

Hong Leong Smart Growth Fund (HLSGF)

Sep 2018

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

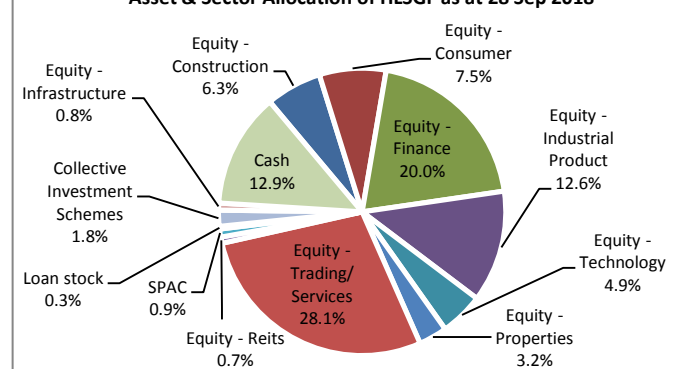
This fund is suitable for investors who have long term investment time horizon and have a moderate risk profile with tolerance for short-term periods of volatility.

Fund Details

Unit Price (28/9/2018)	: RM1.8637
Fund Size (28/9/2018)	: RM236.6mil
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 & Sector Allocation of HLSGF as at 28 Sep 2018



Top 10 Holdings for HLSGF as at 28 Aug 2018

	%
1. TENAGA NASIONAL BHD	6.1
2. MALAYAN BANKING BERHAD	5.5
3. PUBLIC BANK BHD	4.2
4. DIALOG GROUP BHD	3.9
5. PETRONAS CHEMICALS GROUP BHD	3.4
6. YINSON HOLDINGS BHD	3.3
7. HIBISCUS PETROLEUM BHD	2.5
8. CIMB GROUP HOLDINGS BHD	2.5
9. GLOBETRONICS TECHNOLOGY BHD	2.5
10. INARI AMERTRON BHD	2.4
Total Top 10	36.4

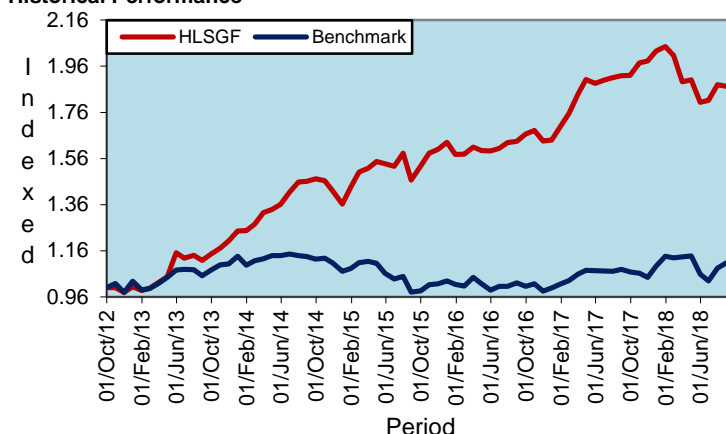
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Historical Performance



	YTD	1 month	1 Year	3 Years	5 Years	Since Inception
HLSGF	-7.98%	-0.52%	-2.98%	21.97%	62.51%	86.37%
Benchmark*	-0.20%	-1.46%	2.14%	10.62%	1.39%	9.12%
Relative	-7.78%	0.93%	-5.12%	11.35%	61.13%	77.25%

Source: Bloomberg

Market Review, Outlook & Strategy relevant to Target Fund

Despite escalation in US-China trade tension, US stock indices continued to hit new highs, on the back of stronger than expected macro-economic data. ISM manufacturing index reached 10-year high at 61.3 in August, and University of Michigan consumer sentiment rebounded strongly from 96.2 back in August to 100.1 in September. Labour market remained firm with 2.9% YoY increase in average wages. As widely expected, the Federal Reserve raised interest rate by another 25 basis points (bps) at September FOMC meeting, which reflected the positive economic outlook. Elsewhere, the European Central Bank reiterated expectation of no rate change until at least summer 2019. However, concerns over potential no-deal Brexit and Italy budget capped upside in the European markets. MSCI Asia ex-Japan Index declined 1.6% in September, pressured by continuous net foreign fund outflows. Best performers were Thailand (+2.0%) and Singapore (+1.4%), while worst performers were Philippines (-7.4%) and India (-6.3%). Post the strong outperformance in previous two month, the KLCI index declined 1.5% MoM in September from profit taking activities. Macroeconomic data remained largely positive, with Nikkei Malaysia PMI coming in at 51.2, the first time in expansionary mode in seven months. Exports grew 9.4% YoY, higher than consensus forecast of 4.7%. Inflation pressure stayed muted with CPI of 0.2% in August. At the September MPC meeting, Bank Negara kept policy rate on hold at 3.25% as low inflation and current account surplus provides policy flexibility. After four consecutive months of net selling, foreign investors turned net buyers of Malaysian equities in September with net inflow of RM0.1bn. This brings cumulative foreign net sell for the first nine months to RM8.5 billion, versus net inflow of RM10.8 billion in 2017. Brent oil price rallied 6.9% MoM to four year high of USD82.72/bbl at end-September, supported by expected supply tightness as Saudi Arabia and Russia's refused to increase production and Iran sanctions by the US will start in November. The strength in oil price lent support to the Ringgit, which depreciated 0.7% against the USD, outperforming some regional peers. On the policy front, uncertainty remains on potential impact from introduction of the Sales and Service Tax effective 1st September, and infrastructure contract flows with cancellation of the East Coast Rail Line and gas pipeline projects as well as deferment of the High Speed Rail.

Market Outlook

Key risks in the near term lie in prolonged US-China trade tension, divergence in global central banks' monetary policies, renewed concern over Brexit in Europe, as well as potential economic slowdown in China and further depreciation of the Chinese Yuan. Locally, policy uncertainty may cap upside to equity market. We remain defensive overall, while focusing on stock picking for outperformance. We continue to favour beneficiaries of the weak ringgit such as exporters / technology stocks, upstream oil and gas names which benefit the most from higher oil price, stocks related to domestic consumption, as well as healthcare and tourism.

Hong Leong Smart Growth Fund (HLSGF)

Actual Annual Investment Returns for the Past Five (5) Calendar Years

Year	2013	2014	2015	2016	2017
Benchmark	10.5%	-5.7%	-3.9%	-3.0%	9.5%
HLSGF- Gross	27.8%	11.8%	23.1%	2.3%	27.1%
HLSGF - Net	24.1%	9.3%	19.8%	0.6%	23.5%

Net returns are adjusted for tax and fund management fees.

Those are the actual returns in the past five (5) 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	2013	2014	2015	2016	2017
Performance	26.4%	9.3%	20.9%	-0.1%	25.8%

Hong Leong Smart Growth Fund (HLSGF)

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.