

Hong Leong Smart Growth Fund (HLSGF)

Jun 2017

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.

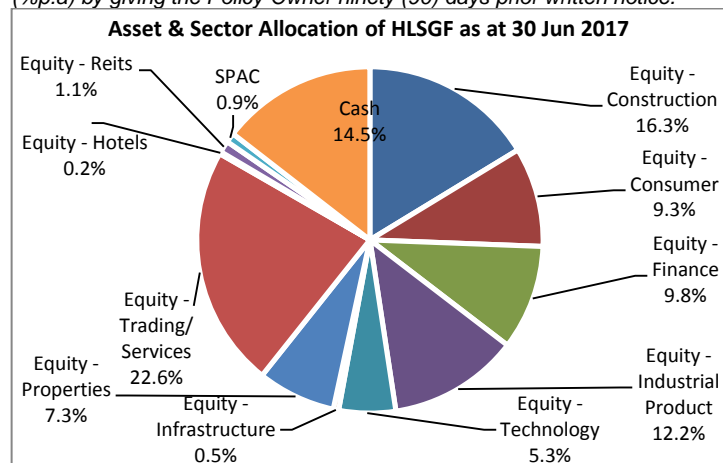
4. Target Market

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 (30/6/2017)	: RM1.9001
Fund Size (30/6/2017)	: RM237.9mil
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

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 10 Holdings for HLSGF as at 30 Jun 2017

	%
1. Tenaga Nasional	3.0
2. Sime Darby Berhad	2.9
3. LBS Bina Group	2.5
4. Yinson Holdings	2.4
5. CIMB Group	2.3
6. Press Metal	2.1
7. Kerjaya Prospek	1.8
8. Salutica	1.8
9. Gabungan AQRS	1.7
10. Globetronics	1.7
Total Top 10	22.2

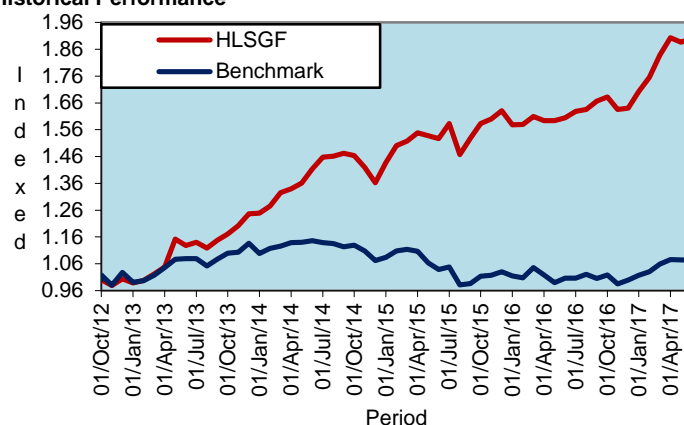
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Historical Performance



	1 month	1 Year	3 Years	YTD	Since Inception
HLSGF	0.75%	18.46%	34.43%	15.84%	90.01%
Benchmark	-0.12%	6.63%	-6.32%	7.43%	7.32%
Relative	0.88%	11.83%	40.76%	8.41%	82.69%

Market Review, Outlook & Strategy relevant to Target Fund

Asian markets continued to perform well in June with key indices reaching all-time high. As a widely expected move, US Fed raised interest rates for the second time in 2017 by 25bps after upgrading GDP growth forecast to 2.2% and unemployment rate to 4.3% for 2017. Sector wise, Technology suffered a minor sell-down in June as investors rotate into financial and energy stocks for value.

In China, June PMI was 51.7, higher than expectation and May numbers. Another two symbolic milestones in June including MSCI unveiled plans to include A-shares into its benchmark Emerging Market Index beginning 2018, as well as the long awaited Bond Connect that opens up China's capital account to international investors. It shows the central government's support for Hong Kong market.

Malaysian stocks started the month well but gave back some gains before the Hari Raya break. On YTD, FBMKLCI and FBM100 gained 7.4% and 9.4% respectively in MYR terms. June net foreign inflows of RM300m brought 1H17 net inflows to RM10.6b. In its bi-annual Global Economic Prospects, World Bank upgraded Malaysia's GDP growth forecast for 2017-2019 to 4.9%, 4.9% and 5% respectively.

Market Outlook & Fund Strategy

Political risk has abated substantially with French election now behind us. On the upcoming German election in September, polls are suggesting that Frau Merkel is likely to gain power with a decent majority. This would mean another meaningful step forward for Eurozone reform. Also, Draghi hinted that ECB might look to slow its pace of monthly asset purchases to EUR40b from the start of 2018 while Japan and China are expected to see modest slowdown in 2H. Hence we continue to advocate a defensive portfolio strategy focusing on growth stocks with positive earnings revision as well as quality high yielders. We also look to progressively trim stocks that have rallied without commensurate earnings and fundamental improvement.

On the domestic front, we continue to explore selective themes including infrastructure related, cyclical earnings recovery, reform & restructuring, exporters and tech laggards.

Hong Leong Smart Growth Fund (HLSGF)

Actual Annual Investment Returns for the Past Five (5) Calendar Years

Year	2012	2013	2014	2015	2016
Benchmark	2.8%	10.5%	-5.7%	-3.9%	-3.0%
HLSGF- Gross	3.3%	27.8%	11.8%	23.1%	2.3%
HLSGF - Net	1.6%	24.1%	9.3%	19.8%	0.6%

Net returns are adjusted for tax and fund management fees.

Those are the actual returns in the past five (5) 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 detailed explanation of the risk 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 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	2012	2013	2014	2015	2016
Performance	14.1%	26.4%	9.3%	20.9%	-0.1%

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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.