

# Hong Leong Smart Growth Fund (HLSGF)

Jun 2020

## 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

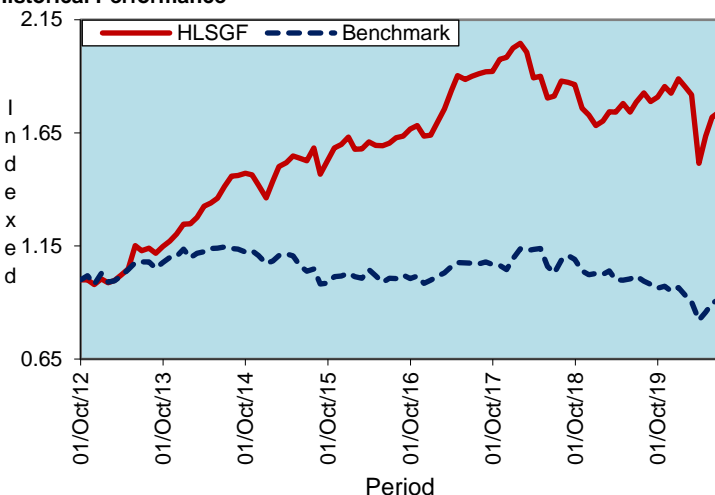
Unit Price (30/6/2020)	: RM1.7437
Fund Size (30/6/2020)	: RM200.2mil
Fund Management Fee	: 1.50% p.a.
Fund Manager	: Hong Leong Assurance Berhad
Fund Category	: Equity
Fund Inception	: 01 Oct 2012
Benchmark	: FTSE Bursa Malaysia KLCI Index (FBM KLCI)
Frequency of Unit Valuation	: Daily

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 Jun 2020

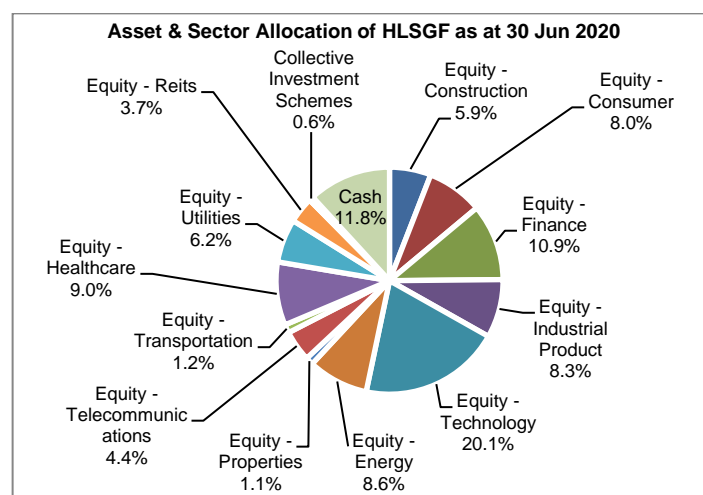
	%
1. TENAGA NASIONAL BHD	6.1
2. FRONTKEN CORP BHD	5.4
3. DIALOG GROUP BHD	4.9
4. PENTAMASTER CORP BHD	4.8
5. KOSSAN RUBBER INDUSTRIES	4.4
<b>Total Top 5</b>	<b>25.6</b>

## Historical Performance



	YTD	1 month	1 Year	3 Years	5 Years	Since Inception
HLSGF	-7.69%	1.43%	-2.36%	-8.23%	14.21%	74.37%
Benchmark*	-5.53%	1.88%	-10.24%	-14.90%	-12.05%	-8.66%
Relative	-2.17%	-0.45%	7.88%	6.66%	26.26%	83.03%

Source: Bloomberg



**Hong Leong Assurance Berhad** 198201014849 (94613-X)

Level 3, Tower B, PJ City Development, No. 15A, Jalan 219, Seksyen 51A, 46100 Petaling Jaya, Selangor.

Telephone 03-7650 1818 Facsimile 03-7650 1991

Customer Service Hotline 03-7650 1288 Customer Service Hotfax 03-7650 1299

# Hong Leong Smart Growth Fund (HLSGF)

## Market Review, Outlook & Strategy relevant to Target Fund

Global equity markets in June can be characterized by high levels of volatility. The month started off with major indices rallying as investors focused their attention on signs of progressively successful re-openings from lockdowns, shrugging off concerns of civil unrest in major U.S. cities. Sentiment was further lifted as the Federal Reserve expanded an emergency lending program for state and local governments to include smaller borrowers. Later on 11 June, the S&P500 registered its worst daily decline (-5.8%) since the height of the coronavirus-induced rout, amid signs of a re-acceleration of cases of COVID-19. However, equity markets quickly stabilized after the Federal Reserve took further steps to assure the flow of credit by expanding the scope of its emergency corporate debt loan facility to include individual corporate bonds. The market remained volatile through the end of the month as investors weighed economic data that continued to surprise to the upside against surging COVID-19 infections.

In the month of June, MSCI AC Asia ex-Japan rose 7.9% led by India (+6.6%), Hong Kong (+6.4%), and Taiwan (+6.2%). MSCI ASEAN rose 3.7% led by Philippines (+6.3%), Indonesia (+3.2%), and Singapore (+3.1%). FBMKLCI (+1.9%) underperformed regional peers with the exception of Thailand (-0.3%). On the other hand, FBM Syariah rose 0.1% while FBM Small Cap fell 1.7%. On the commodities front, WTI and Brent futures rose 11.8% and 9.0% respectively while gold gained 3.0%.

Locally, Economic Recovery Plan (PENJANA) was unveiled by the Prime Minister on 5 June which contains 40 measures worth MYR35 billion, mainly focusing on jobs initiatives, MSMEs supports, stimulating consumption and FDI, and facilitating digitalization. According to the Ministry of Finance, Malaysia's 2020 budget deficit/GDP is now expected at 5.8%-6.0% on PENJANA's MYR18 billion direct fiscal impact versus previous 4.7%-5.0% due to Economic Stimulus Package (PRIHATIN). Also, there was further easing of the Movement Control Order (MCO), allowing most activities including domestic tourism to resume on 10 June.

Despite signs of improving economic data, equities are expected to remain volatile as the market grapples with the risk of surging COVID-19 infections which could force governments to re-impose limits on business activities. Nevertheless, asset prices could remain buoyed as policymakers remain supportive with aggressive fiscal support and liquidity programs. Moving forward, global markets would increasingly shift its attention towards the upcoming US presidential election when assessing risks.

We continue to remain selective and prefer sectors that see more resilient growth. As such, we maintain an overweight in technology and exporters due to decent earnings growth while looking to add cyclicals and commodity stocks on weakness to position for a rebound. We maintain a trading bias to take advantage of market volatility in the near term.

## Actual Annual Investment Returns for the Past Eight (8) Calendar Years

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

Net returns are adjusted for tax and fund management fees.

Those are the actual returns in the past eight (8) 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.

- 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.
- 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.
- 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.
- 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.
- Country Risk**  
The foreign investment of a fund may be affected by the political & economic conditions of the country which the investments are made.
- 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.
- 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.

# Hong Leong Smart Growth Fund (HLSGF)

## Basis of Unit Valuation

1. 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.
2. 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.
3. The maximum value of any asset of any fund shall not exceed the following price:
  - a) The last transacted market price at which those assets could be purchased or sold on the business day before the valuation date; or
  - b) 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.
4. 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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Performance	32.7%	19.1%	14.1%	26.4%	9.3%	20.9%	-0.1%	25.8%	-18.1%	13.5%

## 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.