

# Hong Leong Smart Growth Fund (HLSGF)

June 2021

## 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

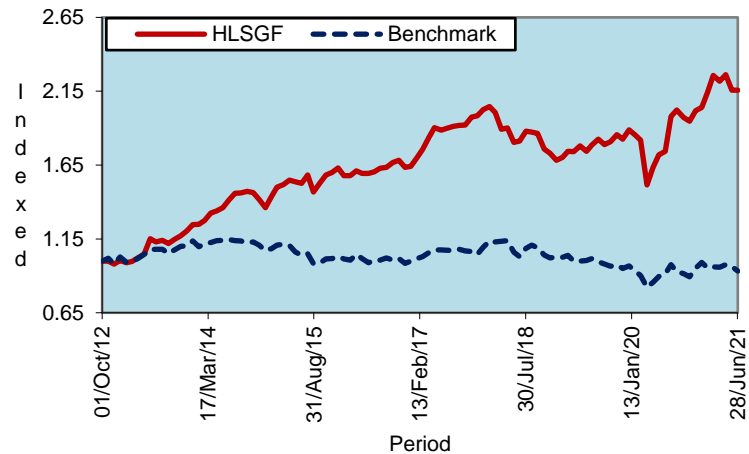
Unit Price (30/6/2021)	: RM2.1566
Fund Size (30/6/2021)	: RM225.2 mil
Fund Management Fee	: 1.50% p.a.
Fund Manager	: Hong Leong Assurance Berhad
Fund Category	: Equity
Fund Inception	: 01 Oct 2012
Benchmark	: FTSE Bursa Malaysia KLCI Index (FBM KLCI)
Frequency of Unit Valuation	: Daily

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 30 June 2021

	%
1. GREATECH TECHNOLOGY BHD	9.6
2. FRONTKEN CORPORATION BERHAD	9.0
3. REVENUE GROUP BHD	4.3
4. HONG LEONG FINANCIAL GROUP BHD	4.0
5. SUNWAY BERHAD	3.9
<b>Total Top 5</b>	<b>30.8</b>

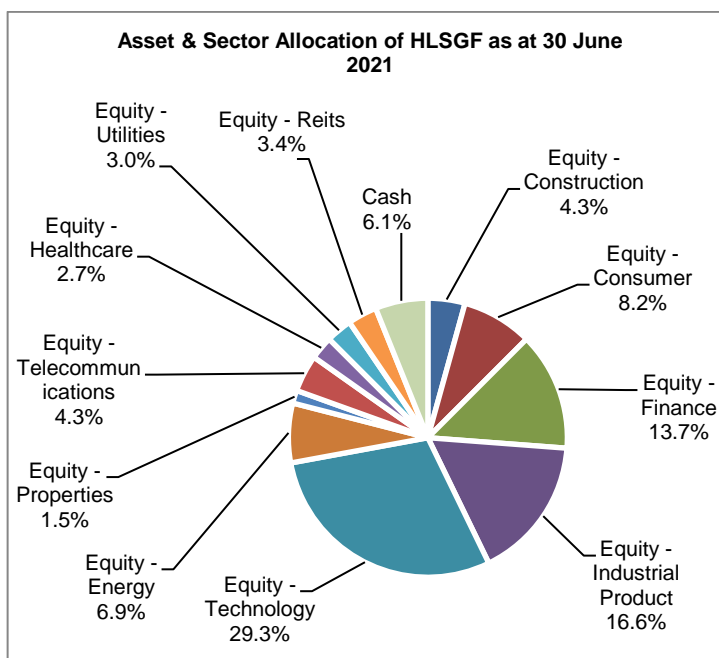
## Historical Performance



	YTD	1 month	1 Year	3 Years	5 Years	Since Inception
HLSGF	5.73%	0.00%	23.68%	19.00%	34.45%	115.66%
Benchmark*	-5.81%	-3.22%	2.11%	-9.39%	-7.34%	-6.74%
Relative	11.54%	3.22%	21.57%	28.40%	41.79%	122.40%

Source: Bloomberg

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



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

The US equity market took a dip mid-June from initial inflation fears and the Federal Reserve's hawkish announcement during the US FOMC meeting, before recouping its losses at the end of the month, closing higher as compared to May. The upward trajectory was mainly buoyed by the announcement by US President Joe Biden on a new infrastructure deal, which fueled the rally among major indices worldwide. The US Federal Reserve has announced that interest rates will be maintained close to zero at 0-0.25% for now. However, they expect to raise interest rates from rock bottom sooner than expected, with rates expecting to increase as soon as late 2022 or early 2023 and baby steps taken toward reducing emergency support for the economy, which includes cutting back on their vast bond purchases. Amidst the on-going global roll-out of vaccine administration, COVID-19 cases in the US have begun to plateau with only 1.2% increase from May to June at 33.7 million cases (compared to 33.3 million cases in May).

In Malaysia, a total lockdown came into effect in June due to the surge in COVID-19 cases. The government announced an additional RM40 billion Pemerkasa+ stimulus package to help mitigate the economic impact of the total lockdown. The government also unveiled its National Recovery Plan comprised of a four-phase exit strategy from the current Phase 1 lockdown. As of 29 June, Malaysia has administered 7.8 million vaccine doses (5.6 million first doses and 2.2 million second doses). This translates to 17.2% of the population having received their first dose, and 6.8% of the population being fully inoculated.

Malaysia's unemployment rate slipped to 4.6% in April, an improvement from 4.7% in March, and the lowest since October last year, on easing curbs for the economy but the impact of the total lockdown may weigh on the recovery. World Bank revised Malaysia's 2021 GDP forecast down to 4.5% from 6.0% earlier amid a dramatic resurgence of COVID-19 infections.

The KLCI and FBM Shariah Index declined 3.22% and 4.66% respectively in June. Meanwhile, the FBM Small Cap Index fell 3.56%. Foreign investors remain net sellers of Malaysia equities for the 23rd consecutive month. Net selling was RM1.2 billion in June, taking year-to-date net selling to RM4.2 billion. Brent crude oil rose 8.38% to US\$75.10/barrel while CPO declined 8.17% to RM3,599/ton.

While the global economy continues on its recovery path led by developed markets, the risk of a significant pickup in inflation and COVID-19 flareups in some parts of the world could create some volatility. Nonetheless, accommodative monetary policies by global central banks and strong fiscal stimulus are overall supportive for global equities. We remain buyers on market weakness.

We maintain a barbell investment strategy, focusing on recovery/re-opening and structural growth themes. For recovery themes, we focus on cyclical sectors such as consumer discretionary (retail and leisure), energy and materials. For structural growth theme, we like sectors such as technology, electronics manufacturing services (EMS) and renewable energy.

### Actual Annual Investment Returns for the Past Nine (9) Calendar Years

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

Net returns are adjusted for tax and fund management fees.

Those are the actual returns in the past nine (9) 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.

**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.
- 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.

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## 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:

- a) having a flexible tactical asset allocation
- b) investing in a wide range of companies across different sectors
- c) setting prudent investment limits on various exposures
- d) taking into account the liquidity factor in selecting securities
- e) engaging in the hedging of foreign currency exposure where appropriate

## 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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Performance	19.1%	14.1%	26.4%	9.3%	20.9%	-0.1%	25.8%	-18.1%	13.5%	8.9%

## 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.