

Hong Leong Smart Growth Fund (HLSGF)

May 2019

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.

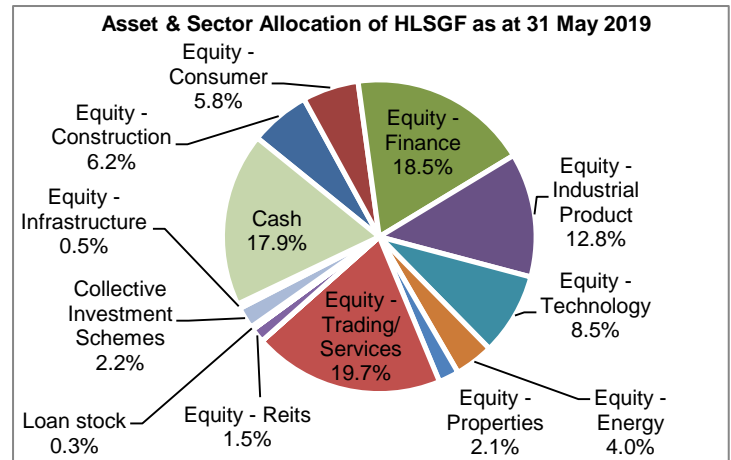
4. Target Market

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 (31/5/2019)	: RM1.742
Fund Size (31/5/2019)	: RM213.1mil
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

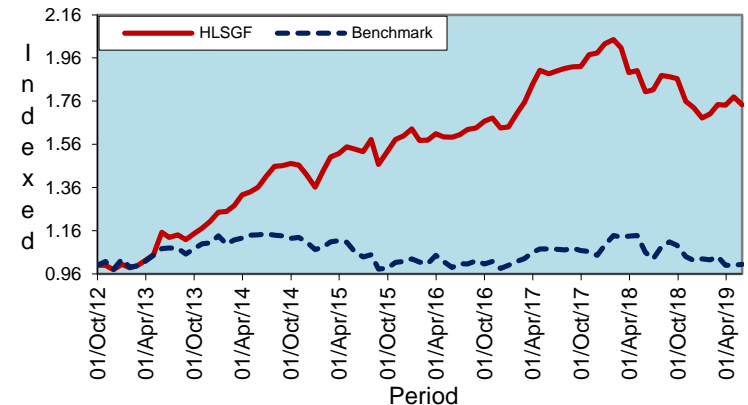
Fund management charge of underlying Collective Investment Scheme(s) is part of Fund Management Fee as stated in table above. There are no additional charges being charged to the Policy Owner. The Company reserves the right to change the Fund Management Fee (% p.a.) by giving the Policy Owner ninety (90) days prior written notice.



Top 5 Holdings for HLSGF as at 31 May 2019

	%
1. TENAGA NASIONAL BHD	5.6
2. DIALOG GROUP BHD	4.3
3. HONG LEONG FINANCIAL GROUP BHD	4.1
4. YINSON HOLDINGS BHD	4.0
5. PUBLIC BANK BHD	3.5
Total Top 5	21.5

Historical Performance



	YTD	1 month	1 Year	3 Years	5 Years	Since Inception
HLSGF	3.59%	-2.12%	-3.44%	9.34%	27.97%	74.20%
Benchmark*	-2.36%	0.52%	-5.16%	1.52%	-11.88%	0.45%
Relative	5.95%	-2.63%	1.73%	7.82%	39.85%	73.75%

Source: Bloomberg

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Market Review, Outlook & Strategy relevant to Target Fund

The renewed US-China trade tension with both countries raising tariffs against each other triggered a widespread selloff in May. The selloff also spilled over into the technology sector as US companies were banned from doing business with Huawei. In response to that, China toughened its stance on the trade war in the White Paper and emphasized that a trade deal must be mutually beneficial, indicating further delay of a potential trade deal. One of the non-tariff retaliatory measures China could take is to restrict rare earth export to US as US imports up to 80% of its rare earth consumption from China. Brent oil price fell 11.4% month-on-month (MoM) in May as trade tensions weigh on market sentiment and global economy outlook.

Both the Dow Jones Industrial Average index and Euro STOXX 50 tumbled 6.7% MoM in May. MSCI Asia ex-Japan fell 8.9% MoM with HSCEI (-10.0%) and HSI (-9.4%) being the worst performers, followed by Singapore (-8.3%), Korea (-7.3%) and CSI300 (-7.2%). Outperformers were India (+1.8%), Australia (1.1%) and Philippines (+0.2%). There is still downside pressures on China's economy as May manufacturing Purchasing Managers' Index (PMI) came in below consensus at 49.4 (April: 50.1) although services PMI was holding steadily at 54.3. Sentiment in India was boosted as the election confirmed a strong victory for the ruling party and Prime Minister Modi secured an absolute majority for the Party for a second successive term.

MSCI ASEAN was 4.8% lower MoM as Singapore, Indonesia and Thailand dropped 8.3%, 3.8% and 3.2% respectively. Singapore, being one of the most exposed countries to slowdown in global trade, had its worst monthly performance since 2015 and the three major banks were down 10% to 15% MoM. Indonesian equities rebounded sharply in the second half of May, driven by Bank Indonesia's liquidity injection into the banking sector. S&P also raised Indonesia sovereign credit rating to BBB from BBB-. In Philippines, BSP cut policy rate by 25 bps to 4.5% and announced staggered RRR cuts of 200bps while the mid-term election was concluded with minimal changes.

On the domestic front, KLCI gained 0.5% in May despite the aggressive selloff in regional equities, partly supported by foreign buying in the last three days of May. KLCI also outperformed FBM100 and FBMSC that declined 0.2% and 7.9% respectively. On 7 May, BNM cut Overnight Policy Rate by 25bps to 3%, the first change in 8 policy meetings which is negative for Banks' net interest margins and companies with high cash holdings. 9 May marked the first anniversary of the Pakatan Harapan government in power where it made good progress in improving governance and addressing structural weaknesses. KLCI's negative performance of 12% since GE14 should be seen as short term pain. 1Q19 GDP growth came in above expectations at 4.5% but there was a broad-based deceleration in demand.

Noticeable Merger and Acquisition deals include the proposed Telenor-Axiata merger, YTL Cement's acquisition on Lafarge Malaysia followed by Hong Leong Group's privatisation of Tasek Corp. Overall 1Q19 corporate results was not inspiring but there were some positive surprises among the big caps including Tenaga, Dialog, Telekom Malaysia and Malaysian Airports. FTSE Russell and Bursa Malaysia announced no changes to the constituents of KLCI following the semi-annual review. Foreign investors remained net sellers in May (RM2 billion) and brought cumulative outflows in 5M19 to RM4.8 billion.

All eyes will be on G20 meeting in Japan scheduled on June 28-29 where both President Trump and Chairman Xi will meet to discuss on trade matters. Another key event to watch is the June 18-19 FOMC meeting as Fed is turning more dovish on the back of slowing US economy momentum. Over in Europe, Teresa May will step down as the Prime Minister of UK on June 7. While a 90-day temporary waiver is granted on Huawei sanction, disruptions in the technology supply chain could have long term implications to technology dependent countries including Korea and Taiwan. In China, more easing and stimulus measures are expected as growth has yet to truly bottom out. The Chinese government is managing expectations to prepare for RMB trading above 7 against USD in the event of more US tariffs. Though valuations are looking more attractive following the correction in May, we remain cautiously optimistic on the market and will manage our portfolios more proactively in order to outperform amid volatile markets. We remain Overweight on ASEAN in particularly Indonesia as compared to North Asia, Neutral on Singapore and Thailand.

Actual Annual Investment Returns for the Past Seven (7) Calendar Years

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

Net returns are adjusted for tax and fund management fees.

Those are the actual returns in the past seven (7) 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 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.

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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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Performance	33.3%	32.7%	19.1%	14.1%	26.4%	9.3%	20.9%	-0.1%	25.8%	-18.1%

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.