

# Hong Leong Smart Growth Fund (HLSGF)

May 2018

## 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.

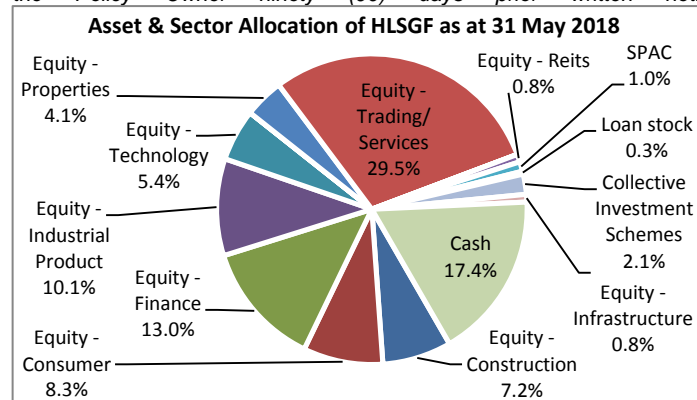
### 4. Target Market

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 (31/5/2018)	: RM1.804
Fund Size (31/5/2018)	: RM236.1mil
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 10 Holdings for HLSGF as at 31 May 2018

	%
1. TENAGA NASIONAL BHD	5.3
2. MALAYAN BANKING BERHAD	4.2
3. DIALOG GROUP BHD	3.7
4. YINSON HOLDINGS BHD	3.4
5. PETRONAS CHEMICALS GROUP BHD	2.9
6. GLOBETRONICS TECHNOLOGY BHD	2.7
7. LBS BINA GROUP BHD	2.7
8. FRASER & NEAVE HOLDINGS BHD	2.7
9. INARI AMERTRON BHD	2.6
10. CIMB GROUP HOLDINGS BHD	2.4
<b>Total Top 10</b>	<b>32.7</b>

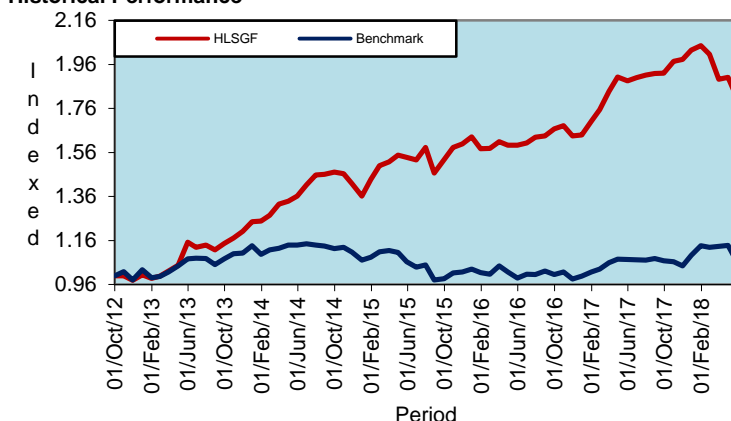
## Hong Leong Assurance Berhad (94613-X)

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## Historical Performance



	YTD	1 month	1 Year	3 Years	5 Years	Since Inception
HLSGF	-10.93%	-5.09%	-4.34%	17.32%	56.57%	80.40%
Benchmark*	-3.13%	-6.94%	-1.43%	-0.39%	-1.62%	5.92%
Relative	-7.80%	1.84%	-2.91%	17.71%	58.19%	74.48%

Source: Bloomberg

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

Major global equity indices remained mixed at the close of the month, with the FTSE 100 leading the charge with an impressive 2.2% gain, whereas the Euro Stoxx 600 tumbled 0.6% as the Italian election conflicts sparked fears of contagion throughout Europe. The three major U.S. indices managed to hold on to their marginal gains to close the month higher, despite the re-emergence of geopolitical uncertainties that had successfully dominated and dragged investors' sentiment down. The tech-laden Nasdaq was the best performer among all the major U.S. Wall Street indices, as it recorded a 5% gain, trumping both the S&P500 and the DJIA's May performance. MSCI Asia ex-Japan Index was down 1.6% in May as emerging markets in Asia experienced a month of significant sell-off by foreign funds. In local currency, the best performing markets were Taiwan (+2.0%) and Shenzhen (+1.2%), while the worst performing market were Malaysia (-6.9%) and Singapore (-5.1%). The key factors that depressed investor sentiment were the de-synchronization of global growth (US strong / Europe softer), USD strength, higher oil prices, the protracted nature of trade renegotiation, and now political developments in Italy adding pressure to European peripheral bonds. Markets were rattled by continued news of US-China trade conflicts after President Donald Trump announced that a final list involving US\$50bil in Chinese imports that would be subjected to 25% tariffs, would be released in mid-June, with investment restrictions on Chinese acquisitions of U.S. technology to be announced shortly thereafter. However, there appeared to some conciliation towards month end post the US Commerce department visit to China. At the close of the month, Trump administration also announced that it will place tariffs on steel and aluminium imports from the European Union, Mexico and Canada – a news that was immediately responded with threats of proportional reciprocal measures from all affected countries. Despite the recent rally which saw Brent crude reaching a 3 year high of US\$79.80 per barrel on 23 May, news of OPEC and its partners' possibly reviewing supply restrictions when they meet in June, have erased some of the gains recorded. Although global stockpiles have been broadly falling, a surprise rise in U.S. crude inventories have also weighed down on prices. Brent crude closed the month at US\$77.59 per barrel, down 2.8% from the recent high recorded in May. Nevertheless, it is still up 16% YTD 2018.

Despite the KLCI performing resiliently in the immediate aftermath of the stunning GE14, revelation of a larger-than-expected national debt of RM1tr as well as the cancellation of MRT Line 3 and High Speed Rail projects in the weeks that followed have spooked the market. We intend to take advantage of the market weakness to bottom fish on stocks which remain fundamentally attractive regardless of the latest change. Stock picking remains key for outperformance. We are cautiously optimistic and continue to be selective towards stocks with stable earnings and growing momentum. In the same time adopting a slightly more trading orientated approach to take advantage of the market volatility.

# Hong Leong Smart Growth Fund (HLSGF)

## Actual Annual Investment Returns for the Past Five (5) Calendar Years

Year	2013	2014	2015	2016	2017
Benchmark	10.5%	-5.7%	-3.9%	-3.0%	9.5%
HLSGF- Gross	27.8%	11.8%	23.1%	2.3%	27.1%
HLSGF - Net	24.1%	9.3%	19.8%	0.6%	23.5%

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 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	2013	2014	2015	2016	2017
Performance	26.4%	9.3%	20.9%	-0.1%	25.8%

## 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.