

# Hong Leong Smart Growth Fund (HLSGF)

Apr 2019

## 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.

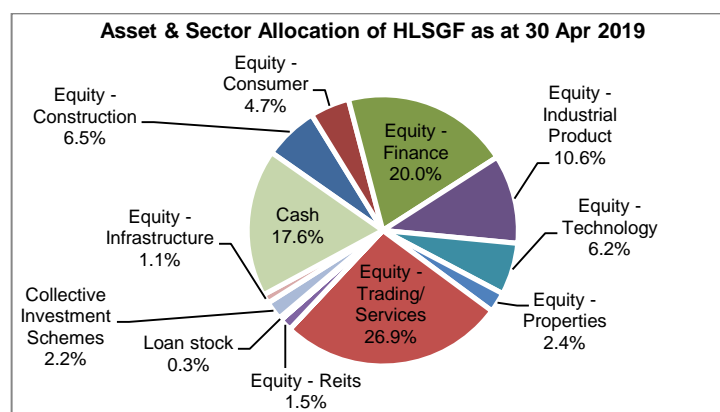
### 4. Target Market

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 (30/4/2019)	: RM1.7797
Fund Size (30/4/2019)	: RM218.8mil
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 Apr 2019

	%
1. TENAGA NASIONAL BHD	5.3
2. HONG LEONG FINANCIAL GROUP BHD	4.1
3. DIALOG GROUP BHD	4.0
4. YINSON HOLDINGS BHD	3.8
5. MALAYAN BANKING BERHAD	3.6
<b>Total Top 5</b>	<b>20.8</b>

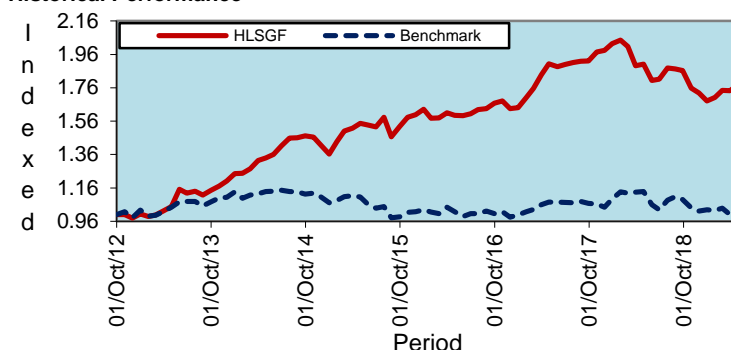
Hong Leong Assurance Berhad (94613-X)

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

## Historical Performance



	YTD	1 month	1 Year	3 Years	5 Years	Since Inception
HLSGF	5.83%	2.18%	-6.37%	11.66%	32.88%	77.97%
Benchmark*	-2.86%	-0.08%	-12.19%	-1.82%	-12.25%	-0.06%
Relative	8.69%	2.26%	5.82%	13.48%	45.13%	78.03%

Source: Bloomberg

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

US markets touched one-year high in April with the Dow Jones Industrial Average Index, S&P 500 Index, and Nasdaq Composite Index rising 2.56%, 5.34%, and 6.15% respectively, boosted by stronger than expected macro-economic data and solid corporate earnings. 1Q 2019 US GDP growth unexpectedly accelerated by 3.2%, and ISM manufacturing PMI strengthened to 55.3 in March. After a temporary inversion, the yield curve normalized during the month, which alleviated recession concern. In Europe, the agreement between UK and EU to delay Brexit deadline by six months to 31st October 2019 averted the immediate risk of no-deal Brexit. This, coupled with renewed monetary easing policy from the ECB boosted the Euro STOXX 50 index by another 4.86% m-o-m. Over to Asia, the MSCI Asia Ex-Japan Index went up by 1.84% in April, supported by better than expected Chinese macro-economic data and early signs of progress in US-China trade negotiations.

Locally, the FBMKLCI index edged down 0.08%, while the FBM Small Cap index gaining 7.16% during the month. The weakness in blue chip index was led by losses in banking names after Bank Negara's cautious tone on the economy which ignited concern over OPR cut, and decline in a heavy-weight utility stock following unexpected secondary placement by a GLC. The mid-to-small cap space, however, continued its uptrend, boosted by positive sentiment following revival of mega infrastructure projects such as the ECRL and Bandar Malaysia. During the month, the Ringgit reversed its earlier uptrend and depreciated 1.29% against USD, due to concerns over potential exclusion of Malaysia debt securities from the FTSE World Government Bond Index and reduced weighting for Malaysian equities in upcoming MSCI rebalancing. In April, foreign investors net sold another RM1.5B of Malaysian equities, which brings total year-to-date net outflow to RM2.9B and more than zeroised the cumulative foreign net inflow since 2010. On the economic front, most macro data remained weak. March Nikkei PMI deteriorated to a three-month low of 47.2 in March, while February exports declined 5.3% y-o-y. After two consecutive month of deflation, CPI rebounded to 0.2% y-o-y in March, driven by higher energy related costs.

Following the strong year-to-date rebound, valuations across global markets are no longer cheap. We are cautiously optimistic on the market but will closely watch the ongoing US-China trade talks, and sustainability of the global economic growth. For the regional markets, the relatively more upbeat assessment on economy and reduced expectation of rate cut at Fed's April FOMC meeting could lead to USD strength and renewed pressure to Emerging markets as a whole.

On the domestic front, the blue chip index could face further downside in the immediate term from net foreign outflow from MSCI rebalancing, whereas the small cap space may see consolidation after its strong year-to-date rally. Therefore, we prefer to lighten up equity exposure by taking profit on the outperformers. The key events to watch out for include the upcoming Monetary Policy Committee Meeting on 7 May where economists are split on whether Bank Negara will cut OPR rate, release of 1Q19 GDP figure on 16 May, and 1Q19 corporate earnings.

# Hong Leong Smart Growth Fund (HLSGF)

## Actual Annual Investment Returns for the Past Seven (7) Calendar Years

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

Net returns are adjusted for tax and fund management fees.

Those are the actual returns in the past seven (7) 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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Performance</b>	33.3%	32.7%	19.1%	14.1%	26.4%	9.3%	20.9%	-0.1%	25.8%	-18.1%

## 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.