

Hong Leong Smart Growth Fund (HLSGF)

July 2020

Fund Features

1. Investment Objective

The primary objective of the fund is to provide investors with steady long-term capital growth at moderate risk.

2. Investment Strategy & Approach

The strategy is to provide investors an access into a diversified portfolio of growth stocks listed on Bursa Malaysia and/or in any foreign stock exchanges that offer potential capital appreciation at moderate risk. The fund may feed into collective investment schemes that meet the fund's objective. At inception, HLSGF will invest by feeding into Kenanga Growth Fund ("Target Fund") with the option to increase the number of funds or replace the Target Fund in future. The Target Fund's assets are actively invested in a diversified portfolio of Malaysian equity and equity-related securities of companies with sustainable business model that is trading at a discount to its intrinsic value.

3. Asset Allocation

Under normal market conditions, the Target Fund's equity exposure is expected to range from 75% to 95% of the Target Fund's NAV with the balance in money market instruments, fixed deposits and/or cash.

4. Target Market

This fund is suitable for investors who have long term investment time horizon and have a moderate risk profile with tolerance for short-term periods of volatility.

Fund Details

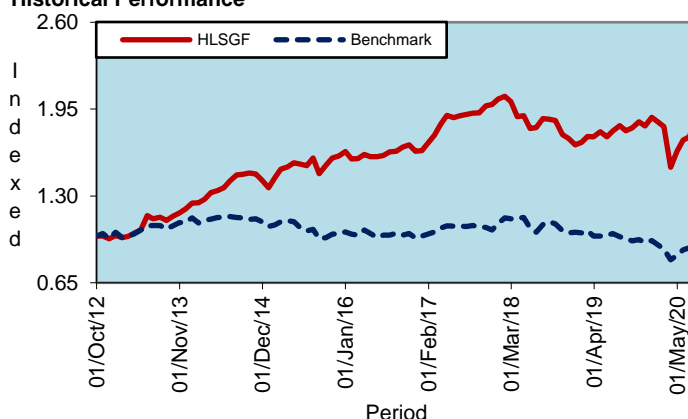
Unit Price (30/7/2020)	: RM1.9802
Fund Size (30/7/2020)	: RM225.1mil
Fund Management Fee	: 1.50% p.a.
Fund Manager	: Hong Leong Assurance Berhad
Fund Category	: Equity
Fund Inception	: 01 Oct 2012
Benchmark	: FTSE Bursa Malaysia KLCI Index (FBM KLCI)
Frequency of Unit Valuation	: Daily

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 ninety (90) days prior written notice.

Top 5 Holdings for HLSGF as at 30 July 2020

	%
1. FRONTKEN CORP BHD	7.8
2. TOP GLOVE CORPORATION BHD	7.7
3. KOSSAN RUBBER INDUSTRIES BHD	6.1
4. GREATECH TECHNOLOGY BHD	6.0
5. TENAGA NASIONAL BHD	5.7
Total Top 5	33.2

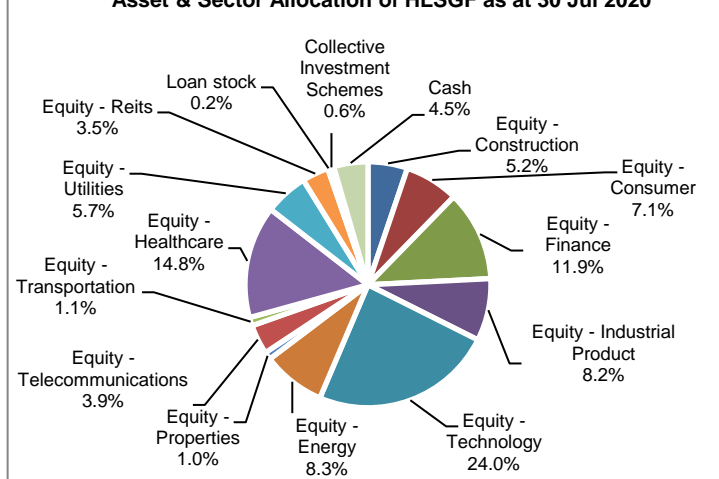
Historical Performance



	YTD	1 month	1 Year	3 Years	5 Years	Since Inception
HLSGF	4.83%	13.56%	8.43%	3.62%	25.09%	98.02%
Benchmark*	0.94%	6.85%	-1.90%	-8.88%	-6.93%	-2.41%
Relative	3.88%	6.72%	10.33%	12.50%	32.02%	100.43%

Source: Bloomberg

Asset & Sector Allocation of HLSGF as at 30 Jul 2020



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Market Review, Outlook & Strategy relevant to Target Fund

Global equity markets continued to move higher in July despite continued increase in daily new COVID-19 cases globally. S&P 500 registered gains of 5.5% in July and entered positive territory for the year despite a pick-up in COVID-19 cases post economic re-opening. The dollar closed the month weaker with the Dollar index (DXY) down by 4.2% due to various factors such as lower growth outlook, low interest rates in the US and a rise in quantitative easing by the Federal Reserve. Over in the EU, governments reached a breakthrough agreement over new fiscal stimulus which will release an unprecedented EUR750 billion with funds to be distributed among countries and sectors most impacted by the pandemic.

In the month of July, MSCI AC Asia ex-Japan rose 8.0% led by China (+12.8%), Taiwan (+9.0%) and India (+7.7%). Equities caught strong footing and rallied amidst upbeat technology earnings releases, better than expected economic data, declining dollar and progress on vaccine development. However, China markets took sharp turn in mid-July despite better-than-expected China 2Q GDP (3.2% versus 2.4%) which triggered concerns over policy tightening. The market remained range bound for rest of the month as US-China tension re-escalated with US closing down Chinese consulate in Houston followed by China shutting the US consulate in Chengdu. Risk off sentiment was also sparked by COVID-19 resurgence with Hong Kong battling its third wave.

All ASEAN markets except Malaysia and Indonesia underperformed. MSCI ASEAN rose 1.3% led by Malaysia with FBM KLCI (+6.8%) and Indonesia (+5.0%) while the other regional indices registered negative returns for July - Philippines (-4.5%), Singapore (-2.3%) and Thailand (-0.8%). Oil prices continued to move higher, albeit at a slower pace with Brent and WTI up by 4.7% and 2.5% respectively. Gold gained 10.9%, the highest monthly gain since August 2011 and reach an all-time high of USD1,900 on 29th July, closing the month at USD1,985 amidst increasing market uncertainty on the COVID-19 situation, weakening dollar and souring US-China tensions. Base metal prices surged on stronger than expected demand rebound in China activity data confirming a V-shaped recovery. CPO prices saw a strong surge of +16.5% in July on expectations of limited supply despite headwinds on demand disruption.

Locally, BNM cut the OPR by another 25 bps to the lowest-ever level of 1.75%. Another loan moratorium for targeted assistance was announced by the Prime Minister where banks will extend the loan moratorium to targeted vulnerable groups when the current loan moratorium expires on 30 September. The political scene locally also continues to evolve and remains fluid. The month ended with the dissolution of the Sabah state assembly paving the way for fresh elections for the state. With the local COVID-19 cases hitting a double digit mark post easing of the Movement Control Order (MCO), the Malaysian government could impose further restrictions should the situation worsen.

Despite signs of improving economic data, equities are expected to remain volatile as the market grapples with rising COVID-19 infections globally, which could force governments to re-impose limits on activities. Further escalation of US-China geopolitical tensions ahead of the US presidential elections will also continue to weigh on sentiment. Nevertheless, asset prices could remain buoyed as policymakers remain supportive with aggressive fiscal support and liquidity programs. The local market will shift its focus to the upcoming 2Q20 results which is expected to commence August onwards.

We continue to remain selective and prefer sectors that see more resilient growth. As such, we maintain an overweight in tech and exporters due to decent earnings growth while looking to add cyclical and commodity stocks on weakness to position for a rebound. We maintain a trading bias to take advantage of market volatility in the near term.

Actual Annual Investment Returns for the Past Eight (8) Calendar Years

Year	2012	2013	2014	2015	2016	2017	2018	2019
Benchmark	2.8%	10.5%	-5.7%	-3.9%	-3.0%	9.5%	-5.9%	-6.0%
HLSGF- Gross	3.3%	27.8%	11.8%	23.1%	2.3%	27.1%	-16.8%	15.0%
HLSGF - Net	1.6%	24.1%	9.3%	19.8%	0.6%	23.5%	-17.0%	12.3%

Net returns are adjusted for tax and fund management fees.

Those are the actual returns in the past eight (8) 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 2012. The actual investment returns are calculated based on unit price from 1 October 2012 to 31 December 2012.

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.

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

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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.

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

Kenanga Growth Fund is an Equity fund managed by Kenanga Investors Berhad. The past performance of this fund is as follows:

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Performance	32.7%	19.1%	14.1%	26.4%	9.3%	20.9%	-0.1%	25.8%	-18.1%	13.5%

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

Hong Leong Smart Growth 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.