

Hong Leong SMART Growth Fund (HLSGF)

October 2022

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, such as warrants and convertible loan stocks which are capable of being converted into new shares. The Target Fund may invest up to 25% of the Fund's NAV in foreign capital markets, which may include but not limited to Singapore, Indonesia, Thailand, Philippines, Vietnam, India, Hong Kong, China, Japan, Korea, Taiwan, Australia, United States of America and any other Eligible Markets where the regulatory authority is an ordinary or associate member of the International Organization of Securities Commissions. The Target Fund does not have an active asset allocation strategy but seeks to manage portfolios by investing in companies that satisfy the criteria of having a sustainable and credible business model, and are also trading at a discount to their intrinsic value. However, under conditions of extreme market volatility and/or when the market is trading at valuations deemed unsustainable, the Fund will seek to judiciously scale back its equity exposure.

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.

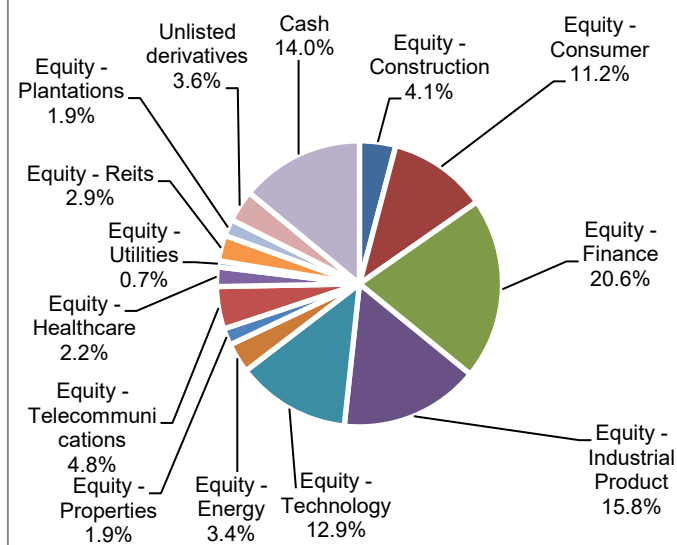
Fund Details

Unit Price (31/10/2022)	: RM1.9745
Fund Size (31/10/2022)	: RM182.3 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.

Asset Allocation for HLSGF as at 31 Oct 2022	%
Kenanga Growth Fund	99.91
Cash	0.09
Total	100.0

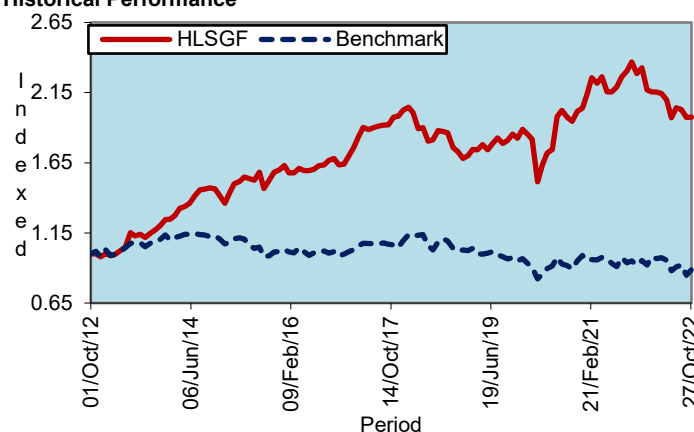
Asset & Sector Allocation of HLSGF as at 31 October 2022



Top 5 Holdings for HLSGF as at 31 Oct 2022

	%
1. Frontken Corporation Berhad	5.7
2. Hong Leong Financial Group Berhad	3.8
3. RHB Bank Berhad	3.5
4. Sunway Berhad	3.4
5. PETRONAS Chemicals Group Berhad	3.3
Total Top 5	19.7

Historical Performance



	YTD	1 month	1 Year	3 Years	5 Years	Since Inception
HLSGF	-15.10%	0.12%	-16.63%	6.45%	-0.02%	97.45%
Benchmark*	-6.84%	4.71%	-6.52%	-8.61%	-16.45%	-11.13%
Relative	-8.26%	-4.59%	-10.11%	15.06%	16.44%	108.58%

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

US equities rebounded strongly in October, with the Dow Jones Index, S&P500 and Nasdaq increasing by 14.0%, 8.0% and 3.9% respectively. However, on a Year-to-date basis, the Dow Jones Index, S&P500 and Nasdaq declined by 9.9%, 18.8%, and 29.8% respectively.

October gains have come despite a mixed third-quarter earnings season, which has shown slowing growth and major disappointments from large tech companies such as Meta and Amazon. Meanwhile, US CPI inflation eased to 8.2% YoY in September, from 8.3% YoY in August but above consensus estimate of 8.1% YoY. Additionally, core CPI inflation (excluding food and energy) increased at the fastest pace since Mar 2022, up 6.6% YoY, from 6.3% YoY in August. With regards to the monetary policy, the US Federal Reserve (Fed) is expected to hike interest rates by 75 basis points to between 3.75-4.00% in the November FOMC meeting which marks the fourth back-to-back 75 basis point hike since June 2022. Fed governor, Jerome Powell pushed back the idea of a Fed pause and also hinted that the Fed isn't as close to the end of its tightening cycle as investors had expected as the fight to control inflation is not over. The Fed also said that an "on-going increase" will likely be needed to bring rates to a level that are "sufficiently restrictive to return inflation to 2% over time and it is very premature to be thinking about pausing". In addition to the rate hikes, the Fed will continue with its plan to reduce its balance sheet. The FOMC also revised its forecast for US growth to only 0.2% in 2022, from 1.7% previously.

Moving to Europe, the Euro STOXX 50 closed 9% higher in October, closely tracking Wall Street gains. The European Central Bank (ECB) raised interest rates by 75 basis points to 1.5% in its October meeting in order to tackle soaring inflation. The ECB indicated that its future policy rate path will continue to be data-dependent, which will help to deliver on its 2% inflation target over the medium term. ECB governor Christine Lagarde said that ECB must keep raising interest rates to fight-off inflation, even if the probability of a Eurozone recession has increased, as they are willing to do what is necessary to bring inflation back to the 2% target. The ECB has raised interest rates by a combined 200 basis points over the past 3 meetings and investors are expecting another interest rate hike of 50 or 75 basis point in December. The preliminary data from the European statistics office showed that headline inflation in the Eurozone rose above 10% level in the month of October, highlighting the severity of the cost of living in the region and adding more pressure on the ECB.

In Asia, China/Hong Kong underperformed while ASEAN markets were mostly up. The MSCI Asia ExJapan fell by 6.1% while the MSCI ASEAN was up 1.4%. Outperformers were the Philippines (PCOMP +7.2%), Korea (KOSPI +6.4%), and Japan (Nikkei 225 +6.4%). Underperformers were Hong Kong (HangSeng -14.7%), Shanghai (SHCOMP -4.3%), and Taiwan (TWSE -3.5%) in local currency. In China, Xi Jinping secured a historic third term as China leader on 23 October 2022 and made clear that the party is determined to continue with its stringent Zero-Covid approach. Meanwhile, Taiwan and Korea were impacted by concerns over the global slowdown.

Locally, the FBM KLCI rose 4.7% in October to 1,460 after falling 7.8% in September. YTD, the FBMKLCI, FBM100, FBM Small Cap and FBM Shariah index fell by 6.8%, 8.4%, 20.2%, and 25.3% respectively. Bank Negara Malaysia (BNM) is expected to hike interest rate by 25 basis point to 2.75% on the November meeting and another 25-basis point hike early next year is probable to bring the overnight policy rate back to the pre-pandemic level of 3%. Nonetheless, inflation remains suppressed by the Government's decision to keep electricity and water tariff rates unchanged for the time being. On fund flows, foreign investors were net sellers for the month at RM601m. This reduced the cumulative foreign net inflow for 10M'2022 to RM6b. The top 3 best-performing sectors in October were Healthcare (+15.2%), Transport (+11.7%), and Plantation (+6.3%). The top three worst performing sectors were Technology (-3.8%), Construction (-1.2%), and REIT (-0.5%).

On to commodities, Brent rebounded strongly to close at USD94.8/bbl, an increase of 8% MoM due to OPEC+ impose deep production cut by 2 million barrels per day, defying US pressure. Meanwhile CPO prices closed at RM4,054, an increase of 18.7% MoM as the prices are expected to be continuously supported by supply constraints amid unfavourable geopolitical development in Russia and Indonesian palm oil export friendly policies.

Global markets could continue to remain volatile, as economies are still grappling with high inflation and dealing with an aggressive hiking cycle by global central banks. Nonetheless, the more aggressive Fed rate hikes and easing supply chain tightness could lead to a reduction in inflation over time. Should inflation decline, the Fed could signal a pause or a more accommodative stance which would be positive for market sentiment.

While global equity markets could stay volatile in the near term, the domestic equity market could be relatively less affected given its record low foreign shareholding of 20.2%. Malaysia continues to benefit from robust domestic economic activity and controlled inflation via subsidies but remains sensitive to global growth given the high proportion of exports to GDP.

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

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.

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Benchmark	2.8%	10.5%	-5.7%	-3.9%	-3.0%	9.5%	-5.9%	-6.0%	2.4%	-3.7%
HLSGF- Gross	3.3%	27.8%	11.8%	23.1%	2.3%	27.1%	-16.8%	15.0%	10.3%	17.1%
HLSGF - Net	1.6%	24.1%	9.3%	19.8%	0.6%	23.5%	-17.0%	12.3%	8.0%	14.0%

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.

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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.

8. Warrant and Convertible Loan Stock Risk

The price of the warrant and convertible loan stock are typically linked to the underlying stock. However, it generally fluctuates more than the underlying stocks due to the greater volatility of the warrants market. The fluctuation may have a great impact on the value of the funds. Generally, as the warrants have a limited life, they will depreciate in value as they approach their maturity date, assuming that all other factors remain unchanged. Warrants that are not exercised at maturity become worthless and negatively affect the NAV of the Fund. Convertible loan stocks must be converted to the underlying stock at a predetermined conversion ratio and conversion rate, and in the event the total costs of converting into underlying stock is higher than the market price of that the underlying stock, it will negatively affect the NAV of the Fund.

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:

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

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	2017	2018	2019	2020	2021
Performance	14.1%	26.4%	9.3%	20.9%	-0.1%	25.8%	-18.1%	13.5%	8.9%	14.4%

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.

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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.