

Hong Leong Smart Growth Fund (HLSGF)

Aug 2017

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.

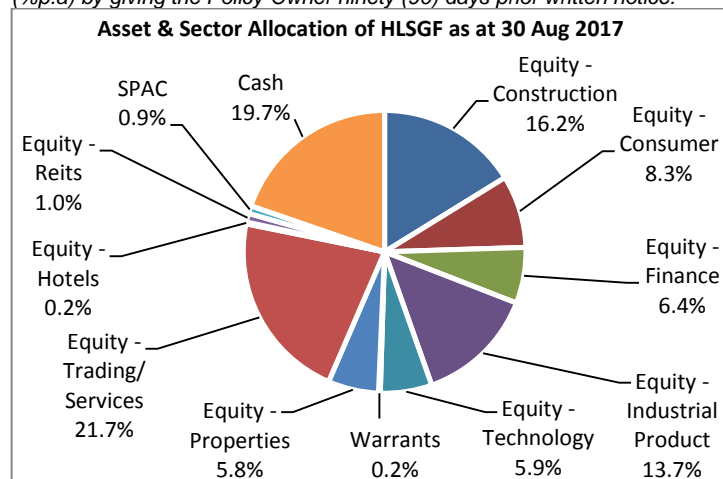
4. Target Market

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 (30/8/2017)	: RM1.9193
Fund Size (30/8/2017)	: RM235.7mil
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

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 10 Holdings for HLSGF as at 30 Aug 2017

	%
1. Press Metal	2.7
2. Gabungan AQRS	2.6
3. Tenaga Nasional	2.6
4. Sime Darby Berhad	2.6
5. Yinson Holdings	2.4
6. LBS Bina Group	2.3
7. Globetronics	2.0
8. V.S Industry	1.8
9. Kerjaya Prospek	1.8
10. Inari Ametron	1.7
Total Top 10	22.5

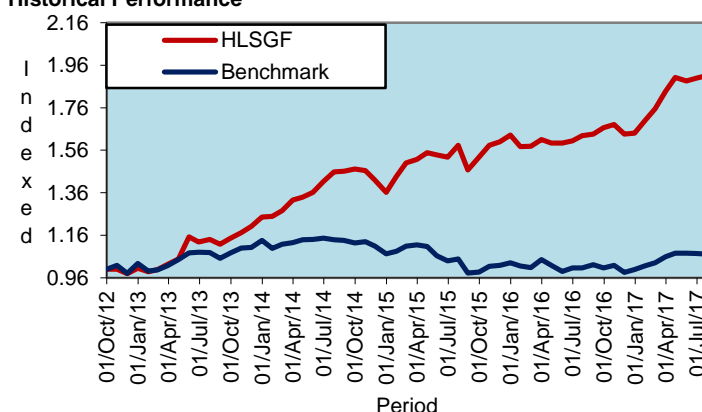
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Historical Performance



	1 month	1 Year	3 Years	YTD	Since Inception
HLSGF	0.43%	17.37%	31.38%	17.01%	91.93%
Benchmark	0.75%	5.67%	-4.98%	8.01%	7.90%
Relative	-0.31%	11.71%	36.36%	9.00%	84.03%

Market Review, Outlook & Strategy relevant to Target Fund

Major European and Asian Indexes fell early August with concerns over North Korea, Hurricane Harvey, Spain terror attacks and the US political environment. Stronger economic data and positive corporate earnings propped up August numbers. Volatility increased sharply mid-month in response to North Korea's missile launches before subsiding at month end. The Jackson Hole Economic Policy Symposium accentuates the challenges faced by central bankers to spur wage inflation despite falling global unemployment, as speeches from Janet Yellen and Mario Draghi avoided monetary policy, focusing on regulatory reforms and market risks. US CPI disappointed by remaining below consensus at 1.7%, reducing the likelihood of a US Federal Reserve rate hike in December while the European central bank stated that current conditions do not warrant an end to quantitative easing in the near term, and expressed its concern that a strong euro could represent a drag on economic growth. The third round of negotiations between UK and EU has begun, with a multi-year transitional agreement likely to arrive after March 2019.

Meanwhile, emerging markets posted a more positive performance, returning 2.1% thanks to a weak dollar and positive fundamentals in China. Indonesia's central bank reduced its benchmark rate by 25 basis point from 4.75% to 4.5% in a surprise move mid-month. Thailand recorded the fastest GDP growth in 4 years in 2Q17, rising 3.7% yoy. The growth was supported by strong export activities as well as robust tourism and higher farm output. Bank of Thailand, however, has maintained its interest rate at 1.5% on 16 August, as expected.

On the local front, Malaysia's economy grew at its fastest pace in more than two years in 2Q with its GDP increasing to 5.8% yoy which is a 0.2% increase to the GDP growth seen in 1Q17. The strong growth was bolstered by consumer spending and robust exports while private consumption advanced 7.1% alongside service and manufacturing which grew 6.3% and 6.0% respectively. BNM monthly banking stats for July saw 0.1% MoM loans growth, and annualized loan growth YTD reaching 3.2%.

In August, the KLCI and FBMS closed marginally higher (MoM) by 0.7% and 0.2% respectively, while FBMSC was down 3.0%. On a YTD bases, the KLCI, FBMS and FBMSC were up by 8.0%, 6.1% and 13.8% respectively. Foreigners turned net buyers albeit only by a small quantum of RM36mn, bringing YTD net buying up to RM10.37bn. Commodities posted a mixed set of performance in August with Brent crude down 5.8% and CPO up 1.4% respectively. Energy sector and Industrials underperformed, led by Sime and IJM. Defensive telco and Material outperformed, led by PChem. Foreign holdings of Malaysian government debt securities recorded an outflow for the second consecutive month to the tune of RM1.8bn, suggesting cautiousness among international investors.

Market Outlook & Fund Strategy

With concerns regarding North Korea mounting, the risk of a short-term pullback has increased given the strong YTD performance. Notwithstanding, we also see threats from the US Federal Reserve's monetary tightening, protectionist measures from the United States and other geopolitical tensions. Hence, we continue to advocate minor tilt towards defensive stocks with stable earnings, laggards, as well as quality high yielders.

Locally, earnings for the June quarter were subdued and slightly below expectations. While expectations of earnings improving YoY remain intact, the strength of the rebound looks to be less robust, with earnings growth for 2017 expected between 6 to 7%. Strong domestic liquidity and an impending general election would continue to be supportive of the market, while the weak ringgit is helping to maintain foreign institutional interest. Additionally, the upcoming Budget 2018 might bring in some goodies since it is a pre-election budget which could benefit a few sectors primarily construction sector, consumer (On higher BRIM) and tourism.

We continue to favour companies driven by selective themes such as beneficiaries of rising foreign direct investment, GLC reform/restructuring plays, infrastructure, construction, technology and tourism.

Hong Leong Smart Growth Fund (HLSGF)

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

Year	2012	2013	2014	2015	2016
Benchmark	2.8%	10.5%	-5.7%	-3.9%	-3.0%
HLSGF- Gross	3.3%	27.8%	11.8%	23.1%	2.3%
HLSGF - Net	1.6%	24.1%	9.3%	19.8%	0.6%

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 detailed explanation of the risk 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	2012	2013	2014	2015	2016
Performance	14.1%	26.4%	9.3%	20.9%	-0.1%

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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.