Hong Leong Assurance

Hong Leong SMART Growth Fund (HLSGF)

August 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 markets, which may include but not limited to Singapore, Vietnam, 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.

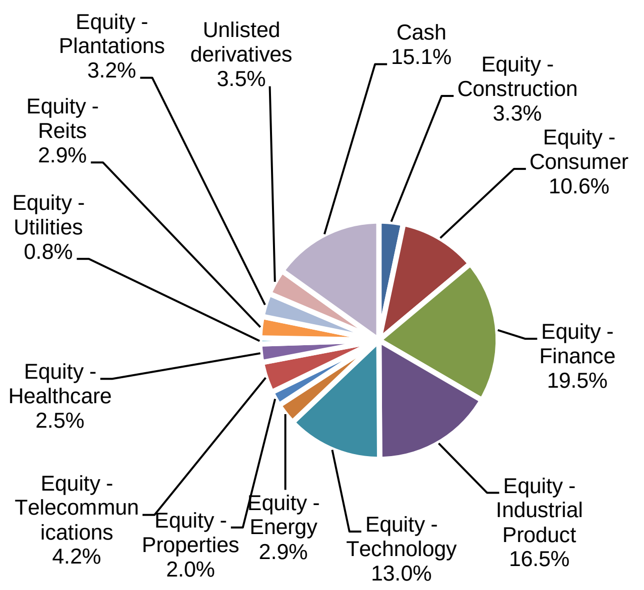
Fund Details

Unit Price (30/8/2022)	: RM2.0311
Fund Size (30/8/2022)	: RM189.5 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.

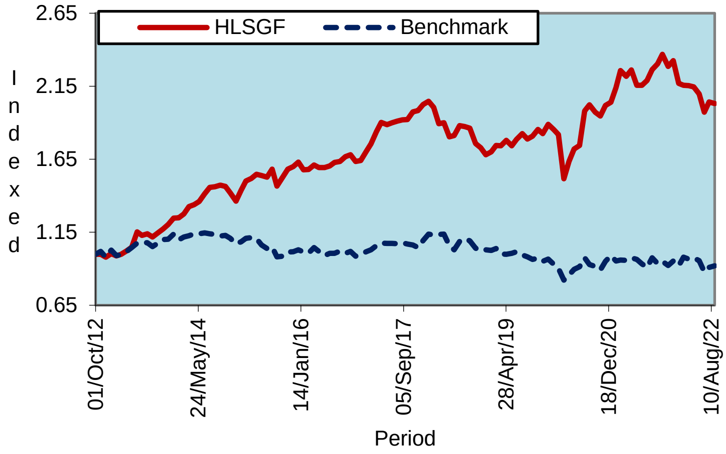
Asset Allocation for HLSGF as at 30 August 2022	%
Kenanga Growth Fund	99.97
Cash	0.03
Total	**100.0**

Asset & Sector Allocation of HLSGF as at 30 August 2022



Top 5 Holdings for HLSGF as at 30 August 2022		%
1.	FRONTKEN CORPORATION BERHAD	6.6
2.	HONG LEONG FINANCIAL GROUP BHD	3.8
3.	RHB BANK BERHAD	3.1
4.	SUNWAY BERHAD	3.7
5.	PETRONAS Chemicals Group Berhad	3.3
	Total Top 5	20.6

Historical Performance



	YTD	1 month	1 Year	3 Years	5 Years	Since Inception
HLSGF	-12.66%	-0.53%	-10.24%	13.54%	5.83%	103.11%
Benchmark*	-3.54%	1.33%	-5.58%	-6.21%	-14.73%	-7.99%
Relative	-9.12%	-1.86%	-4.67%	19.75%	20.55%	111.10%

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

Global equities were mixed in August, with most markets sliding towards the end of the month in reaction to more hawkish than expected signaling from the US Federal Reserve (Fed) at its Jackson Hole conference. US equities in particular were among the hardest hit, with the S&P 500 ending 4.1% lower for the month and giving up a chunk of gains from its bumper 9.1% MoM rise in July. The Nasdaq also dipped 4.6% following a 12.4% rise in July. At the conference, Fed chairman Powell mentioned the need for ‘a lengthy period’ of restrictive monetary policy and acknowledged ‘unfortunate costs’ of reducing inflation, shaking prior views of potential rate cuts as early as 1H23. The still strong US jobs market is a factor often attributed to the Fed’s drive to tighten; for which the end-August initial jobless claims data again came below expectations at 232k, easing from 243k the week before to a 2-month low. Notably, the US Dollar extended strength amidst the risk-off environment, with the Dollar spot index rising 2.6% MoM to reach a two-decade high. Over in Europe, the Euro STOXX 50 fell 5.1% MoM on similar concerns of inflation and rate hikes. Eurozone inflation pushed new record highs at 9.1% in August from 8.9% in July, with high levels expected to persist given the burgeoning energy crisis in the region. The market is expecting another 50-75bps hike of the benchmark deposit rate from the European Central Bank’s (ECB) September meeting, following its 50bps hike in July.

Asian equities fared better in August, with the MSCI Asia ex-Japan easing 0.2% MoM, albeit following a 1.7% fall in July. China/HK continued to drag, with the Shanghai Composite and Hang Seng easing 1.6% and 1% respectively. The month saw the emergence of more support measures from the Chinese government including an additional CNY1 trillion in stimulus, while the People's Bank of China (PBOC) lowered multiple interest rates such as the loan prime rate, medium-term lending facility (MLF) rate, and repo rate. Other Asian markets posted positive returns in local currency terms such as India (Sensex +3.4%), Korea (KOSPI +0.8%), and Taiwan (TWSE +0.6%). ASEAN proved resilient with the MSCI ASEAN rising 1.3%, with leaders in local currency terms being Philippines (PCOMP +4.2%) and Thailand (SET +4%).

Locally, the FBM KLCI rose 1.3% in August, slightly edging out the broader FBM 100 which rose 0.9%. Sentiment was supported by relatively strong economic data over the month, chiefly 2Q22 GDP growth which came in at a bumper 8.9%, exceeding street expectations of 7% and accelerating from 5% in 1Q22. June industrial production growth of 12.1% also exceed an expected 4.9%, while July exports kept a strong pace at +38% YoY despite coming off 38.8% growth in June. The 2Q22 corporate reporting season was relatively inline though with some earnings beats in large caps especially in the financials and telco space. Notably, state-owned Petronas also announced strong 2Q22 results, supporting the declared doubling of dividends to government to RM50 billion. This inflow temporarily provides comfort to the domestic fiscal balances ahead of Budget 2023, which is planned to be tabled to Parliament in early October. Finally, foreign flows also picked up in August after dipping over June-July, notching RM1.98 billion in net inflows and bringing the YTD net foreign buying to RM8.25 billion.

Commodities generally remained soft in August. Brent crude oil fell 12.3% to USD96.5/bbl over the month, as fears of weakened demand in a recessionary scenario outweighed the threat of potential upcoming supply cuts from OPEC. CPO prices eased 3.4% over the month, and has begun showing signs of stabilisation as Indonesia reported a decrease in its stockpiles and reinstated export taxes starting September.

Global equity markets are expected to remain volatile in the near term reflecting the uncertainty around peak inflation, monetary tightening, and persistent geopolitical tensions. Key to watch are indicators of more substantial economic slowdown, corporate earnings weakness, and potential turning points in central bank or government policies. There remain pockets of opportunities in areas where fiscal support or still-strong end demand is present. 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.

Our strategy remains tilted towards a defensive stance, with focus on recovery themes or companies with strong fundamentals and cash flow generation abilities. Sector wise, we prefer financials, consumer and industrials. For structural growth themes such as tech, we remain buyers on market weakness for its longer-term potential.

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.

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.

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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 that 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:

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	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.

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.