

Hong Leong Smart Growth Fund (HLSGF)

Jan 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

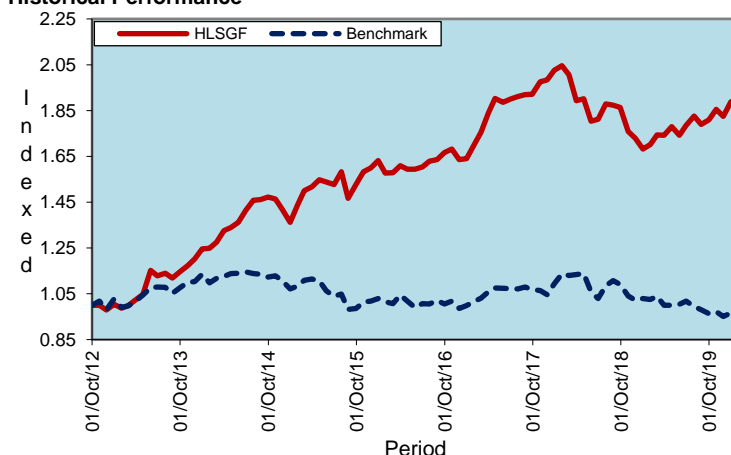
This fund is suitable for investors who have long term investment time horizon and have a moderate risk profile with tolerance for short-term periods of volatility.

Fund Details

Unit Price (31/1/2020)	: RM1.8529
Fund Size (31/1/2020)	: RM213.6mil
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

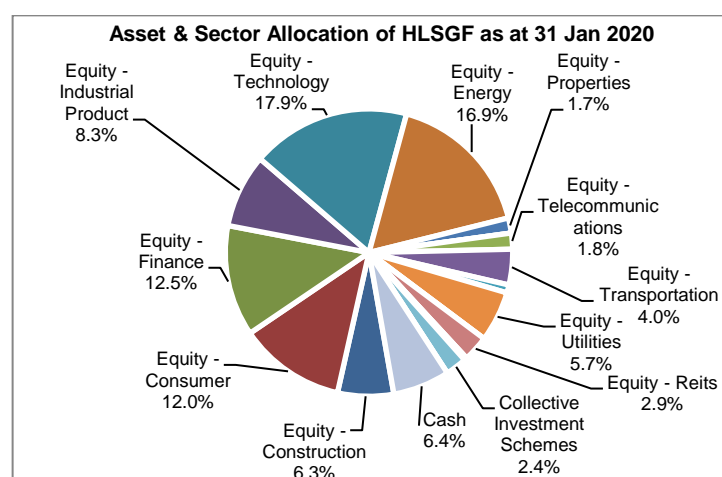
Fund management charge of underlying Collective Investment Scheme(s) is part of Fund Management Fee as stated in table above. There are no additional charges being charged to the Policy Owner. The Company reserves the right to change the Fund Management Fee (% p.a.) by giving the Policy Owner ninety (90) days prior written notice.

Historical Performance



	YTD	1 month	1 Year	3 Years	5 Years	Since Inception
HLSGF	-1.91%	-1.91%	8.90%	8.86%	28.93%	85.29%
Benchmark*	-3.63%	-3.63%	-9.06%	-8.40%	-14.05%	-6.83%
Relative	1.72%	1.72%	17.95%	17.26%	42.98%	92.12%

Source: Bloomberg



Top 5 Holdings for HLSGF as at 31 Jan 2020

	%
1. TENAGA NASIONAL BHD	5.8
2. PENTAMASTER CORP BHD	4.9
3. YINSON HOLDINGS BHD	4.4
4. FRONTKEN CORP BHD	4.2
5. DIALOG GROUP BHD	1.1
Total Top 5	20.3

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Market Review, Outlook & Strategy relevant to Target Fund

The strong rally in 2019 continued into January 2020, on the back of news that China was removed from a list of currency manipulating countries, and was further supported by strong global economic data and a solid start to the earnings season. Markets took a breather when the U.S. confirmed that an airstrike killed Iran's top military commander, sending oil prices surging and escalating geopolitical concerns. Enthusiasm was capped towards the latter part of the month due to the 2019-nCoV viral outbreak in China. The coronavirus outbreak continued to dominate headlines, accelerating worries over its impact on the world economy resulting in the World Health Organization (WHO) declaring the outbreak a global health emergency. Coupled with swelling U.S. crude inventories, the outbreak concerns piled on the pressure for oil prices. Brent fell by 14.7% for the month to USD58pbl. The International Monetary Fund also lowered its global economic forecast.

In light of the potential pandemic, markets experienced intense profit taking resulting in MSCI AC World posting losses (-1.2%) but outperforming both MSCI Asia ex-Japan (-4.5%) and MSCI ASEAN (-5.2%). The only exception for the month was Australia (+4.98%). Malaysia fared slightly better (-3.6%) with the exception of Malaysia's FBM Small Cap, which lost 6.3% in Jan 2020. The worst underperformers are Indonesia (-5.7%), Hong Kong (-6.7%) and Philippines (-7.9%).

On the domestic front, BNM's Monetary Policy Committee unexpectedly decided to cut the Overnight Policy Rate by 25bps to 2.75%, bringing it to the lowest level since 2011. Malaysia's CPI increased 1% yoy in Dec 2019 on costlier items including food and non-alcoholic drinks besides water, electricity and fuel. The Cabinet decided for PLUS to remain in the ownership of Khazanah Nasional and the Employees Provident Fund (EPF), with the condition that toll rates would be cut by 18%. In Jan, foreign fund flows into Malaysian equities was net neutral. Ringgit depreciated marginally against USD and the RMB. For the 1st month of 2020, investors sought shelter from the novel coronavirus event, hence the best performing sectors were healthcare, technology and REIT. Worst performing sectors were property, plantation and energy, as investors locked in profits from recent gains.

Worsening outbreak could dent near-term sentiments on concerns over rising earnings risk for corporates and global economy. Investors will be tracking news flow on the novel coronavirus, especially on the responses by governments around the world in containing the virus from spreading. Key events to watch out for are the potential economic stimulus measures to address the potential impact of the novel coronavirus, Malaysia's 4Q19 GDP announcement on 12 Feb 2020. Nonetheless, we remain positively biased in the medium term as growth stabilizes and major central banks remain supportive in easing monetary policy.

As markets are reeling from the impact of the novel coronavirus, we begin to see pockets of opportunity emerging in selected sectors. We adopt a barbell strategy by overweighting on sectors with growth upside such as Technology, commodities and construction while also favoring high dividend yielding stocks to position defensively.

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.

- 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.

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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

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.