

Hong Leong SMART Growth Fund (HLSGF)

March 2022

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.

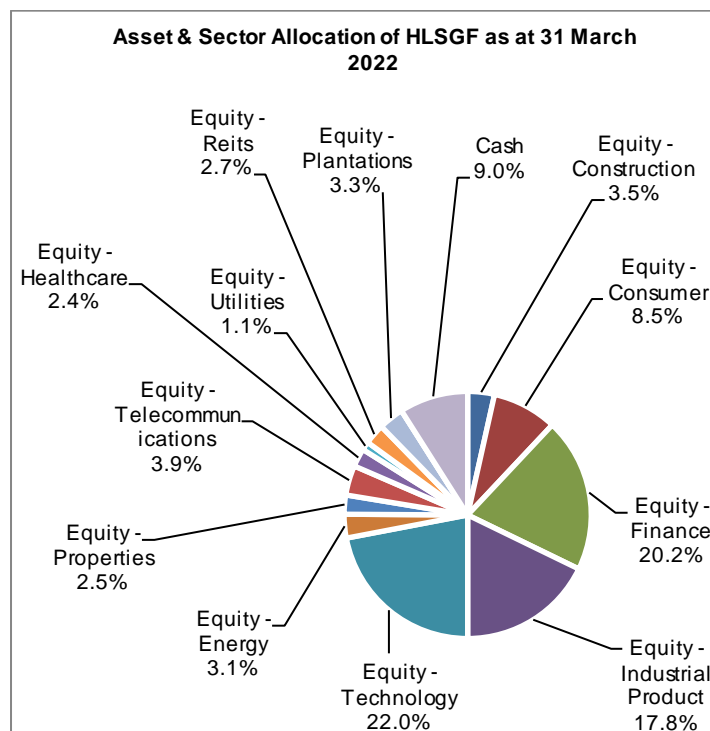
4. Target Market

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 (31/3/2022)	: RM2.1537
Fund Size (31/3/2022)	: RM207.3 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

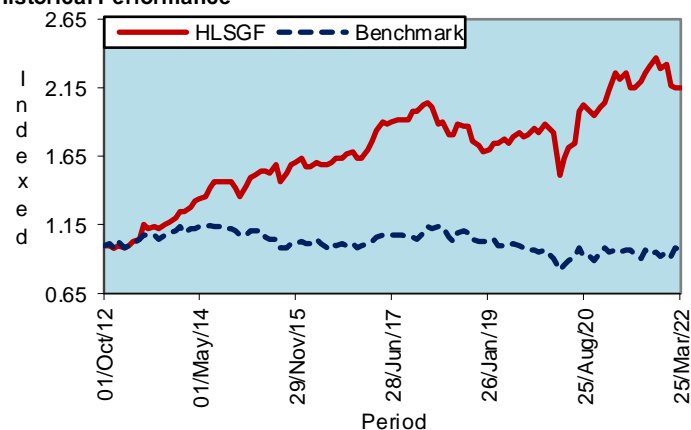
Fund management charge of underlying Collective Investment Scheme(s) is part of Fund Management Fee as stated in table above. There are no additional charges being charged to the Policy Owner. The Company reserves the right to change the Fund Management Fee (% p.a.) by giving the Policy Owner ninety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



Top 5 Holdings for HLSGF as at 31 Mar 2022

	%
1. FRONTKEN CORPORATION BERHAD	7.7
2. GREATECH TECHNOLOGY BHD	4.5
3. HONG LEONG FINANCIAL GROUP BHD	3.6
4. RHB BANK BHD	3.5
5. SUNWAY BERHAD	3.4
Total Top 5	22.7

Historical Performance



	YTD	1 month	1 Year	3 Years	5 Years	Since Inception
HLSGF	-7.39%	-0.12%	-2.90%	23.65%	17.16%	115.37%
Benchmark*	1.27%	-1.30%	0.88%	-3.42%	-8.78%	-3.40%
Relative	-8.66%	1.18%	-3.78%	27.07%	25.94%	118.77%

Source: Bloomberg

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

Hong Leong SMART Growth Fund (HLSGF)

Market Review, Outlook & Strategy relevant to Target Fund

Despite an initial sell-off on the Russia-Ukraine war, US equities recovered strongly towards the end of the month. Thus, the S&P 500 and tech-heavy Nasdaq rose 3.6% and 3.4% respectively in the month, offering some degree of recovery from a correction during the prior two months in which stocks had dropped as much as 13% and 20% from all-time highs. The biggest economic development in March came from the Federal Reserve, which raised interest rates by 25bps for the first time since 2018, after slashing them to near-zero at the onset of the Covid-19 pandemic and signaled that more rate hikes will follow with its focus to tame inflation. Meanwhile, Russia's invasion of Ukraine continued despite intermittent peace talks, threatening the European economy as well as impacting global commodity prices. MSCI reclassified Russia from Emerging Markets to Standalone Markets status. FTSE will delete Russia from all FTSE Russell Equity Indices effective 7 March 2022.

Meanwhile, China rolled out its biggest Covid-19 lockdown which includes Shanghai, Shenzhen, Dongguan, Guangdong and Jilin since the start of the pandemic to control the growing outbreak despite questions being raised about the economic toll of the nation's "zero-Covid" strategy. China vowed to stabilize battered financial markets, ease regulatory crackdown, support property and technology companies as well as stimulate the economy. The vow came after a sell-off in domestic shares due to fears over growth risks and tough regulation of real estate and internet companies. Regulators in China and US achieved positive progress in talks about Chinese companies listed in the US markets, adding that both sides are working to formulate a detailed cooperation plan. China State Council meeting led by Premier Li Keqiang called on the nation to prioritize stable growth and to draft contingency plans to deal with possible greater uncertainties. PBOC also reaffirmed that it will step up the magnitude of monetary policy and make it more forward looking, targeted and autonomous.

The KLCI fell 1.3%, FBM100; 0.4%, Shariah index; 1.4% and Small Cap index; 0.3% MoM in March. The key news flow in March were the government's plans to reopen borders on 1 April, to maintain Single Wholesale Network (SWN) for 5G and to offer to sell a 70% stake in Digital Nasional Berhad to mobile network operations as well as MOF's commitment to fund MRT3 projects. Additionally, there was also the announcement of a special EPF withdrawal of RM10,000 per member, and the decision to raise the minimum wage to RM1,500/month from 1 May from RM1,200/month, which could lead to cost pressures for corporates. BNM projected Malaysia's economy to grow by 5.3-6.3% in 2022 which is slightly lower than the government's official forecast of 5.5%-6.5% growth. Headline inflation is expected to be at 2.2%-3.2% in 2022 (versus MOF's previous estimate of 2.1%).

Foreign investors posted a 19% MoM rise in their net buying of Malaysian equities to RM3.3 billion in March 2022, the highest net buying since January 2018. Local retailers' net buying rose to RM321 million in March 2022 (from RM98 million in February 2022). Local institutional investors registered their highest monthly net selling of RM3.6 billion (+28.5% MoM) in March 2022, its highest since March 2017. Average daily trading volumes fell 9% MoM to 3.2 billion units in March while average daily trading value improved 6% MoM to RM3.04 billion.

During the month, commodities continued their strong outperformance with Brent crude oil jumping to a 13-year high of US\$130/bbl on the back of supply disruptions stemming from Russia's ongoing invasion of Ukraine and the possibility of a ban on Russian oil and natural gas. It ended the month at US\$107.9/bbl, up 6.9% MoM. CPO prices reached an all-time high of RM7,268/mt on 9 March before closing the month at RM5,705/mt, down 9.4% MoM on concerns of potential demand destruction led by high CPO prices and progress in peace talks between Russia and Ukraine.

While the economic data in developed markets such as the USA still shows that the underlying economy remains strong, the surge in inflation, rates and disruption from the Russia-Ukraine war are likely to weigh on economic growth. Key focus will be on inflation, path of central bank monetary policy as well as corporate earnings guidance in the upcoming Q1 earnings season.

The KLCI's performance tends to be positive in April, with an average MoM return of 0.7%/2.1% over the past 10 years/44 years respectively. We are cautiously optimistic as the market continues to weigh the positives coming from high commodity prices, higher tourist arrivals from border reopening and the potential return of foreign workers which will alleviate the current shortages. Investors will also be monitoring news flows on a potential early 15th General Election in 2022.

Overall, we adopt a balanced strategy, focusing on companies where fundamentals remain solid. Within cyclical, we prefer sectors such as consumer discretionary, financials, industrials and commodities. For structural growth themes, we are buyers on market weakness.

Actual Annual Investment Returns for the Past Ten (10) Calendar Years

Net returns are adjusted for tax and fund management fees.

Those are the actual returns in the past ten (10) 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.

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Benchmark	2.8%	10.5%	-5.7%	-3.9%	-3.0%	9.5%	-5.9%	-6.0%	2.4%	-3.7%
HLSGF- Gross	3.3%	27.8%	11.8%	23.1%	2.3%	27.1%	-16.8%	15.0%	10.3%	17.1%
HLSGF - Net	1.6%	24.1%	9.3%	19.8%	0.6%	23.5%	-17.0%	12.3%	8.0%	14.0%

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.

Hong Leong SMART Growth Fund (HLSGF)

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.

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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Performance	14.1%	26.4%	9.3%	20.9%	-0.1%	25.8%	-18.1%	13.5%	8.9%	14.4%

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.

Hong Leong SMART Growth Fund (HLSGF)

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.