

Hong Leong SMART Growth Fund (HLSGF)

July 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.

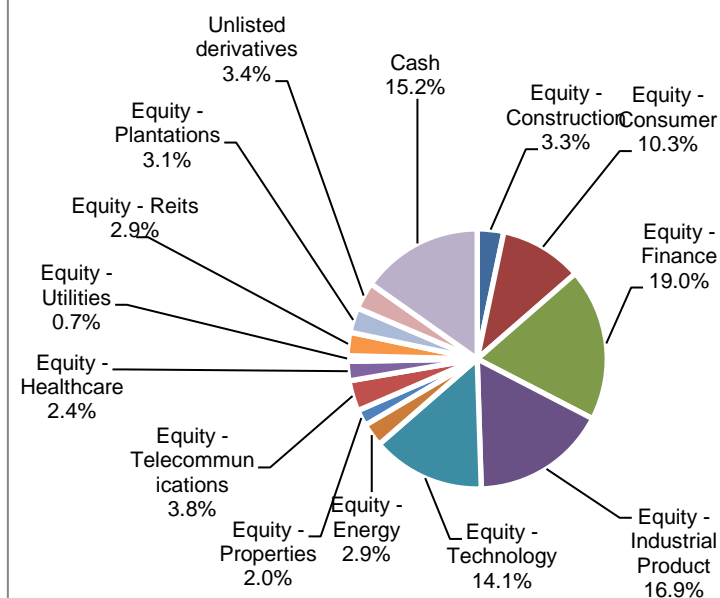
Fund Details

Unit Price (29/7/2022)	: RM2.0420
Fund Size (29/7/2022)	: RM191.4 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 Allocation for HLSGF as at 29 July 2022	%
Kenanga Growth Fund	99.97
Cash	0.03
Total	100.0

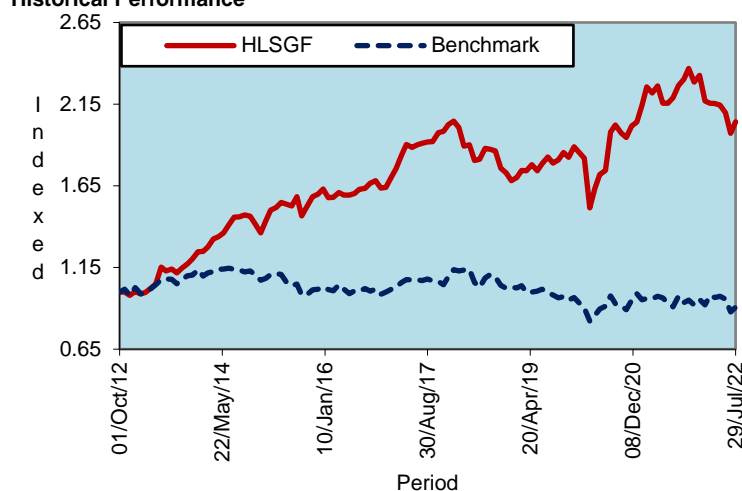
Asset & Sector Allocation of HLSGF as at 29 July 2022



Top 5 Holdings for HLSGF as at 29 July 2022

	%
1. FRONTKEN CORPORATION BERHAD	7.2
2. RHB BANK BHD	3.8
3. HONG LEONG FINANCIAL GROUP BHD	3.8
4. SUNWAY BERHAD	3.4
5. PETRONAS CHEMICALS GROUP	3.1
Total Top 5	21.3

Historical Performance



	YTD	1 month	1 Year	3 Years	5 Years	Since Inception
HLSGF	-12.19%	3.59%	-6.73%	11.81%	6.86%	104.20%
Benchmark*	-4.80%	3.32%	-0.16%	-8.72%	-15.22%	-9.19%
Relative	-7.39%	0.26%	-6.57%	20.54%	22.07%	113.39%

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

US equities rallied in the month of July and rebounded from the steepest 1H drop in 52 years. The S&P 500 rose 9.1% month-on-month (MoM), its best monthly performance since November 2020. Meanwhile, the Nasdaq posted its best monthly return since April 2020, with a 12.4% gain in July while the Dow Jones was up 6.7% MoM. The July rally was fuelled by better than expected earnings from some of the biggest US companies and investor's expectations that the U.S. Federal Reserve (Fed) could be looking to slow its pace of interest rate hikes as the economy begins to cool.

US inflation accelerated to 9.1% in June 2022, the highest since 1981 and above consensus of 8.8%. The high inflation was mainly driven by higher food and gas prices. Food prices increased 1% MoM from May and 10.4% year-to-date (YoY), while the cost of gasoline increased 11.2% from May and energy prices rose 60% over the past 12 months. As widely expected, the Fed announced a second consecutive 75bps interest rate increase in July to combat runaway inflation. This brings the Fed funds rate to 2.25–2.50%. The Fed anticipates that ongoing rate hikes will be appropriate with its continued focus on reining in inflation. The Fed Chairman, Jerome Powell did not rule out another 'unusually high' rate hike but signalled it will be data dependent, giving less forward guidance. Powell also acknowledged signs that the US economy is slowing but does not think the US is in a recession, citing the unemployment rate which is still near a half-century low with solid wage growth and job gains. He also said that there will be a point where the Fed will start to slow hikes to assess their impact. Consensus expects another 50bps-75bps hike in September and 25bps hike each in November and December. US 2Q 2022 GDP fell at annual rate of 0.9% quarter-on-quarter (QoQ), after a 1.6% contraction in the first quarter and was below market estimate for a gain of 0.4%. Business activities in the US fell in July, the first time in two years. The S&P Global Manufacturing PMI fell to 52.3, the slowest since July 2020 while preliminary PMI for the services sector declined to 47.0, the lowest since May 2020.

Moving to Europe, the Euro STOXX 50 closed 7.3% higher in July boosted by data showing that the eurozone economy expanded at a higher-than-expected rate of 0.7% in the second quarter. Eurozone inflation hit record high of 8.9% in July from 8.6% in June, mainly due to the soaring core and food prices. The European Central Bank (ECB) announced an unexpectedly large rate rise, its first in 11 years. The ECB raised its benchmark deposit rate by 50bps to 0%, above its own guidance for a 25bps point move. The ECB indicated that future policy rate path will continue to be data-dependent, and will help to deliver on its 2% inflation target over the medium term. It also announced a new Transmission Protection Instrument (TPI) to help ensure smooth transmission of monetary policy. The TPI enables the ECB to purchase specific securities to counter "unwarranted market dynamics".

Meanwhile in China, equities fell in July following signs of a renewed crackdown on the tech sector, escalation of the property sector woes, rebound in COVID-19 cases and lack of major stimulus from the Politburo meeting.

Asian markets were up for the month except for Shanghai and Hong Kong. The MSCI Asia ex-Japan Index fell by -1.7%, underperforming MSCI ASEAN Index which gained by 2.8%. In local currency, outperformers were India (+8.6%), Japan (+5.3%) and Korea (+5.1%). Underperformers were Hong Kong (-7.8%), China (-4.3%) and Thailand (+0.5%). ASEAN equities rose in tandem with global peers on expectation that the Fed may slow down the pace of interest rate hikes. MSCI ASEAN was up 2.8% in July with all ASEAN markets posting positive returns. In local currency; outperformers were Singapore (+3.5), Malaysia (+3.3%) and Philippines (+2.6%).

Locally, the KLCI Index rose by 3.3% in July to 1,492 points driven by better sentiment across global markets. As expected, Bank Negara raised the Overnight Policy Rate (OPR) by 25bp to 2.25% at the July Monetary Policy Committee (MPC) meeting. Consensus expect another 25-50bps rate hike this year and 25-50bps rate hike in 2023 for the OPR to reach 3.0% by end 2023. The International Monetary Fund (IMF) cut its economic growth forecast for Malaysia to 5.1% from 5.6% previously as it warned of an increased risk of a global recession. The Parliament had passed the proposed anti-party-hopping law, with more than two-thirds majority. The anti-hopping law, which is expected to come into effect in September, will likely be enforced before the next general election, and will likely lead to better political stability in the country. Meanwhile, Indonesia lifted its restrictions on the entry of its workforce into Malaysia from 01 August and agreed to integrate the existing Malaysian and Indonesian recruitment system.

In July, foreign investors reverted to a net buy position of RM175 million, after a brief net outflow of RM1,282 million in June. This bring the cumulative foreign net inflow to RM6.3 billion YTD. All sectors except Energy (-3.2%) ended the month in the green, with best performers from Technology (+6.2%), Telecom (+4.2%) and Finance (+4.1%).

Onto commodities, Brent declined for a second consecutive month, down 4.2% MoM to close at USD110.0/barrel on worries that recession could affect demand. Meanwhile, Crude Palm Oil (CPO) prices closed at RM4,289/month, dropping 12.6% MoM following Indonesia's decision to temporary cut its export levy to zero.

We expect volatile equity markets in the near term on the back of geopolitical tensions, high inflation, tighter monetary conditions across the globe and concerns on global economy slowdown/recession. The path of inflation and corresponding FED policy will be key for global markets. While easing supply chain disruptions and lower commodity prices should help ease inflation, the tight labor market and sticky levels of shelter inflation could mean a higher base of inflation for longer.

Meanwhile, Malaysia continues to benefit from economic reopening, with a post-lockdown cyclical rebound ongoing on the back of higher private consumption. Malaysia enjoys one of the lowest inflation rates in the region, due to various government subsidies which cap fuel price and electricity tariffs. However, Malaysia still remains geared to global growth and economic conditions given its high dependence on exports. Investors will be closely watching the second quarter results season on how labor shortage and inflationary pressures will affect corporate earnings.

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.

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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.
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:

- 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	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%

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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.