

Hong Leong SMART Growth Fund (HLSGF)

April 2022

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, such as warrants and convertible loan stocks which are capable of being converted into new shares. The Target Fund may invest up to 25% of the Fund's NAV in foreign markets, which may include but not limited to Singapore, Indonesia, Thailand, Philippines, Vietnam, India, Hong Kong, China, Japan, Korea, Taiwan, Australia, United States of America and any other Eligible Markets where the regulatory authority is an ordinary or associate member of the International Organization of Securities Commissions. The Target Fund does not have an active asset allocation strategy but seeks to manage portfolios by investing in companies that satisfy the criteria of having a sustainable and credible business model, and are also trading at a discount to their intrinsic value. However, under conditions of extreme market volatility and/or when the market is trading at valuations deemed unsustainable, the Fund will seek to judiciously scale back its equity exposure.

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

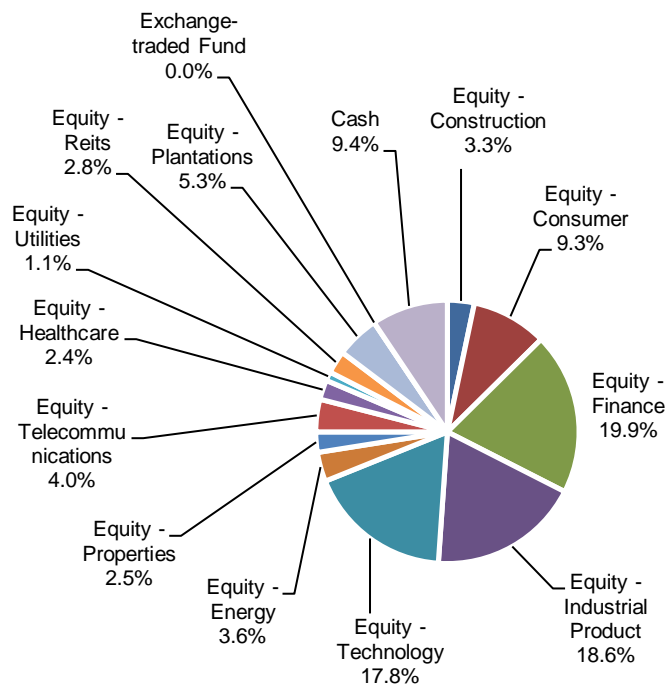
This fund is suitable for investors who have long term investment time horizon and have a moderate risk profile with tolerance for short-term periods of volatility.

Fund Details

Unit Price (29/4/2022)	: RM2.1447
Fund Size (29/4/2022)	: RM203.4 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.

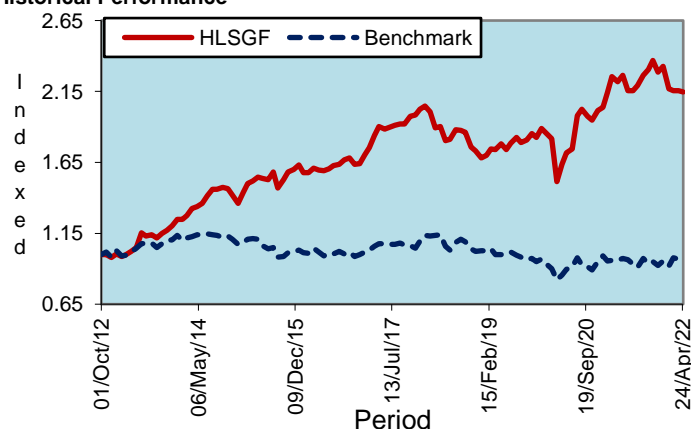
Asset & Sector Allocation of HLSGF as at 29 April 2022



Top 5 Holdings for HLSGF as at 29 Apr 2022

	%
1. FRONTKEN CORPORATION BERHAD	6.8
2. PETRONAS CHEMICALS GROUP BHD	4.2
3. RHB BANK BHD	3.7
4. HONG LEONG FINANCIAL GROUP BHD	3.6
5. SUNWAY BERHAD	3.5
Total Top 5	21.8

Historical Performance



	YTD	1 month	1 Year	3 Years	5 Years	Since Inception
HLSGF	-7.78%	-0.42%	-5.19%	20.51%	12.71%	114.47%
Benchmark*	2.10%	0.82%	-0.08%	-2.55%	-9.48%	-2.61%
Relative	-9.88%	-1.24%	-5.11%	23.06%	22.19%	117.08%

Source: Bloomberg

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

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Market Review, Outlook & Strategy relevant to Target Fund

Stocks retraced in April to brace for the biggest Federal Reserve hike since 2000 with 50bps hikes anticipated for the few months, bringing the level towards the Fed's expected neutral rate of 2.5-3.0%. US Inflation surged to 8.5% YoY in March from supply constraints and high commodity prices, pushing 10 year Treasury yield to 2.9%. The S&P 500 and Nasdaq was down -8.7% and -13.3%, while Dow dropped -4.9%. US GDP declined an annualized 1.4% in Q1, after growing 6.9% in the prior period. A ballooning trade deficit was partially responsible for the disappointment and consumer spending was not as robust as anticipated. Labor market however is still strong, as jobless claims dipped to 180,000 from 185,000 in the week ended 23 April.

Europe STOXX 50 closed 2.6% lower in April as concerns surrounding energy supply from Russia deepens, compounding the already high inflationary pressures in Europe. Annual UK inflation hit a 30 year high of 7% in March as food and energy prices continued to sour. Bank of England (BOE) imposed its third hike in a row at its March meeting taking the bank rate to 0.75%, and the market expects a 25bps increase to 1% at the MPC in May. While rates in the Eurozone have been negative following the region's sovereign debt crisis, the ECB concluded its Pandemic Emergency Purchase Programme (PEPP) in March.

Meanwhile, China's Q1 GDP came in better than expected at 4.8% YoY vs 4.2% consensus, but lowered sequentially to 1.3% in 1Q22 from 1.5% in 4Q21. Overall, supply is stronger than demand, industry is stronger than services, and external demand exceeds domestic demand. However, economic data in April is set to decline as Covid lockdown was instated from March 28. Consequently, the unemployment rate at 31 major cities surged to a record high of 6.0% in April, surpassing the peak of 5.9% in May 2020. China's official manufacturing PMI fell to 49.5 in March from 50.2 in February due to anti-pandemic measures, while the services PMI declined to 48.4 from 51.6 in the same months. The People's Bank of China (PBoC) announced a 100bps cut to the reserve rate requirement ratio for foreign currency deposits to 8% from 9% with effect from 15 May, to release more foreign currency liquidity into the onshore market and ease pressure on CNY depreciation but kept the one-year policy loans rate unchanged at 2.85%. At China's Politburo meeting, Chinese top leaders promised to boost economic stimulus to spur growth, and stabilize the equity markets.

Asian equities performance were mixed for the month. The MSCI Asia ex-Japan fell 5.2% dragged by Taiwan (TAIEX -6.2%), Shanghai (SHCOMP -6.3%) and Hang Seng (HSI -4.1%), whilst the outperformers were Indonesia (JCI +2.2%) and Malaysia (KLIC +0.8%).

During the month, commodities sustained their strong outperformance with Brent crude oil ended the month at US\$109.3/bbl, up 1.3% MoM at the back of supply disruptions stemming from Russia's ongoing invasion of Ukraine and the ban on Russian oil and natural gas. CPO prices closed the month at RM7,104/mt, surging 24.5% MoM on Indonesia ban of palm oil exports and disrupted supply of sunoil from Ukraine.

With US entering late cycle dynamics and decelerating growth, rising inflation and policy tightening would weigh on economic expansion. Key focus remains on the path of central bank monetary policy, easing of geopolitical tensions, China lockdown, as well as corporate earnings.

ASEAN continues to benefit from reopening trade, with strong potential for post-lockdown cyclical rebound on the back of surging commodity prices and consumer spending. Meanwhile, China's policy shift back to infrastructure investment to spur economic growth, maintaining stability of capital markets, could lend support to economic recovery.

Overall we adopt a defensive strategy, focusing on companies where fundamentals remain solid. We are overweight ASEAN markets vs. North Asia. Sector wise, we prefer consumer discretionary, financials, industrials and commodities. For structural growth themes such as tech, we are buyers on market weakness.

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

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.

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Benchmark	2.8%	10.5%	-5.7%	-3.9%	-3.0%	9.5%	-5.9%	-6.0%	2.4%	-3.7%
HLSGF - Gross	3.3%	27.8%	11.8%	23.1%	2.3%	27.1%	-16.8%	15.0%	10.3%	17.1%
HLSGF - Net	1.6%	24.1%	9.3%	19.8%	0.6%	23.5%	-17.0%	12.3%	8.0%	14.0%

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.

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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.

8. Warrant and Convertible Loan Stock Risk

The price of the warrant and convertible loan stock are typically linked to the underlying stock. However, it generally fluctuates more than the underlying stocks due to the greater volatility of the warrants market. The fluctuation may have a great impact on the value of the funds. Generally, as the warrants have a limited life, they will depreciate in value as they approach their maturity date, assuming that all other factors remain unchanged. Warrants that are not exercised at maturity become worthless and negatively affect the NAV of the Fund. Convertible loan stocks must be converted to the underlying stock at a predetermined conversion ratio and conversion rate, and in the event the total costs of converting into underlying stock is higher than the market price of that the underlying stock, it will negatively affect the NAV of the Fund.

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:

- having a flexible tactical asset allocation
- investing in a wide range of companies across different sectors
- setting prudent investment limits on various exposures
- taking into account the liquidity factor in selecting securities
- engaging in the hedging of foreign currency exposure where appropriate

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	2017	2018	2019	2020	2021
Performance	14.1%	26.4%	9.3%	20.9%	-0.1%	25.8%	-18.1%	13.5%	8.9%	14.4%

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.