

# HLA Venture Managed Fund (HLAVMF)

July 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.

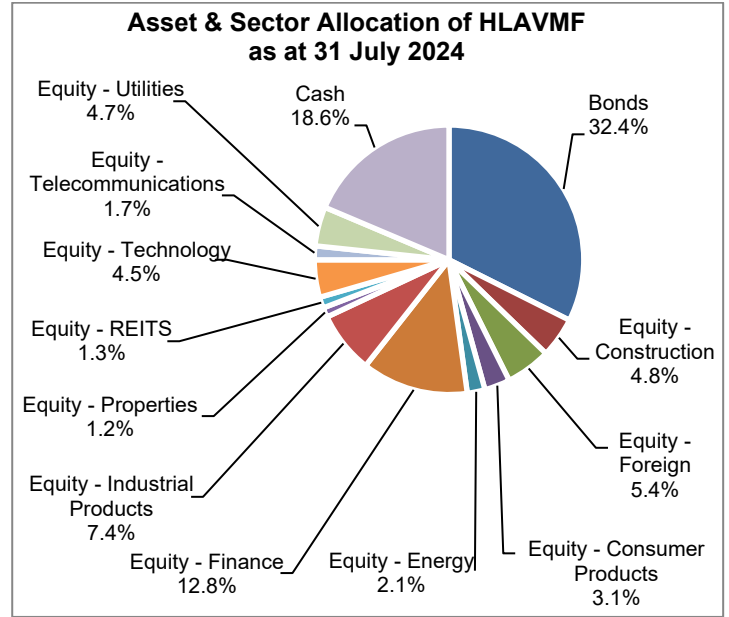
### 4. Target Market

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

## Fund Details

Unit Price (31/07/2024)	: RM2.6584
Fund Size (31/07/2024)	: RM380.2 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.

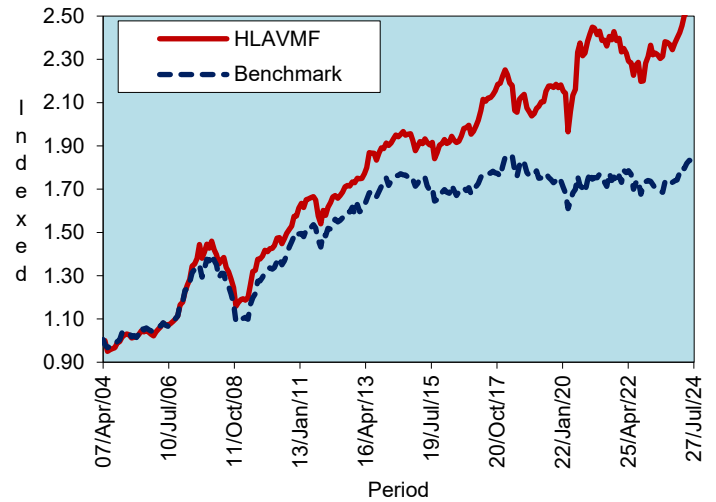


FI : Fixed Income  
EQ : Equities

## Top 5 Holdings for HLAVMF as at 31 July 2024

Rank	Company Name	Asset Class	Percentage
1.	TNB POWER GENERATION SND BHD 0	FI	9.0
2.	IMTIAZ SUKUK II BERHAD 1	FI	6.8
3.	CIMB	EQ	4.0
4.	MAYBANK	EQ	4.0
5.	TENAGA	EQ	3.7
<b>Total Top 5</b>			<b>27.4</b>

## Historical Performance



	YTD	1 month	1 year	3 years	5 years	10 years	Since Inception
HLAVMF	10.89%	2.29%	11.63%	12.58%	22.13%	35.18%	165.84%
Benchmark*	6.40%	1.22%	6.87%	8.21%	5.65%	4.94%	84.46%
Relative	4.48%	1.08%	4.76%	4.37%	16.48%	30.23%	81.38%

\*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

July was not a great month for markets especially for developed markets. A confluence of negative factors, namely, Bank of Japan's rate hike, the U.S. Fed's unchanged position on interest rates, intensifying tensions between Israel-Hamas and the ongoing uncertainty on US Elections, affected market sentiment negatively. In addition, weak economic data coming out of the US changed the rhetoric from a soft-landing to one that is recessionary. With that, the market was concerned that the Fed could be too late in its rate cuts and may derail growth prospects for the US and global markets as a whole. As a result, we saw flows into value and gold whilst commodities underperformed. For the month, the S&P 500 managed to eke out a positive return of 1.1% mom whilst Nasdaq was down 1.6% mom. Back in Asia, HK/China was one of the worst performing markets for the month down 2.1% mom as the Third Plenum lacked any sizeable stimulus that the market was hoping for and its 2Q24 GDP missed expectations, coming in at 4.7%.

Domestically, the KLCI together with most ASEAN markets, registered a positive month in July, increasing 2.2% mom as Malaysia saw net foreign inflows to the tune of RM1.3bil on the prospects of an impending Fed rate cut in September. For the month, the best performance was FBM100 Index, which rose 2.6% mom. In terms of sectors, the construction sector continued to be the best performer year-to-date amid the data center awards and news flow. The laggard for the month was the healthcare sector following worries on the oversupply situation within the glove sector that could last longer than initially expected. The top three biggest gainers in KLCI month-to-date were Sunway, CIMB and MrDIY.

Trading activities wise, July saw its average daily trading value coming off to RM3.5b from RM4.0b a month ago, although Ringgit strengthened to RM4.59/USD at the end of the month. The lower trading value was probably due to local institutional investor taking a more cautious view being the biggest net sellers for the month. Malaysia also saw relatively muted news flow with notable events being BNM maintaining OPR at 3%, data centre news flow and Third-Party Access announcement on its launching in Sept. In July, the other Malaysian benchmarks, namely, FBM Emas, FBM Shariah and FBM Small Cap saw gains of 2.5% mom, 1.7% mom and 0.6% mom respectively.

Globally, investors will continue to watch the latest developments on potential Israel-Hamas escalation, US elections, 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 the next 11th Malaysia-Singapore Leader's Retreat (Sep 24) and Budget 2025 (Oct 24). Policy wise, market participants will closely monitor the petrol subsidy reforms. Going forward, we aim to employ a barbell strategy tilted towards yielders/value. Sectors that we favour include financials (banks), utilities, REITs, commodities and technology.

### Fixed Income Market Review

US Treasuries ("UST") yields slumped 26-50bps with significant buying interest on front-ends, driven by growing rate cut expectations while US data supported a soft-landing outlook. US headline CPI fell 0.1% MoM in Jun (consensus: +0.1%; May: +0.0%) and core inflation cooled as well (Jun: +0.1% MoM; May: +0.2%); driven by a broad-based cooling in prices including energy, shelter, and transportation. However, the rally was somehow moderated by US election dynamics that contributed to core rate weakness, following the US Supreme court ruling granted Trump immunity from criminal prosecution during "official acts". On monetary policy stance, the Fed kept the Fed Fund Target Rate ("FFTR") steady at 5.25-5.50% in the Jul FOMC as widely expected. The FOMC statement shifted Fed's focus to a dual mandate instead of just on inflation while Powell's subsequent commentary was viewed dovish, putting a September rate cut on the table, if inflation cools in line with expectations and the labour market remains stable. At month end, the 2-, 5-, 10- and 30-year UST closed at 4.26% (-50bps), 3.91% (-46bps), 4.03% (-37bps), and 4.30% (-26bps), respectively.

Malaysian Government Securities ("MGS") experienced a slower-tempo bull-steepening with yields falling 8-16bps across the curve when compared to the UST. Trading activities were concentrated on the short end to the belly part of the curve, partly influenced by MYR IRS levels. On monetary policy, BNM maintained the Overnight Policy Rate ("OPR") at 3.00% as widely expected. The reaffirmation of Malaysia's sovereign credit ratings and positive economic outlook by global credit rating agencies contributed to the increase of foreign participations in MYR bonds. Additionally, GLC and GLICs' assets repatriation, diesel subsidy rationalisation and RON95 in the future have resulted a steady MYR. Foreign shareholdings of MYR sovereign debts have increased in the recent months and this trend may continue with the falling of UST yields. Real money accounts and traders have been loading up inventory on bonds during this period with risk sentiments generally positive. At month end, the 3-, 5-, 10- and 30-year MGS settled at 3.36% (-16bps), 3.53% (-12bps), 3.72% (-15bps), and 4.14% (-8bps), respectively.

In the corporate bonds segment, some prominent new issuances during the month were Cagamas Berhad (RM450 million, AAA), Danainfra National Berhad (RM2.5 billion, GG), SunREIT Bond Berhad (RM400 million, AA2), Bank Islam Malaysia Berhad (RM1 billion, AA3), Malayan Cement Berhad (RM1 billion, AA3), and Public Bank Berhad (RM1.5 billion, AA1).

### Outlook & Strategy

US Treasury yields appear to trend downwards amid growing expectations for Fed policy rate cuts in September, further bolstered by Fed Chair Powell's dovishness and generally soft economic data. In general, market expectations consolidated over a Fed rate cut by 3Q24, with swaps now fully pricing in a 25bps rate cut by September as well as three 25bps rate cuts by Jan next year. Core PCE showed that inflation rose at a tame pace in June as consumer spending remained healthy, while CPI data has been slowing for three consecutive months, an encouraging sign for the Fed.

With the macro backdrop improving and global yields easing, the local bond yields are expected to trade lower with trading activities picking-up in tandem with growing expectations for a Fed cut in September. In the absence of fresh catalyst locally, with MGS closely tracking the UST movement, the risks for the upcoming FOMC meetings could tilt towards a bond yield reversal should Fed suggest otherwise. Therefore, we are cautiously optimistic about the local bond market.

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

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Benchmark</b>	-2.6%	-1.3%	-0.8%	6.6%	-1.9%	-1.8%	2.3%	-1.0%	-1.2%	0.1%
<b>HLAVMF - Gross</b>	-0.7%	4.3%	3.4%	15.4%	-7.6%	9.0%	13.1%	0.4%	-2.6%	5.4%
<b>HLAVMF - Net</b>	-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.

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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. 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	36.0
SGD	0.3	0.26

- 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 ( $USD250,000 \times 4.50 = MYR1,125,000$  – 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 ( $USD250,000 \times 3.50 = MYR875,000$  – 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.

## HLA Venture Managed Fund (HLAVMF)

### 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 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.