

# Hong Leong SMART Growth Fund (HLSGF)

May 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

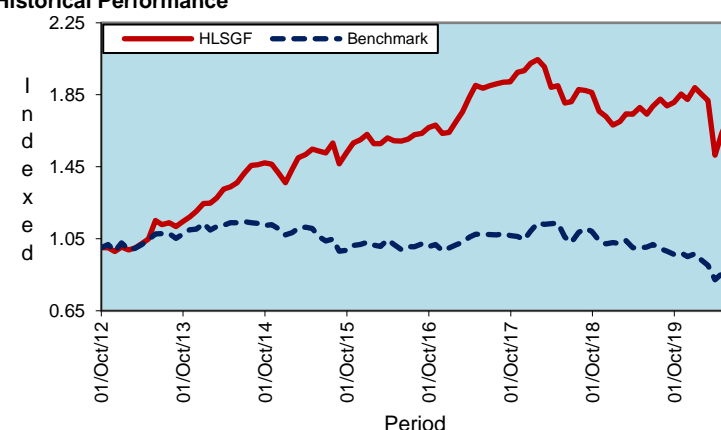
Unit Price (29/5/2020)	: RM1.7191
Fund Size (29/5/2020)	: RM198.2mil
Fund Management Fee	: 1.50% p.a.
Fund Manager	: Hong Leong Assurance Berhad
Fund Category	: Equity
Fund Inception	: 01 Oct 2012
Benchmark	: FTSE Bursa Malaysia KLCI Index (FBM KLCI)
Frequency of Unit Valuation	: Daily

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 29 May 2020

	%
1. TENAGA NASIONAL BHD	6.1
2. FRONTKEN CORP BHD	5.4
3. DIALOG GROUP BHD	4.9
4. PENTAMASTER CORP BHD	4.8
5. KOSSAN RUBBER INDUSTRIES	4.4
<b>Total Top 5</b>	<b>25.6</b>

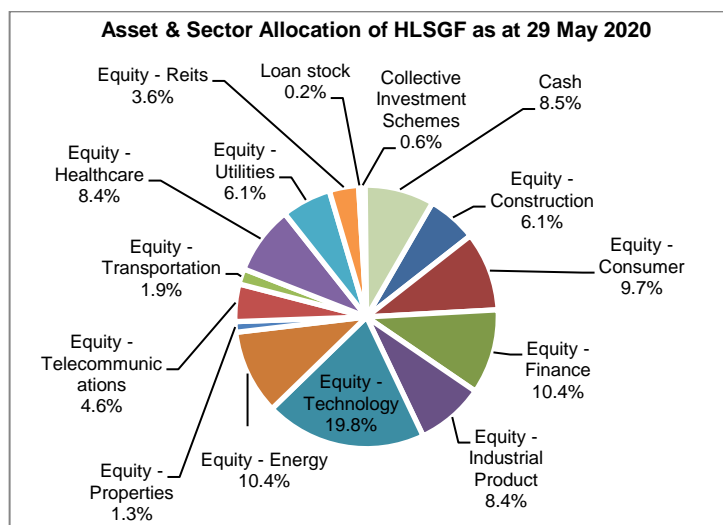
## Historical Performance



	YTD	1 month	1 Year	3 Years	5 Years	Since inception
HLSGF	-8.99%	5.14%	-1.31%	-8.84%	11.80%	71.91%
Benchmark*	-7.27%	4.65%	-10.75%	-16.57%	-15.69%	-10.35%
Relative	-1.72%	0.49%	9.44%	7.73%	27.49%	82.26%

Source: Bloomberg

## Asset & Sector Allocation of HLSGF as at 29 May 2020



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

Global markets rose in May, finding support from unprecedented fiscal and monetary stimulus and retracing most the losses from February/March. Major indices in the US were positive with the S&P500, Dow Jones and Nasdaq rising by 4.5%, 4.3% and 6.8% respectively. There were some positive developments on the vaccine front, which provided some positive sentiment for markets. Nevertheless, developments with regards to vaccine are far from being regarded as conclusive or comprehensive yet, but it is a big step in the right direction. Another major theme in May was the reopening of economies which raised hopes that economic activity will rebound quickly.

Nonetheless, economic data continue to worsen with the US reporting 1Q annualized GDP at -5% compared to 2.1% in 4Q. Nominal retail sales contracted 16.4% month-on-month (MoM) in April while retail sales excluding autos, gasoline, building materials and food services contracted 15.3% MoM in April. Unemployment rate was at 14.7% in April. The Euro area Markit manufacturing PMI, which is contractionary, came in at 39.5 in May. Retail sales contracted 11.2% MoM seasonally adjusted in March compared to 0.6% expansion in February. Consumer confidence was at -18.8 for May.

Asian equities performance, in particular was impacted by re-escalation of US-China tensions and the negative earnings revisions. During the month of May, MSCI Asia ex-Japan Index dropped by 1.4%, led by Hong Kong (-6.8%), Singapore (-4.3%) and India (-3.8%) but bolstered by positive performances in Korea (+4.2%), Thailand (+3.2%) and Philippines (+2.4%). All Asian countries saw downward revisions in earnings. Philippines, Malaysia and Singapore saw the highest negative earnings revisions together with the others like Korea, China and Taiwan.

On the commodity front, oil prices saw an extremely strong month with WTI and Brent prices were up by 88.4% and 39.8% respectively. WTI closed at USD35 per barrel and observed its best monthly gain after September 1990. Renewed demand as US and other major economies come out of lockdown, coupled with strict global supply cuts pushed prices higher. Saudi cuts oil output by another 1 million barrel a day over and above agreed earlier in the OPEC+ accord. Gold prices gained 2.6% to close at USD1,730 per ounce amid gloomy US economic data and escalating US-China tensions.

Locally, FBMKLCI gained 4.7% to 1,473 points, driven by liquidity in the market, outperforming the MSCI Asia Pacific ex-Japan Index (MXASJ), which fell by 1.4%. Among the ASEAN markets, the KLCI performed the best, thanks to the share price rallies in the glove players and pick-up in retail interests. The glove manufacturers' spectacular rise has single-handedly brought the FBMKLCI into a bull market territory. 1Q20 results season featured fewer results announcements as companies chose to defer announcements until June. Generally more earnings disappointments than positive surprises with weakness mostly linked to aviation, consumer, property, most of the oil and gas segments and banks.

Bank Negara Malaysia cut its benchmark interest rate by 50 basis points to 2%, the most since early 2009, as it seeks to bolster its newly reopening economy amid the coronavirus pandemic. Malaysia's GDP grew at a slower pace of 0.7% in the first quarter from a year earlier, better than expected in spite of the impact of the coronavirus pandemic on exports and domestic demand. Foreign investors net sold RM3 billion worth of Malaysia equities in May 2020, which was the second month of Malaysia's MCO (since 18 March 2020). This brings the cumulative net sell to RM13.4 billion for January-May 2020, which has exceeded 2019's RM11 billion. Ringgit depreciated by 1% against USD to 4.35 in May, in line with other Asian currencies.

Despite near term improvement in sentiment as economies re-open, global markets are expected to remain volatile as markets digest the longer term effects of the recession. Global growth remains deep in recessionary territory with most indicators recording historically worst prints. Nonetheless, an improvement in 3Q is expected, as economies come out of lockdown. Governments and central banks remain supportive, with historic fiscal support and various liquidity programs. Key risks include the possibility of a second or third wave of infections requiring further lockdowns and renewed worries on US-China trade tensions as Trump mounted attacks on China's handling of Covid-19 pandemic.

With economic data still worsening and downside risk to corporate earnings, we continue to remain selective on sectors which are less affected by the crisis. We prefer defensive sectors such as utilities, consumer staples and healthcare while maintaining an overweight in technology and internet names due to decent earnings growth. In the near term, we will adopt a trading strategy to take advantage of market volatility.

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

Year	2012	2013	2014	2015	2016	2017	2018	2019
<b>Benchmark</b>	2.8%	10.5%	-5.7%	-3.9%	-3.0%	9.5%	-5.9%	-6.0%
<b>HLSGF- Gross</b>	3.3%	27.8%	11.8%	23.1%	2.3%	27.1%	-16.8%	15.0%
<b>HLSGF - Net</b>	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.

### 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.

## 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

- 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	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.