

Hong Leong Smart Growth Fund (HLSGF)

Apr 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

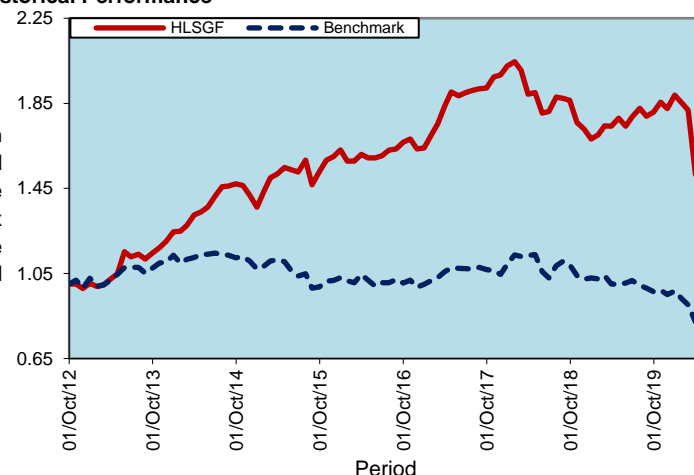
Unit Price (30/4/2020)	: RM1.6350
Fund Size (30/4/2020)	: RM188.6mil
Fund Management Fee	: 1.50% p.a.
Fund Manager	: Hong Leong Assurance Berhad
Fund Category	: Equity
Fund Inception	: 01 Oct 2012
Benchmark	: FTSE Bursa Malaysia KLCI Index (FBM KLCI)
Frequency of Unit Valuation	: Daily

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 Apr 2020

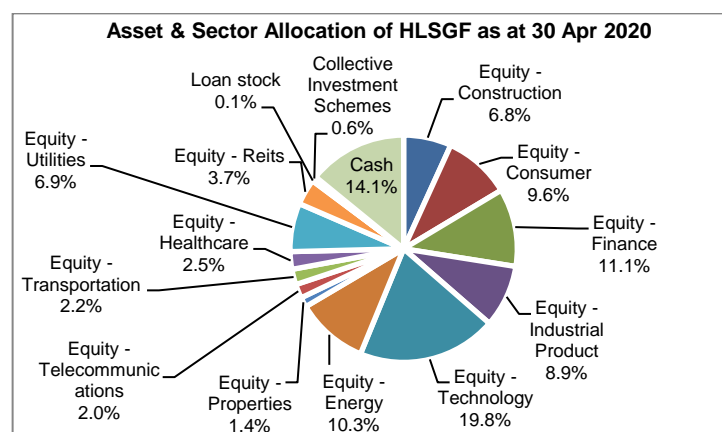
	%
1. TENAGA NASIONAL BHD	6.8
2. FRONTKEN CORP BHD	4.9
3. PENTAMASTER CORP BHD	4.4
4. DIALOG GROUP BHD	4.2
5. YINSON HOLDINGS BHD	3.9
Total Top 5	24.3

Historical Performance



	YTD	1 month	1 Year	3 Years	5 Years	Since inception
HLSGF	-13.45%	7.90%	-8.13%	-14.07%	5.63%	63.50%
Benchmark*	-11.39%	4.21%	-14.28%	-20.38%	-22.58%	-14.33%
Relative	-2.05%	3.69%	6.15%	6.30%	28.21%	77.83%

Source: Bloomberg



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Market Review, Outlook & Strategy relevant to Target Fund

After a panic sell-off in March, equity markets rebounded in April following aggressive easing by global central banks and massive fiscal stimulus unleashed by governments. Moderation of new infection cases for Covid-19 and potential for lockdown easing in some European countries also added to the positive sentiment.

On top of its unlimited QE, the Federal Reserve also announced new and expanded credit facilities of USD2.3 trillion to support small and medium-sized business, state and local governments which also include investment into BB-/Ba3 grade papers and some high yield corporate bond ETFs. At the end April FOMC meeting, the Fed emphasized sizeable downside economic risks and signaled a willingness to provide substantial support as necessary. Similarly, the Bank of Japan also announced further easing measures, increasing purchase limit of commercial paper and corporate bonds while removing the ¥80 trillion annual quota for JGB purchases, i.e. unlimited bond buying.

Oil price had been on a downward spiral since outbreak of Covid-19 as travel demand come to a halt. After more than a month's stalemate between Saudi and Russia over production issues, OPEC+ group finally agreed to reduce oil output by: (i) 9.7million bpd for May-June 2020, ii) 7.7million bpd for July-December 2020, and (iii) 5.8 million bpd for January 21-April 22 with a compromise with Mexico. OPEC+ group also wanted non-OPEC countries to cut 5 million bpd. Despite the agreed production cuts, oil price continued to chart a roller-coaster path due to poor demand and rebalancing by ETF investors. The US WTI spot month futures dipped below zero for the first time to hit -\$37.63/barrel prior to settlement on April 21 due to concern on storage capacity and technicalities with futures contract settlement. Oil price gradually stabilised towards end April.

The IMF projected 2020/2021 global economy growth at -3%/+5.8% respectively and expects the recession to be more severe than global financial crisis. IMF said risk to outlook is still on the downside. Poor economy outlook for global economy and weak economy data however did not deter rising markets in April as investors focused on the positive news of peaking new cases and potential lockdown easing in selected countries.

During the month of April, The KLCI Index rose 4.2% month-on-month, underperforming FBM Syariah Index and FBM Small Cap Index which increased 7.8% and 20.2% respectively. Ringgit appreciated 0.4% against US dollar in April to 4.3. In the commodities space, Brent oil price recovered 11% month-on-month to US\$25.3/barrel while CPO price dropped 13.1% to RM2,088/tonne on weaker demand.

Locally, Bank Negara released its economy outlook and projected 2020 GDP growth at a range of +0.5% to -2.0%. The Prihatin stimulus measures are estimated to add 2.8 percentage points to GDP growth. Meanwhile continuation of infrastructure projects such as MRT2, LRT3 and Pan Borneo Highway is expected to lift GDP growth by another 1 percentage point. Other key assumptions are oil price at US\$25-35/barrel and CPO price at RM2,000-2,200/tonne. There is however downside risk to Bank Negara's growth forecast as it only assumed 1 month MCO period which has now been extended to 12 May. The government later decided to allow more sectors to open up by 4 May subjected to strict safety procedures.

Another positive news for the local market was FTSE Russell's decision to retain Malaysia in watchlist until the next review in September 2020. FTSE Russell acknowledged initiatives taken by Bank Negara to improve secondary liquidity of Malaysian Government Securities and provide better access for foreign investors.

Meanwhile, Securities Commission and Bursa Malaysia have extended the temporary suspension of short selling from 30 April to 30 June. Foreigners were net seller of domestic equities for the fourth consecutive month since beginning of 2020. Net selling of RM2.7 billion in April brought year-to-date net selling to RM10.3 billion. Foreign net selling was RM11 billion in 2019.

April was a month of relief rebound for equity markets following unprecedented panic selling in March. Global markets are expected to remain volatile in the near term. Investors will have a better gauge on the depth of recession and damage to corporate earnings after the release of economy data and corporate results for first quarter. There is also renewed worries on US-China trade tensions as Trump mounted attacks on China's handling of Covid-19 pandemic.

With economic data still worsening and downside risk to corporate earnings, we continue to stay defensive but will buy on weakness. We prefer defensive sector such as utilities, consumer staples and healthcare while maintaining an overweight in technology as earnings growth remains strong. In the near term we will adopt a trading strategy to benefit from the market volatility.

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.

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.

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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.

7. Concentration Risk

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

- 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.
- 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.
- The maximum value of any asset of any fund shall not exceed the following price:
 - The last transacted market price at which those assets could be purchased or sold on the business day before the valuation date; or
 - 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.
- 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.