

# Hong Leong Smart Growth Fund (HLSGF)

Feb 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.

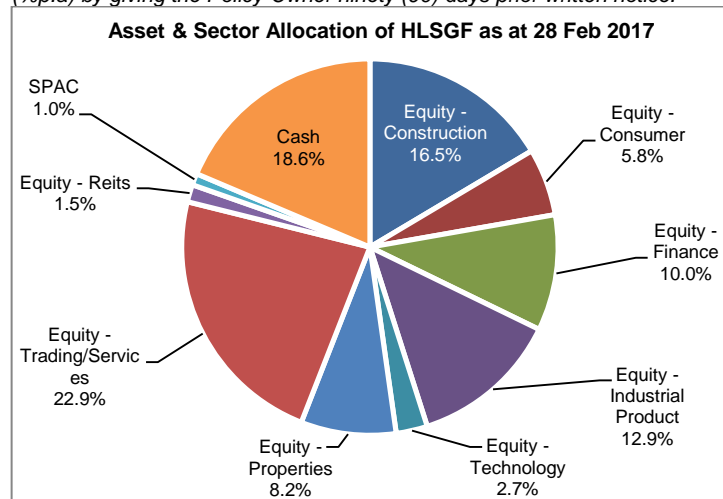
### 4. Target Market

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 (28/2/2017)	: RM1.7552
Fund Size (28/2/2017)	: RM216.6mil
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 28 Feb 2017

	%
1. Tenaga Nasional	3.6
2. Sime Darby Berhad	3.2
3. LBS Bina Group	2.8
4. Yinson Holdings	2.6
5. Ekovest	2.6
6. Press Metal	2.5
7. Genting Malaysia	2.5
8. Salutica	2.4
9. CIMB Group	2.2
10. Pestech International	2.2
<b>Total Top 10</b>	<b>26.6</b>

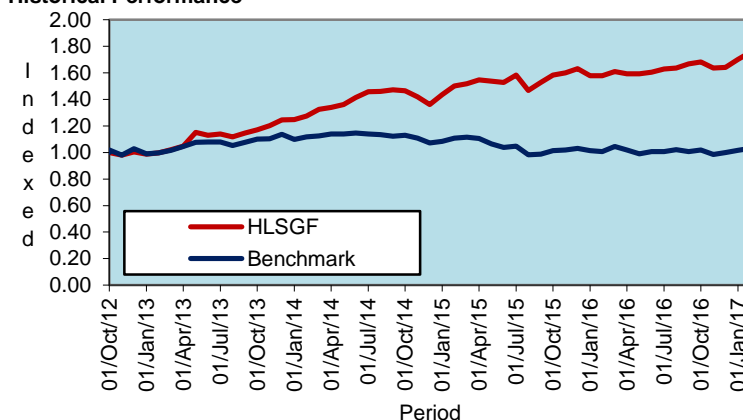
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## Historical Performance



	1 month	1 Year	3 Years	YTD	Since Inception
HLSGF	3.12%	11.17%	37.62%	7.00%	75.52%
Benchmark	1.33%	2.36%	-7.73%	3.17%	3.07%
Relative	1.79%	8.81%	45.35%	3.83%	72.45%

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

February was packed with economic releases and corporate earnings reports. The month was kicked off with three central banks meetings. The Federal Reserve, Bank of Japan and Bank of England maintained their interest rates, and the latter two also left their asset purchase-programme unchanged. Shortly after, China's central bank raised overnight SLF rates by 35bps to 3.1%, SLF for other durations by 10bps and reverse repo rates by 10bps. Meanwhile, India's central bank maintained its benchmark interest rates pending more clarity on inflation trend and impact of demonetisation on growth.

The Dow Jones Industrial Index (DJIA) recorded a 12-day winning streak in February, the longest in 30 years, boosted by the President's repeated promise on tax cuts, anticipation of infrastructure announcements in a joint-session in Congress on the last day of the month, coupled with solid economic and corporate earnings data. Equity indices across the globe hit record highs buoyed by the ongoing rally on Wall Street.

On the local front, FBMKLCI closed slightly higher at 1.33% MoM driven by spillover effect from Wall Street rally, higher foreign fund inflows and Saudi Aramco's confirmation of RAPID co-investment. Saudi Aramco's had signed an agreement to invest USD7bn and jointly develop and manage a refinery in the USD27bn RAPID project in Pengerang, Johor.

On the commodities front, oil prices rose after the International Energy Agency (IEA) assessment of OPEC's January production was well ahead of expectations at close to 90% compliance with targeted reduction levels. WTI crude ended at USD54/bbl (+1.8%) in February. On the other hand, CPO declined 8.6% MoM and closed at RM2770/MT, paring its losses after hitting 4-month low at RM2723/MT due to rising output and weak export demand.

Ringgit Malaysia closed at RM4.445/USD as at end of February (-0.3% MoM), but recorded an improvement of 1.0% year-to-date against the greenback. Overall, Ringgit had been relatively weaker against other major currencies. During the month, ringgit weakened against Korean won (-3.2% MoM), Taiwan dollar (-2.5% MoM), Australian dollar (-1.9% MoM) and Singapore dollar (-1.4% MoM).

Malaysia GDP recorded the strongest performance in four quarters in 4Q, expanding at a better-than-expected rate of 4.5% YoY, bringing 2016 GDP to 4.2% YoY. The healthy result was underpinned by acceleration in fixed investment and resilient private consumption. Exports also showed a significant improvement, growing at the fastest pace since 4Q 2015, thanks to a weaker ringgit and rising oil prices.

The FBM KLCI benchmark rose 1.33% for February month. FBM Small Cap and FBM100 outperformed the benchmark, recording gains of 2.18% and 1.76% respectively.

## Market Outlook & Fund Strategy

Focus will be on the FOMC meeting scheduled on 14-15 March as the US Federal Reserve's interest-rate hike expectations was notably higher premised on sustainable improvements in the US economic growth and labour market. By end of February, the market probability of a March rate-hike had risen to 80%, from around 30% in the beginning of the month. Potentially stronger US dollar, increased global trade protectionism and capital outflow from China continue to pose near-term volatility. Adding to market concern is the on-going uncertainty over Brexit negotiations and the French election in April. Despite that, both the IMF and World Bank predict a stronger economic growth this year. IMF is forecasting global economic to expand by 3.4% in 2017 and 3.6% in 2018 despite the uncertainty surrounding the policies of the US administration in its January 2017 World Economic Outlook report. The World Bank estimate global economic growth at 2.7%. Potential US interest rate hike could reverse capital inflows into emerging markets as carry trades are less attractive due to rising yields in the US, causing emerging market currencies to underperform.

More insights onto Malaysian economic outlook together with the latest key macroeconomic projections which include real GDP and CPI will be unveiled by the Bank Negara Malaysia in its latest Annual Report, which is due on 23 March 2017.

Stock picking remains key for outperformance. We continue to advocate a defensive portfolio strategy and buy on weakness into names driven by resilient earnings with exposure to selective themes like USD beneficiaries (exporters), GLC reform/restructuring plays, domestic consumption and infrastructure.

# 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%

## 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.