Hong Leong Smart Growth Fund (HLSGF)

Aug 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.

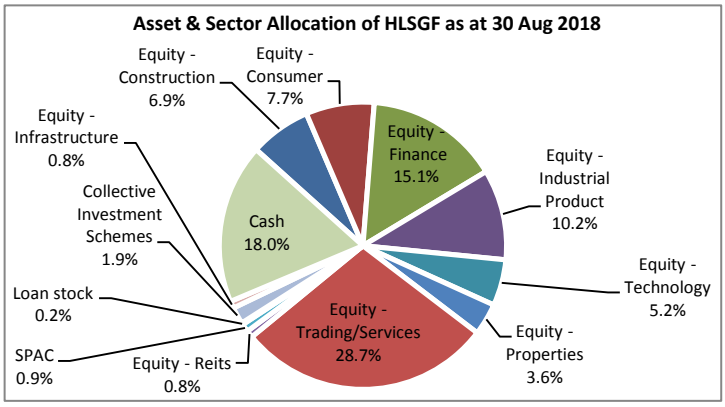
3. Asset Allocation
Under normal market conditions, the Target Fund's equity exposure is expected to range from 75% to 95% of the Target Fund's NAV with the balance in money market instruments, fixed deposits and/or cash.

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

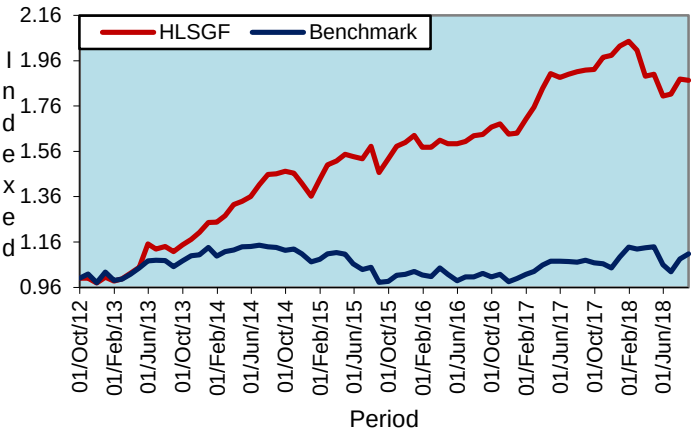
Unit Price (30/8/2018)	: RM1.8735
Fund Size (30/8/2018)	: RM242.4mil
Fund Management Fee	:1.50% p.a.
Fund Manager	:Hong Leong Assurance Berhad
Fund Category	: Equity
Fund Inception	:01 Oct 2012
Benchmark	:FTSE Bursa Malaysia KLCI Index (FBM KLCI)
Frequency of Unit Valuation	:Daily

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 30 Aug 2018		%
1.	TENAGA NASIONAL BHD	5.5
2.	MALAYAN BANKING BERHAD	4.3
3.	DIALOG GROUP BHD	3.7
4.	YINSON HOLDINGS BHD	3.4
5.	PETRONAS CHEMICALS GROUP BHD	3.0
6.	GLOBETRONICS TECHNOLOGY BHD	2.8
7.	LBS BINA GROUP BHD	2.6
8.	PUBLIC BANK BHD	2.5
9.	INARI AMERTRON BHD	2.4
10.	CIMB GROUP HOLDINGS BHD	2.4
	Total Top 10	**32.6**

Historical Performance



	YTD	1 month	1 Year	3 Years	5 Years	Since Inception
HLSGF	-7.50%	-0.32%	-2.39%	27.72%	67.58%	87.35%
Benchmark*	1.27%	1.98%	2.62%	12.83%	5.33%	10.73%
Relative	-8.77%	-2.31%	-5.01%	14.89%	62.25%	76.62%

Source: Bloomberg

Market Review, Outlook & Strategy relevant to Target Fund

US stock indices ended positively in August led by solid US corporate earnings, despite the intra-month volatility caused by the on-going trade negotiations between the US and international trade partners. U.S. consumer spending increased a solid 0.4% in July, the sixth straight month of healthy gains, suggesting strong economic growth early in the 3Q18, while a measure of underlying inflation hit the US Federal Reserve's 2% target for the third time this year. Elsewhere, investors were focused on emerging markets, including Turkey and Argentina, which are both embroiled in currency crises that Wall Street fears could have knock-on effects across the globe.

MSCI Asia ex-Japan Index was down 1.3% in August. A strengthened USD contributed to the overall market weakness with US Dollar Index appreciated by 0.6%. Best performers were India (+2.8%), Philippines (+2.4%), and Malaysia (2.0%) while worst performers were Singapore (-3.2%) and Hang Seng (-2.4%).

The KLCI ended August with a 2.0% mom gain to close at 1,820 points and turned positive in 8M18 (+1.3%). The KLCI also outperformed the MXASJ and small cap sector in August. 2Q18 GDP growth of 4.5% YoY was reported in August, which was below market expectations. This was the slowest pace since 4Q16 as the country's mining and agriculture sectors contracted at -2.2% and -2.5% respectively. Nevertheless, the underlying data are better than the headline implies. The domestic demand growth accelerated to 5.6% YoY from 4.1% YoY in 1Q18 driven by consumption. The Sales and Service Tax (SST) will be reintroduced on September 1 with proposed sales tax at 5% and 10%, while service tax at fixed rate of 6%. The government is drawing up new directions for the 11th Malaysia Plan which will be tabled in the Parliament in October.

Malaysia saw net foreign outflows of RM98.9mn worth of shares in August (vs -RM1.7bn in July 2018, -RM4.9bn in June18), bringing the total YTD net selling to MYR8.6bn. For the month, WTI futures rose by 1.5%, while Brent futures increased by 4.3%. The Ringgit declined by 1.1% against USD while 10Y MGS yields fell by 0.8% mom to 4.04%.

Key risks to markets remain escalation of the US-China trade wars and also monetary tightening by global central banks. We can expect some policy divergence ahead as central banks are balancing growth risks and macro stability.

We remain defensive overall, while focusing on stock picking for outperformance. We continue to favour beneficiaries of the weak ringgit like exporters/tech, selective oil & gas names due to higher oil prices, stocks related to domestic consumption, as well as healthcare and tourism.

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 Fascimile 03-7650 1991
Customer Service Hotline 03-7650 1288 Customer **Service Hotfax** 03-7650 1299

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
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	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.