

Hong Leong Smart Growth Fund (HLSGF)

Jul 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.

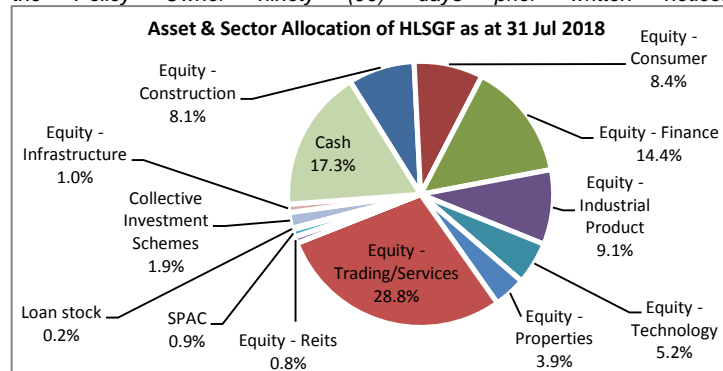
4. Target Market

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 (31/7/2018)	: RM1.8796
Fund Size (31/7/2018)	: RM245.4mil
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 31 Jul 2018

	%
1. TENAGA NASIONAL BHD	5.6
2. MALAYAN BANKING BERHAD	4.2
3. DIALOG GROUP BHD	3.5
4. YINSON HOLDINGS BHD	3.4
5. PETRONAS CHEMICALS GROUP BHD	3.0
6. LBS BINA GROUP BHD	2.8
7. GLOBETRONICS TECHNOLOGY BHD	2.6
8. INARI AMERTRON BHD	2.6
9. CIMB GROUP HOLDINGS BHD	2.5
10. PUBLIC BANK BHD	2.5
Total Top 10	32.6

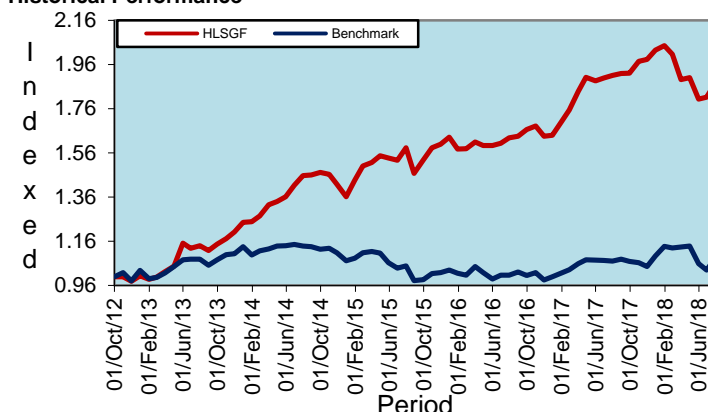
Hong Leong Assurance Berhad (94613-X)

Level 3, Tower B, PJ City Development, No. 15A, Jalan 219, Seksyen 51A, 46100 Petaling Jaya, Selangor.

Telephone 03-7650 1818 Facsimile 03-7650 1991

Customer Service Hotline 03-7650 1288 Customer Service Hotfax 03-7650 1299

Historical Performance



	YTD	1 month	1 Year	3 Years	5 Years	Since Inception
HLSGF	-7.19%	3.72%	-1.64%	18.74%	64.86%	87.96%
Benchmark*	-0.70%	5.48%	1.38%	3.55%	0.66%	8.58%
Relative	-6.49%	-1.76%	-3.02%	15.19%	64.21%	79.38%

Source: Bloomberg

Market Review, Outlook & Strategy relevant to Target Fund

Despite concerns over elevated trade tensions, a strong round of US corporate earnings have helped pacify market jitters and lifted US stock indices. Boosted by surge in consumer spending and business investment, US GDP grew at a solid 4.1% pace in 2Q18, the fastest rate of growth since the 4.9% in 3Q14 and the third-best growth rate since the Great Recession. US and EU also came to an agreement to work towards "zero tariffs, zero non-tariff barriers and zero subsidies on non-auto industrial goods". US-China trade tension escalated as Trump administration announced another US\$200bn tariff plan on Chinese goods. The RMB further depreciated in July by 3.0% against USD. China's 2Q18 GDP growth was in line at 6.7% yoy, although June macro data remained soft, especially investments and total social financing growth. A brief rally in China's markets was triggered by State Council's stimulus package and PBOC's selective easing stance. The KLCI ended July with a 5.5% mom gain to close at 1,784 points and narrowed its cumulative loss to only 0.7% in 7M18. This represents the first monthly gain by the Malaysian market since GE14 as foreign selling subsided and investors bottom fished. The KLCI also outperformed the MSCI Asia ex. Japan and small cap sector in July. As expected, BNM left the OPR unchanged at 3.25%. 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 moderating foreign outflows in July 2018 of RM1.7 bn (vs -RM4.9bn in June18, -RM5.6bn in May 18), bringing YTD foreign net selling to RM8.5bn. For the month, WTI futures declined 7.3%, while Brent futures dropped 6.5%. Both benchmarks posted the biggest monthly decline since July 2016. The Ringgit was stable against USD while 10Y MGS fell 4.1% mom to 4.07%.

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 gaming and tourism. August has always been a seasonally weak month for KLCI, showing average mom negative returns of 1.4% over the past 10 years and posting negative returns in six out of the past 10 years. On the local front, investors will be closely tracking local news development regarding policy and leadership changes at the government-linked companies (GLCs). Investors will be also keeping close tabs on news flow on the minimum wage, developments on the HSR and ECRL projects, fulfillment of Pakatan Harapan's 10 promises in its manifesto as it approaches the 100 days anniversary on 18 Aug 2018. Other highlights for August include 2Q18 corporate results reporting and GDP growth.

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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

- 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	2013	2014	2015	2016	2017
Performance	26.4%	9.3%	20.9%	-0.1%	25.8%

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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.