

Hong Leong Smart Growth Fund (HLSGF)

Aug 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.

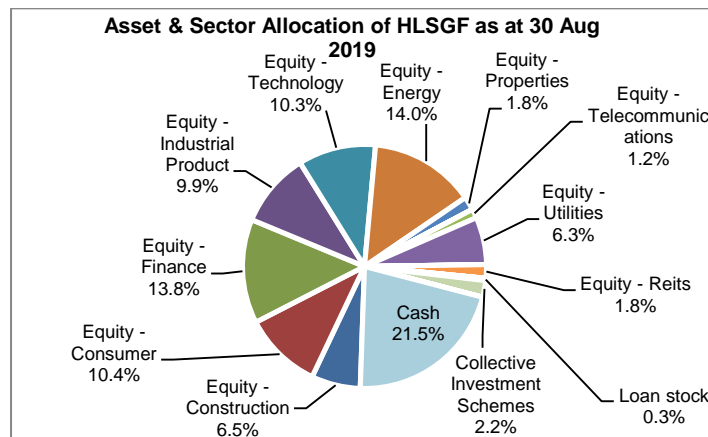
4. Target Market

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 (30/8/2019)	: RM1.7889
Fund Size (30/8/2019)	: RM215.9mil
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

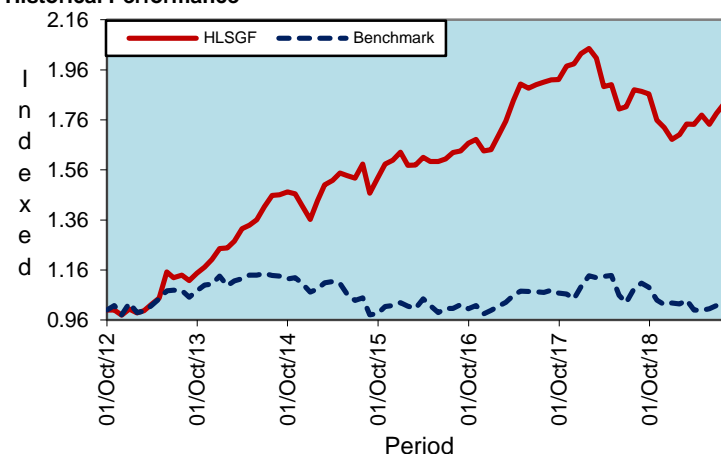
Fund management charge of underlying Collective Investment Scheme(s) is part of Fund Management Fee as stated in table above. There are no additional charges being charged to the Policy Owner. The Company reserves the right to change the Fund Management Fee (% p.a.) by giving the Policy Owner ninety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



Top 5 Holdings for HLSGF as at 30 Aug 2019

	%
1. TENAGA NASIONAL BHD	6.3
2. YINSON HOLDINGS BHD	5.5
3. DIALOG GROUP BHD	4.3
4. HONG LEONG FINANCIAL GROUP BHD	3.6
5. MALAYAN BANKING BERHAD	3.2
Total Top 5	23.1

Historical Performance



	YTD	1 month	1 Year	3 Years	5 Years	Since Inception
HLSGF	6.38%	-2.05%	-4.52%	9.40%	22.45%	78.89%
Benchmark*	-4.64%	-1.39%	-11.40%	-3.93%	-13.61%	-1.90%
Relative	11.02%	-0.66%	6.89%	13.33%	36.06%	80.79%

Source: Bloomberg

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Market Review, Outlook & Strategy relevant to Target Fund

The equity markets experienced sharp sell-off in August following escalation of US-China trade war, recession fears sparked by US treasury yield curve inversion and social unrest in Hong Kong. Trump fired additional tariffs by imposing 10% tariff on US\$300 billion Chinese goods from 1 September but later decided to delay the 10% tariff on selected US\$156 billion Chinese goods till 15 December. The Chinese Renminbi (USDCNY) depreciated to above 7.0 after additional tariff news, prompting US treasury department to label China as a currency manipulator. Adding to the equity market woes was the treasury yield curve inversion where yield of 10 years treasury dropped below 2 years treasury. Markets corrected on the inversion as the yield curve inversion has always been viewed as an indicator for future recession. By end August, China retaliated with 5% - 10% tariffs on US\$75 billion US imports. This resulted in US raising tariffs on US\$250 billion China imports to 30% from 25% by October, and hiking the original 10% tariffs on \$300 billion Chinese goods to 15%.

MSCI ASEAN tumbled 4.5% month-on-month (MoM), led by declines in Singapore (-5.9%), Thailand (-3.3%) and KLCI (-1.4%). Following the 4% MoM depreciation of Renminbi against USD, ASEAN currencies weakened against USD with underperformers of Peso (2.4%), Ringgit (1.9%) and Rupiah (1.3%). Central banks are on easing bias where Thailand and Philippines cut rate by 25 basis points (bps) in August. Meanwhile, China central bank unveiled a key interest rate reform to help lower borrowing cost for companies. China's economy data remained weak, with August manufacturing purchasing manager's index (PMI) slipping to 49.5 from July's 49.7 while non-manufacturing PMI picked up marginally to 53.8 from July's 53.7.

Investors will continue to track the development in US-China trade tension when negotiators from both countries will meet again in October.

Equity markets are expected to remain volatile in the near term due to the re-escalating of US-China trade tension impacting the already weaker global growth outlook. While major central banks have moved towards easing bias providing the necessary liquidity support, markets will look for direction in US-China trade negotiation and the movement of Chinese Renminbi. Hong Kong's recent proposal to withdraw an extradition bill should provide near term relief to Asian markets.

Locally, the KLCI outperformed the regional markets with 1.4% MoM decline. However, the FBM Small cap dropped more by posting 4.9% MoM fall due to risk aversion. Malaysia's 2Q19 Gross Domestic Product came in at 4.9%, slightly higher than consensus forecast of 4.7%. The corporate's second quarter results reporting was disappointing and most banks saw deteriorating asset quality, underscoring challenging business environment. Bank Negara was actively engaging with FTSE Russell and announced various measures to deepen bond market liquidity and provide greater flexibility to improve Ringgit accessibility. All eyes will be on FTSE Russell's decision for potential exclusion of MGS from World Bond Index by 26 September. An exclusion is likely to trigger Ringgit weakness and corresponding correction in KLCI. However, the KLCI may stage a relief rally should an favourable outcome is announced. Foreigners were net sellers of RM2.6 billion equities in August, taking first eight months net selling to RM7.3 billion.

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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.

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%

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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.