

Hong Leong SMART Growth Fund (HLSGF)

November 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

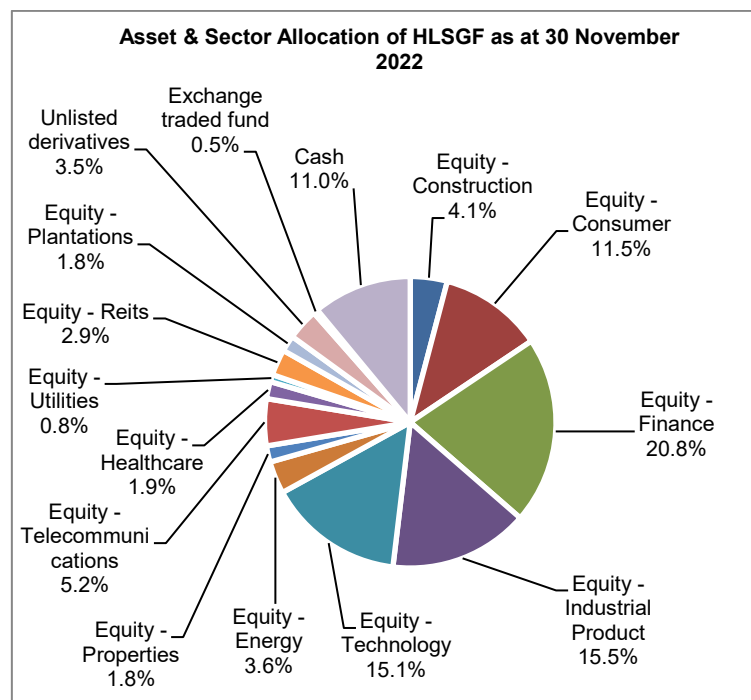
This fund is suitable for investors who have long term investment time horizon and have a moderate risk profile with tolerance for short-term periods of volatility.

Fund Details

Unit Price (30/11/2022)	: RM2.0505
Fund Size (30/11/2022)	: RM188.0 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.

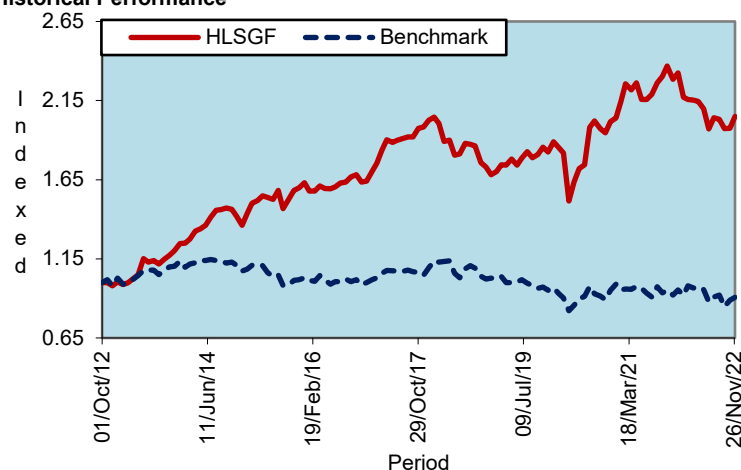
Asset Allocation for HLSGF as at 30 Nov 2022	%
Kenanga Growth Fund	99.97
Cash	0.03
Total	100.0



Top 5 Holdings for HLSGF as at 30 Nov 2022

	%
1. Frontken Corporation Berhad	6.9
2. Hong Leong Financial Group Berhad	3.5
3. Sunway Berhad	3.4
4. RHB Bank Berhad	3.2
5. PETRONAS Chemicals Group Berhad	3.1
Total Top 5	20.1

Historical Performance



	YTD	1 month	1 Year	3 Years	5 Years	Since Inception
HLSGF	-11.83%	3.85%	-10.27%	12.37%	3.39%	105.05%
Benchmark*	-5.02%	1.95%	-1.66%	-4.67%	-13.33%	-9.40%
Relative	-6.81%	1.90%	-8.60%	17.05%	16.73%	114.45%

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 continued rebounding in November, with the Dow Jones Index, S&P500 and Nasdaq increasing by 5.7%, 5.4% and 4.4% respectively. However, on a year-to-date basis, the Dow Jones Index, S&P500 and Nasdaq declined by 4.8%, 14.4%, and 26.7% respectively.

The gains in November were mainly driven by the Consumer Price Index (CPI) data release on 10 November and the speech on 30 November by the current Chair of the Federal Reserve, Jerome Powell. This led to optimism among market participants for a slower pace of rate hikes in the coming months and lead them to look past the mixed third-quarter earnings season. US CPI inflation eased further to 7.7% YoY in October from 8.2% YoY in September, better than expectations of 8.0% YoY. Core CPI (excluding food and energy) in October also came in lower at 6.3% YoY from 6.6% YoY in September, better than expectations of 6.5% YoY. With regard to monetary policy, although the US Federal Reserve (Fed) raised interest rates by 75 basis points (bps) to between 3.754.00% in the November FOMC meeting which marks the fourth back-to-back 75bp hike since June 2022, Jerome Powell in his speech placed expectations for a downshift to a 50bp hike for the next FOMC meeting on 13-14 December. Market participants viewed this as dovish as it implies a reduction in the pace of hikes going forward. In his speech, he saw reasons for optimism in core goods and housing; however, he believes there is still a long way to go in restoring price stability as core services ex-housing is still uncertain and is the segment he saw as most linked to wage inflation.

Over in Europe, the Euro STOXX 50 closed 9.6% higher in November, closely tracking Wall Street gains. Eurozone CPI eased further to 10.0% YoY in November from 10.6% in October, better than expectations of 10.4% YoY. Market participants are expecting another 50bp hike of the benchmark deposit rate from the European Central Bank's (ECB) December meeting.

In Asia, China/Hong Kong outperformed while ASEAN markets underperformed. The MSCI Asia Ex-Japan rebounded fiercely 18.7% higher while MSCI ASEAN was up 9.8%. Outperformers were Taiwan (TWSE +14.9%) and Philippines (PCOMP +10.2%). Underperformers were Indonesia (JCI -0.2%), Japan (Nikkei +1.4%) and Thailand (SET +1.7%) in local currency. In China, hopes for reopening propelled stocks higher as visible policy shifts away from Covid-Zero were seen from the release of the 20-point guidelines.

Locally, the FBM KLCI continued rising 1.9% in November to 1,488 after registering 4.7% gains in October. YTD, FBMKLCI, FBM100, FBM Small Cap and FBM Shariah index have fallen by 5.0%, 6.0%, 5.2%, and 12.1% respectively. Market sentiment was affected by political uncertainties from a hung parliament scenario after the 15th General Elections (GE15) but the situation was resolved with the appointment of Dato' Seri Anwar Ibrahim as the 10th Prime Minister to form a unity government. On fund flows, foreign investors were net sellers for the month of November at RM0.3b. This reduced the cumulative foreign net inflow for 11M'2022 to RM5.8b. On the monetary policy front, as expected, Bank Negara Malaysia (BNM) raised the Overnight Policy Rate (OPR) by 25bps to 2.75% at November Monetary Policy Committee (MPC) meeting. Consensus expects another 25bp hike early next year is to bring OPR back to pre-pandemic level of 3%. The top 3 best-performing sectors in November were Energy (+9.9%), Property (+7.3%), and Technology (+7.3%). The top three worst performing sectors were Transport (-5.7%), Plantation (-2.2%), and Healthcare (-1.5%).

On to commodities, Brent fell 9.9% MoM to USD85.4/bbl due to concerns over COVID lockdowns in China dimming demand outlook. Meanwhile CPO prices closed at RM4,234, an increase of 4.4% MoM following plans from Indonesian government to raise export tax reference and also supported by better exports outlook and slower production due to unfavourable weather in Malaysia.

Global markets could continue to remain volatile, as economies are still grappling with high inflation and dealing with an aggressive hiking cycle by global central banks. Nonetheless, the more aggressive Fed rate hikes and easing supply chain tightness could lead to a reduction in inflation over time. Should inflation decline, the Fed could signal a pause or a more accommodative stance which would be positive for market sentiment.

While global equity markets could stay volatile in the near term, the domestic equity market could be relatively less affected given its record low foreign shareholding of 20.2%. Malaysia continues to benefit from robust domestic economic activity and controlled inflation via subsidies, but remains sensitive to global growth given the high proportion of exports to GDP. With the conclusion of the General Election and removal of the uncertainty factor, investors could have more confidence to deploy capital. Further evidence of pro-growth policies and fiscal consolidation will provide additional catalysts.

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.

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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:

- 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.