

Hong Leong Smart Growth Fund (HLSGF)

Mar 2021

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

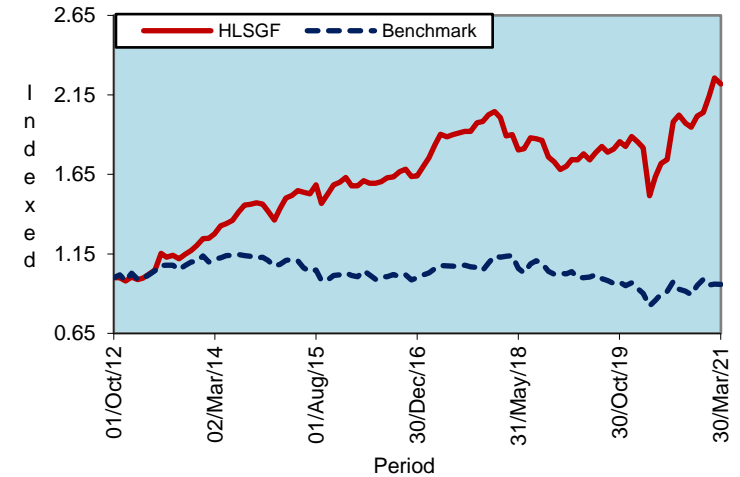
Unit Price (31/3/2021)	: RM2.2181
Fund Size (31/3/2021)	: RM235.5 mil
Fund Management Fee	: 1.50% p.a.
Fund Manager	: Hong Leong Assurance Berhad
Fund Category	: Equity
Fund Inception	: 01 Oct 2012
Benchmark	: FTSE Bursa Malaysia KLCI Index (FBM KLCI)
Frequency of Unit Valuation	: Daily

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 31 Mar 2021

	%
1. FRONTKEN CORP BHD	10.5
2. GREATECH TECHNOLOGY BHD	9.1
3. PENTAMASTER CORP BHD	4.1
4. REVENUE GROUP BHD	4.1
5. HONG LEONG FINANCIAL GROUP BHD	3.8
Total Top 5	31.6

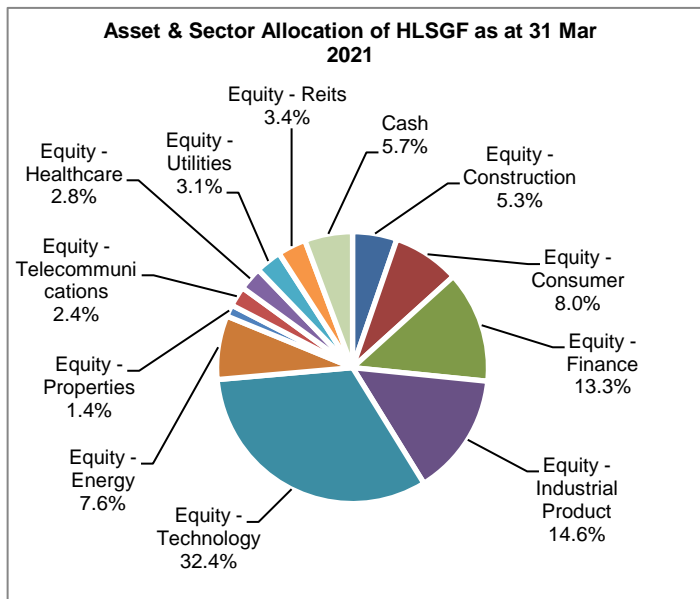
Historical Performance



	YTD	1 month	1 Year	3 Years	5 Years	Since Inception
HLSGF	8.75%	-1.69%	46.38%	17.21%	37.79%	121.81%
Benchmark*	-3.30%	-0.27%	16.48%	-15.56%	-8.39%	-4.25%
Relative	12.05%	-1.42%	29.90%	32.77%	46.18%	126.06%

*Source: Bloomberg

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



Hong Leong Smart Growth Fund (HLSGF)

Market Review, Outlook & Strategy relevant to Target Fund

Despite volatility mid-March due to the rise in 10-year treasury yield crossing 1.75% and Fed allowing long term inflation targets above 2%, equity markets were supported by two key themes: greater than expected stimulus and vaccine progress. The stimulus end-2020 of US\$90 billion and Covid Budget package signed early March of US\$1.9 trillion equated to nearly 14% of US GDP. US Fed's accommodative fiscal policy left its benchmark rate unchanged in the range of 0% to 0.25% mid-March, with Fed likely to hold rates near zero through 2023. Additionally, the Biden's Infrastructure bill of US\$2 trillion supports job creation and new sectors in clean energy and EV to be billed by increasing corporate tax rate to 28% from 21%. Worldwide vaccination administered were more than 590 million doses with more than 150 million doses in the USA as per Bloomberg estimates.

The Dow (+6.6%) and S&P 500 (+4.2%) closed out their best month since November, with each benchmark reaching new highs in the final week. However, the Nasdaq 100 lagged with a modest gain of 0.5% as growth stocks were pressured by the sharp rise in rates. Elsewhere, MSCI Asia ex-Japan dropped 2.7% in March, while MSCI ASEAN was flat at -0.3%. Markets that suffered the most were Shanghai (-5.4%), Philippines (-5.2%), Jakarta (-4.1%), and Hong Kong (-2.1%). Leading markets in the region were Singapore (+7.3%), Thailand (+6.0%), Taiwan (+3.0%), Korea (+1.6%), and India (+0.8%). Commodity prices of crude oil and CPO were down 3.9% and 3.5% respectively over the month, amid inflationary pressures and retracing from overbought territory.

Locally, FBM KLCI ended the month marginally lower -0.3% from the extension of Conditional Movement Control Order (CMCO) and slower vaccination roll out. Sectors with positive returns were property, construction, transportation, industrials and telecommunications; while technology, healthcare and plantation sectors posted negative returns. FBMKLCI closed Q1 negative 3.3% at 1,574 pts but the FBM Small Cap gained 7.6% as at end-March led by reopening sectors that are expected to benefit from the projected rebound in the economy.

Foreign investors were about neutral in March 2021 with a marginal net sell of RM1 million (February: RM0.9 billion) after 19 sequential months of foreign exit (since August 2019). Domestic institutions were net sellers in March 2021 at RM1.6 billion (February: RM2.0 billion). In Q1, foreign investors net sold a total of RM1.7 billion, domestic institutions sold RM3.6 billion while retailers bought RM5.4 billion. Domestic retailers have been net buyers for the 21st consecutive month, since July 2019.

Improving macro-economic fundamentals, ample liquidity, and bullish sentiment all point to strong equity market performance in the near term where cyclical sectors and recovery stocks are likely to outperform. We continue to adopt a barbell strategy in our sector positioning and maintain overweight in the technology sector to ride on secular growth trends. Concurrently, we are overweight in cyclical sectors such as industrials, financials, energy, and materials to take advantage of the recovery.

Actual Annual Investment Returns for the Past Nine (9) Calendar Years

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020
Benchmark	2.8%	10.5%	-5.7%	-3.9%	-3.0%	9.5%	-5.9%	-6.0%	2.4%
HLSGF- Gross	3.3%	27.8%	11.8%	23.1%	2.3%	27.1%	-16.8%	15.0%	10.3%
HLSGF - Net	1.6%	24.1%	9.3%	19.8%	0.6%	23.5%	-17.0%	12.3%	8.0%

Net returns are adjusted for tax and fund management fees.

Those are the actual returns in the past nine (9) 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.

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.
- 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 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:

Hong Leong Smart Growth Fund (HLSGF)

- 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.

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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Performance	19.1%	14.1%	26.4%	9.3%	20.9%	-0.1%	25.8%	-18.1%	13.5%	8.9%

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.