

Hong Leong Smart Growth Fund (HLSGF)

Feb 2020

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

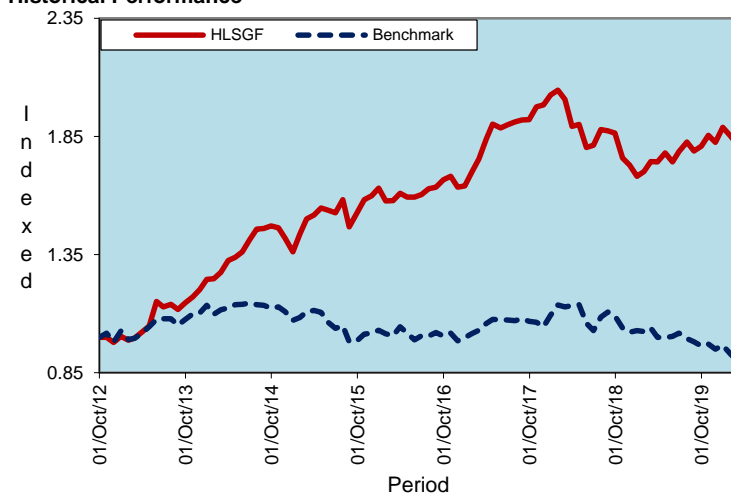
Unit Price (28/2/2020)	: RM1.8183
Fund Size (28/2/2020)	: RM208.8mil
Fund Management Fee	: 1.50% p.a.
Fund Manager	: Hong Leong Assurance Berhad
Fund Category	: Equity
Fund Inception	: 01 Oct 2012
Benchmark	: FTSE Bursa Malaysia KLCI Index (FBM KLCI)
Frequency of Unit Valuation	: Daily

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 28 Feb 2020

	%
1. TENAGA NASIONAL BHD	5.8
2. YINSON HOLDINGS BHD	5.1
3. PENTAMASTER CORP BHD	4.5
4. DIALOG GROUP BHD	4.3
5. FRONTKEN CORP BHD	4.2
Total Top 5	24.0

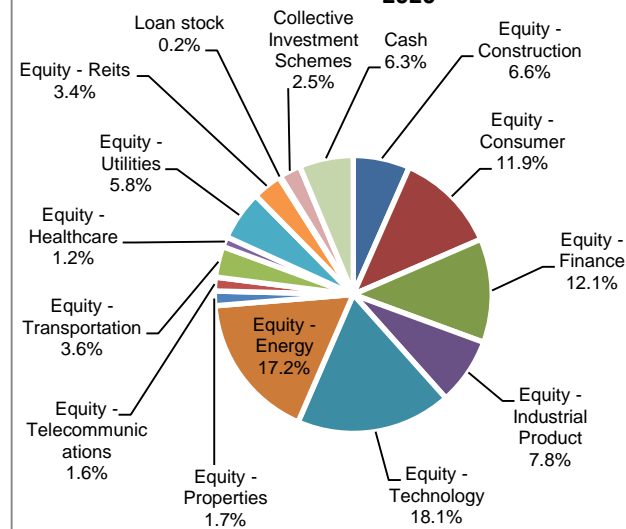
Historical Performance



	YTD	1 month	1 Year	3 Years	5 Years	Since inception
HLSGF	-3.74%	-1.87%	4.28%	3.60%	21.16%	81.83%
Benchmark*	-6.68%	-3.16%	-13.18%	-12.47%	-18.59%	-9.78%
Relative	2.94%	1.30%	17.46%	16.06%	39.75%	91.61%

Source: Bloomberg

Asset & Sector Allocation of HLSGF as at 28 Feb 2020



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Hong Leong Smart Growth Fund (HLSGF)

Market Review, Outlook & Strategy relevant to Target Fund

Global equity markets experienced a sharp sell-off in February amid rising concerns over the impact of COVID-19 virus on economic activities and global growth. The virus started to spread in end-January in Hubei, China causing the delay of work resumption after CNY in many cities and affected the supply chain of automotive, technology and e-commerce. Thereafter, when number of daily new cases peaked and recovery rate improved in China, other countries including South Korea, Italy, Iran and Japan started to emerge as new centers of virus infection, curbed any optimism that the virus is under control although World Health Organisation (WHO) has yet to declare it a pandemic. As a result, China's official manufacturing PMI dropped to 35.7 in February, even lower than 38.8 reported in November 2008 and non-manufacturing PMI also dropped from 54.1 in January to 29.6 in February, the lowest since November 2011. In response to that, PBOC has lowered market interest rates and rolled out credit supports for corporates as well as fiscal stimulus in the form of targeted tax cuts, waiver of social security contributions by enterprises etc.

Developed Markets (-8.6%) underperformed Emerging Markets (-5.3%) in February, led by US which saw DJIA fell 10.1% and Euro STOXX 50 went down 8.6%. In the region, MSCI Asia ex-Japan lost 2.9% led by Australia (-8.2%), India (-6.0%) and Korea (-6.2%). MSCI ASEAN plunged 9.3% in the month, dragged by Thailand (-11.5%), Indonesia (-8.2%) and Philippines (-5.7%). Crude oil prices extended losses from January with both WTI and Brent fell 11-13% in the month as oil majors projected significant drop in oil demand this year due to the virus and OPEC+ awaited Russia's response to its proposal to cut output further. In Asia, Malaysian Ringgit and Indonesian Rupiah were the weakest currencies, depreciated 2.86% and 4.86% respectively against US Dollar.

On the local front, weak sentiment from lower-than-expected 4Q19 GDP growth (+3.6% YoY) and unexcited corporate earnings was exacerbated by political turmoil following Tun Mahathir's resignation as Prime Minister and the ruling government lost its Parliamentary majority. The King has later appointed Muhyiddin Yassin as the 8th Prime Minister of Malaysia but we still do not have cabinet in place. A stimulus package worth RM20b was unveiled but FBMKLCI still closed 3.2% lower in local currency terms while FBM100 and FBM Small Cap indices dropped by 3.8% and 4.1% respectively.

In the near term, markets are likely to remain subdued as daily additions of new COVID-19 cases outside of China continue to rise. 1Q20 economics data may see a sharp decline and come in lower-than-expected but key concern is the pace of recovery in 2Q20 onwards. Other than measures to contain the virus, increasing policy support from major central banks should ensure sufficient liquidity in the system to help cushion the negative impact.

Given the anticipated market volatility, we position defensively while focusing on stock picking for outperformance. We continue to favour high dividend yielding stocks which provide some defensiveness and should continue to do well in a low yield environment. Fiscal stimulus, if it happens, will benefit cyclical sectors such as infrastructure, property and building materials.

Actual Annual Investment Returns for the Past Eight (8) Calendar Years

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

Net returns are adjusted for tax and fund management fees.

Those are the actual returns in the past eight (8) 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.

- 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.
- 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.
- 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.
- 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.
- Country Risk**
The foreign investment of a fund may be affected by the political & economic conditions of the country which the investments are made.
- 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.
- Concentration Risk**

Hong Leong Smart Growth Fund (HLSGF)

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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Performance	32.7%	19.1%	14.1%	26.4%	9.3%	20.9%	-0.1%	25.8%	-18.1%	13.5%

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.