

Hong Leong Smart Growth Fund (HLSGF)

Jul 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.

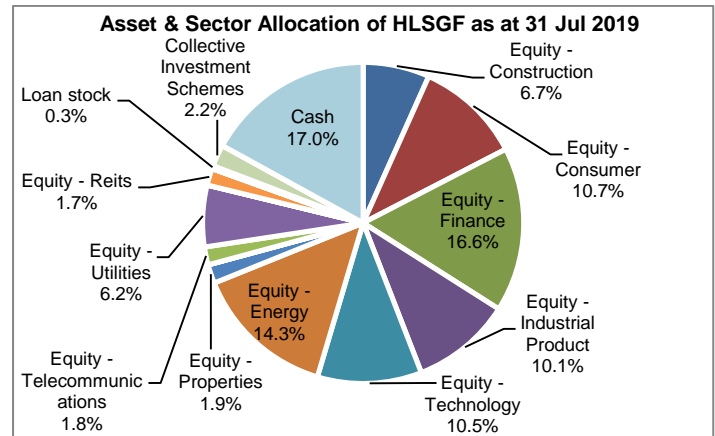
4. Target Market

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 (31/7/2019)	: RM1.8263
Fund Size (31/7/2019)	: RM221.9mil
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

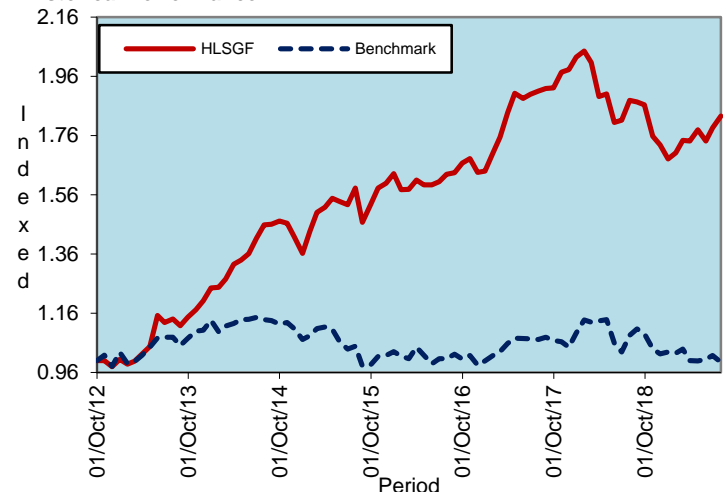
Fund management charge of underlying Collective Investment Scheme(s) is part of Fund Management Fee as stated in table above. There are no additional charges being charged to the Policy Owner. The Company reserves the right to change the Fund Management Fee (% p.a.) by giving the Policy Owner ninety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



Top 5 Holdings for HLSGF as at 31 Jul 2019

	%
1. TENAGA NASIONAL BHD	6.0
2. YINSON HOLDINGS BHD	5.4
3. DIALOG GROUP BHD	4.3
4. HONG LEONG FINANCIAL GROUP BHD	3.7
5. MALAYAN BANKING BERHAD	3.2
Total Top 5	22.7

Historical Performance



	YTD	1 month	1 Year	3 Years	5 Years	Since Inception
HLSGF	8.60%	2.27%	-2.84%	12.12%	25.26%	82.63%
Benchmark*	-3.30%	-2.23%	-8.37%	-1.11%	-12.64%	-0.51%
Relative	11.90%	4.50%	5.54%	13.23%	37.90%	83.14%

Source: Bloomberg

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Market Review, Outlook & Strategy relevant to Target Fund

Developed market equities continued their solid run in July with the S&P 500 reaching new all-time highs during July, closing 1.3% up over the month and up by 19% year to date. As expected, the Fed reduced US interest rate in July Federal Open Market Committee meeting. The 25 basis points cut and Powell's neutral tone that the rate cut is not the start of a "lengthy cutting cycle" however disappointed investors who expected more aggressive easing. The US economy has been showing tentative signs of improvement, with the job market bouncing back from an especially weak print in June and second quarter Gross Domestic Product (GDP) growing at 2.1%, beating analyst expectations. Manufacturing however remains a weak spot, with July purchasing managers' index (PMI) data suggesting that the economy tend to move into contractionary territory. With little change to the outlook for US-China trade relations during the month, investors were more focused on the Chinese economy in July. China's second quarter GDP growth of 6.2% highlighted the general economy slowdown but retail sales and industrial production data showed some tentative signs of stabilisation. In the UK, Boris Johnson was appointed as the new prime minister after his victory in the Conservative party leadership contest with roughly two-thirds of the vote. The British pound came under pressure during July – reaching lows versus the US dollar last seen in 2017 – as markets became increasingly jittery about the potential for UK to exit European Union without a deal. Christine Lagarde was being nominated to take over from Mario Draghi as European Central Bank (ECB) leader at the start of November. The ECB is sending signals to the market of a potential stimulus package.

The KLCI started July on a positive note, rising to a high of 1,690 points thanks to optimism from Fed's monetary easing and continued trade talks between US-China. The KLCI however did not hold on to the gains and ended the month at 1,635 points. The KLCI fell 37 points or 2.2% month-on-month (MoM) in July 2019 and 3.3% in 7M19. Foreign investors were marginal net seller of RM79 million in July. For the first seventh months of 2019, net foreign outflow was RM4.8 billion due to the uninspiring corporate results on the back of global economy slowdown.

On the external front, investors will be following developments in the US-China trade tension after US President Trump tweeted on 1 August that US will slap 10% tariffs on US\$300 billion of Chinese imports starting from 1 September 2019. Investors will also be following Brexit developments. We expect equity markets to remain volatile in the near term due to the re-escalating US-China trade tension impacting the already weaker global growth outlook. While major central banks have maintained or switched towards easing bias providing the necessary liquidity support, situation remains fluid with September appearing as a crucial period to gauge the direction on trade negotiations.

Based on historical data, the KLCI's performance tends to be negative in August, having registered an average MoM loss of 0.6% over the past 10 years and a negative return of 1.8% over the past 40 years. On the local front, the key event to watch in August is the 2Q results reporting where investors will be watching for potential signs of a turnaround in corporate earnings delivery. Also in focus will be the 2Q19 GDP release on 16 August and a potential announcement on the power reform policy. Investors will also be tracking the MSCI quarterly index rebalancing review which will be announced on 7 August 2019. The rebalancing could spell outflow for KLCI as weighting in China A-share is being increased.

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.
- 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.

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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

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	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.