

Hong Leong SMART Growth Fund (HLSGF)

November 2021

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, such as warrants and convertible loan stocks which are capable of being converted into new shares. The Target Fund may invest up to 25% of the Fund's NAV in foreign markets, which may include but not limited to Singapore, Indonesia, Thailand, Philippines, Vietnam, India, Hong Kong, China, Japan, Korea, Taiwan, Australia, United States of America and any other Eligible Markets where the regulatory authority is an ordinary or associate member of the International Organization of Securities Commissions. The Target Fund does not have an active asset allocation strategy but seeks to manage portfolios by investing in companies that satisfy the criteria of having a sustainable and credible business model, and are also trading at a discount to their intrinsic value. However, under conditions of extreme market volatility and/or when the market is trading at valuations deemed unsustainable, the Fund will seek to judiciously scale back its equity exposure.

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

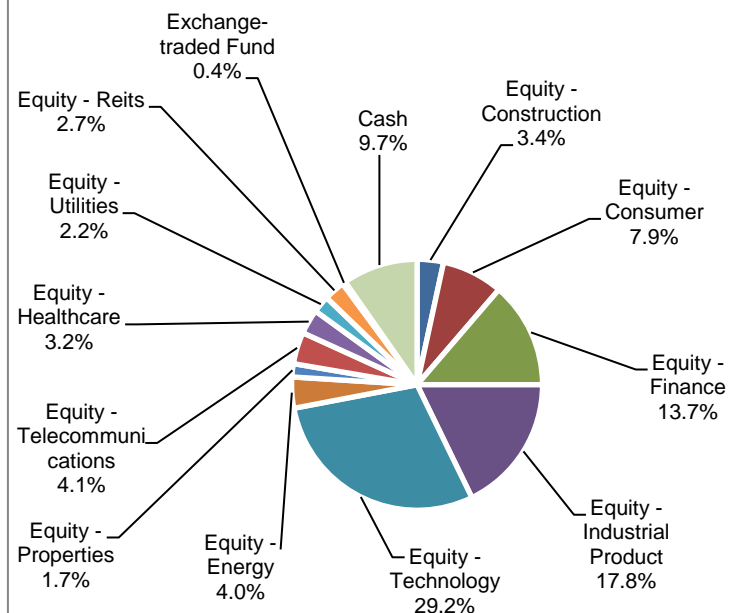
This fund is suitable for investors who have long term investment time horizon and have a moderate risk profile with tolerance for short-term periods of volatility.

Fund Details

Unit Price (30/11/2021)	: RM2.2851
Fund Size (30/11/2021)	: RM225.0 mil
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.

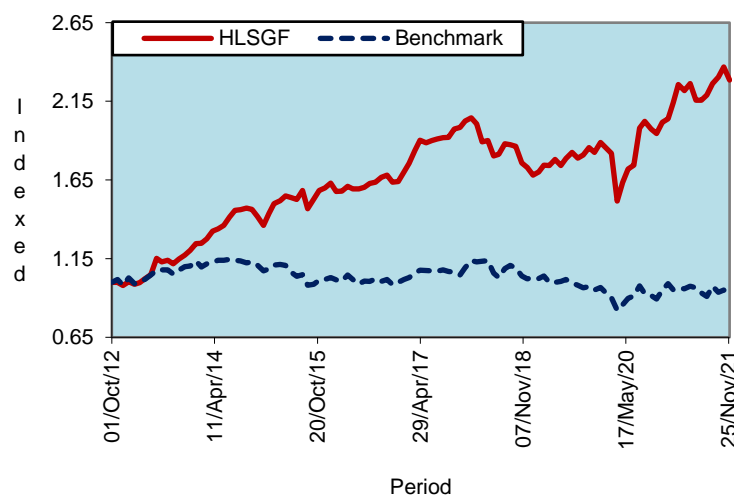
Asset & Sector Allocation of HLSGF as at 30 November 2021



Top 5 Holdings for HLSGF as at 30 November 2021

	%
1. FRONTKEN CORPORATION BERHAD	9.7
2. GREATECH TECHNOLOGY BHD	8.7
3. HONG LEONG FINANCIAL GROUP BHD	3.1
4. SUNWAY BERHAD	3.1
5. RHB BANK BHD	3.0
Total Top 5	27.6

Historical Performance



	YTD	1 month	1 Year	3 Years	5 Years	Since Inception
HLSGF	12.03%	-3.52%	13.28%	32.15%	39.71%	128.51%
Benchmark*	-6.96%	-3.09%	-3.12%	-9.87%	-6.49%	-7.87%
Relative	18.99%	-0.42%	16.39%	42.02%	46.20%	136.38%

Source: Bloomberg

Notice: Past performance of the fund is not an indication of its future performance

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Market Review, Outlook & Strategy relevant to Target Fund

US equities dropped towards the tail-end of November despite having charted new highs early in the month, sinking alongside most other global markets on emergence of the new 'Omicron' Covid-19 variant. Swiftly designated a 'variant of concern' by the WHO, Omicron stoked fears of renewed public health risks and re-imposition of lockdown measures globally, as several countries placed travel bans on selected southern African nations. Sentiment in the US was already testy given the Federal Reserve's decision to begin tapering bond purchases in November, plus rising concern on inflation after a decades-high 6.2% print of the October CPI. Uncertainty overshadowed yet another strong corporate earnings season with over 80% of S&P 500 companies beating earnings expectations as at late-November. Consequently, the S&P 500 and Dow Jones Industrial closed 0.8% and 3.7% lower over the month. Bearish sentiment was echoed in Europe, with the EuroStoxx600 pulling back 4.4% after late dips in November. Besides Omicron concerns, the market is also eyeing the ECB's December meeting where policy makers are expected to make clearer its own tapering of asset purchases, especially around the expiring of its Pandemic Emergency Purchase Programme (PEPP) in March 2022.

Asian equities declined in tandem with global peers on Omicron fears, with the MSCI Asia ex-Japan falling 3.9% in November. China/HK equities underperformed with the Hang Seng falling 7.5%, as regulatory and policy risks continue to dominate. November's new flow alone saw the tightening of reins on illegal gambling, internet advertising, and port operations; in addition to reports of potential forced-delisting of a US-listed company. Other Asian markets mostly posted negative returns: India (Sensex -3.8%), Korea (KOSPI -4.4%), Singapore (STI -4.9%), Thailand (SET -3.4%), Indonesia (JCI -0.9%); with outperformers in Taiwan (TWSE +2.6%) and Philippines (PCOMP +2.1%).

In Malaysia, local indices fell along with regional peers, with the KLCI falling 3.1% and the broader FBM100 falling 3.7% in November. However tepid market performance started earlier in the month, following the tabling of Budget 2022 in parliament. Despite being an expansionary budget at a record RM332 billion, the budget included several new taxation items which dampened sentiment on large-caps companies (one-off 'Prosperity Tax' with marginal tax rate increase of 9%) and share trading in general (50% hike in stamp duties applied). Otherwise, the country continued to progress well on Covid-19 with the adult vaccination rate exceeding 95%, enabling the establishment of a VTL (vaccinated travel lane) with Singapore and talks for the same with Indonesia later on.

Commodities tumbled in November as the emergence of the Omicron strain raised fears that global demand would be suppressed for yet another extended period. Brent crude oil plunged 16.4% to reach USD70.6/bbl by end-November, and CPO eased 7% to RM4,672/metric tonne. Notably, crude oil is subject to rising volatility as various parties work to influence supply-demand dynamics – the US had earlier announced plans to release 50 million barrels of oil from its strategic reserve to combat then-rising prices, while OPEC+ has been reported to mull postponing its earlier planned output increases.

Global equities are expected to continue being volatile as the data develops on the Omicron Covid-19 strain, in particular about the transmissibility and lethality of the virus, and subsequently policy responses of various countries. In the backdrop remains risks of sustained inflationary pressures and thus the pace of monetary tightening. However, there is comfort to be taken from strong corporate performances in selective areas, and economic activity levels which have yet to see full reopening benefits in select regions.

We maintain a barbell investment strategy, focusing on recovery/re-opening and structural growth themes. For recovery themes, we focus on cyclical sectors such as consumer discretionary (retail and leisure), industrials, materials and commodities. For structural growth themes, we prefer sectors such as technology and renewable energy. We remain buyers on market weakness.

Actual Annual Investment Returns for the Past Nine (9) Calendar Years

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020
Benchmark	2.8%	10.5%	-5.7%	-3.9%	-3.0%	9.5%	-5.9%	-6.0%	2.4%
HLSGF - Gross	3.3%	27.8%	11.8%	23.1%	2.3%	27.1%	-16.8%	15.0%	10.3%
HLSGF - Net	1.6%	24.1%	9.3%	19.8%	0.6%	23.5%	-17.0%	12.3%	8.0%

Net returns are adjusted for tax and fund management fees.

Those are the actual returns in the past nine (9) 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.

Notice: Past performance of the fund is not an indication of its future performance.

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.

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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.

8. Warrant and Convertible Loan Stock Risk

The price of the warrant and convertible loan stock are typically linked to the underlying stock. However, it generally fluctuates more than the underlying stocks due to the greater volatility of the warrants market. The fluctuation may have a great impact on the value of the funds. Generally, as the warrants have a limited life, they will depreciate in value as they approach their maturity date, assuming that all other factors remain unchanged. Warrants that are not exercised at maturity become worthless and negatively affect the NAV of the Fund. Convertible loan stocks must be converted to the underlying stock at a predetermined conversion ratio and conversion rate, and in the event the total costs of converting into underlying stock is higher than the market price of that the underlying stock, it will negatively affect the NAV of the Fund.

Risk Management

The company has in place its Authorized Investment Framework which forms part of the Risk Management process. The authority framework covers the nature and scope of the investment authority that is exercisable by various parties in managing the Company's investments. The potential investment risks that are taken into consideration in managing the fund include economic conditions, liquidity, qualitative and quantitative aspects of the securities. The investment manager(s) have put in place the following controls to reduce the risks through:

- having a flexible tactical asset allocation
- investing in a wide range of companies across different sectors
- setting prudent investment limits on various exposures
- taking into account the liquidity factor in selecting securities
- engaging in the hedging of foreign currency exposure where appropriate

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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Performance	19.1%	14.1%	26.4%	9.3%	20.9%	-0.1%	25.8%	-18.1%	13.5%	8.9%

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.