-3bps), 3.69% (-9bps), 3.89 (-8bps), and 4.21% (-8bps), respectively.

In the corporate bonds segment, some prominent new issuances during the month were Affin Bank Berhad (RM500 million, AA3), AmBank Islamic Berhad (RM800 million, AA2), Petroleum Sarawak Exploration & Production Sdn Berhad (RM1.5 billion, AAA), PONS Capital Berhad (RM500 million, AA2), and RHB Islamic Bank Berhad (RM500 million, AA2).

Outlook & Strategy

In the US, despite recovering consumer confidence, inflation concerns remain. In the recent FOMC meeting, various participants expressed a willingness to tighten policy rate further should risks to inflation heighten.

On the domestic front, with the policy stance still accommodative and consistent with the broadly unchanged outlook, there were no hints of imminent rate hikes. The risk of an OPR hike will be more profound should the RON95 price increase materializes. Any upside surprises in 2Q24 GDP and especially consumer spending could result in more hawkish language at the MPC meeting. On the supply-demand dynamics, we expect supply contraction owing to RM75 billion of Govvies maturities from June to October 2024. This should lend some support to the local bond market given the scarcity of corporate bonds supply. However, in the absence of any strong catalyst, we remain neutral in our investment strategy.

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

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Benchmark	7.3%	-2.6%	-1.3%	-0.8%	6.6%	-1.9%	-1.8%	2.3%	-1.0%	-1.2%	0.12%
HLAVMF - Gross	11.4%	-0.7%	4.3%	3.4%	15.4%	-7.6%	9.0%	13.1%	0.4%	-2.6%	5.4%
HLAVMF - Net	9.3%	-1.9%	2.7%	2.0%	12.9%	-8.3%	7.0%	10.8%	-0.9%	-3.6%	3.7%

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.

HLA Venture Managed Fund (HLAVMF)

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.

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	41.2	35.6
SGD	0.3	0.3

- 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.

HLA Venture Managed Fund (HLAVMF)

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.