

Hong Leong Smart Growth Fund (HLSGF)

Nov 2017

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.

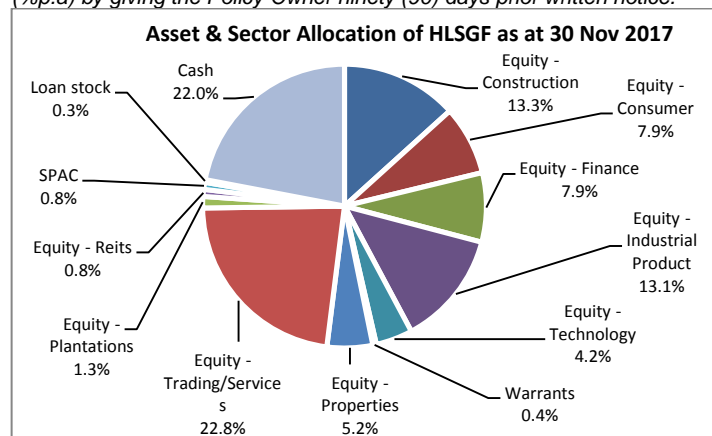
4. Target Market

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 (30/11/2017)	: RM1.9832
Fund Size (30/11/2017)	: RM265.5mil
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

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 30 Nov 2017

	%
1. TENAGA NASIONAL BHD	3.3
2. PRESS METAL ALUMINIUM HOLDING BERHAD	3.2
3. GABUNGAN AQRS BHD	2.9
4. YINSON HOLDINGS BHD	2.6
5. LBS BINA GROUP BHD	2.6
6. INARI AMERTRON BHD	2.1
7. CIMB GROUP HOLDINGS BHD	2.0
8. V.S INDUSTRY BHD	2.0
9. GLOBETRONICS TECHNOLOGY BHD	1.9
10. DIALOG GROUP BHD	1.9
Total Top 10	24.5

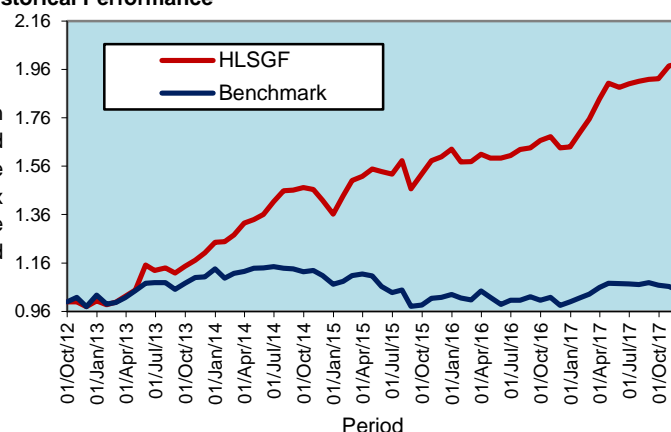
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Historical Performance



	1 month	YTD	1 Year	3 Years	5 Years	Since Inception
HLSGF	0.43%	20.90%	21.25%	39.77%	102.51%	98.32%
Benchmark	-1.72%	4.64%	6.10%	-5.66%	6.64%	4.54%
Relative	2.15%	16.27%	15.15%	45.43%	95.87%	93.78%

Market Review, Outlook & Strategy relevant to Target Fund

The month of November started off with the Bank of England raising UK interest rates for first time since 2007. The Bank of England raised rates by 25bps but the Pound still fell as gloomy forecasts for growth appeared to rule out the prospect of steep increases in the cost of credit before 2020. As largely expected, President Donald Trump has named Jerome Powell as the next Federal Reserve Chairman. Minutes of the recent FOMC meeting raised probability of a December rate hike to close to 100% despite subdued inflation. U.S. equities posted its first weekly loss in more than two months in November, but quickly continued their rallies to new highs on the back of stronger corporate earnings and a hopeful reality to the tax reform plan.

Back in Asia, the Chinese government opened up access to the financial service sector and will gradually remove the limit of foreign ownership stakes in the next 3-5 years. Authorities issued a consultation paper on regulating China's asset management business and the MOF announced import tariffs reduction for consumer goods with new tax rates take effective on 1 Dec. Insurance (+5.3%) remains the best performing sector in China, benefiting from the rising bond yields. Bank of Korea raises interest rates for first time in six years, marking a likely turning point for Asian central banks to gradually pursue a tightening monetary policy following the Fed's move to increase its interest rates at the end of 2015.

Domestically, Malaysia's Q3 GDP expanded by 6.2% yoy compared to a 5.8% growth in 2Q17. The stellar performance was driven by robust domestic demand, particularly private sector spending. Bank Negara kept rates unchanged but surprised the market with a hawkish guidance, signaling that a rate hike may be on the cards. KLCI closed weaker at -1.72% in November, despite stronger-than-expected 3Q17 GDP growth, and MYR strengthening by 3.5%. Foreign investors continued to reduce exposure, with RM0.1bn net outflows. YTD foreign investors were net buyers of RM9.8bn, vs net sellers of RM3.2bn in 2016. Despite a 3.6% rise in Brent crude oil price to US\$64/bbl, the energy sector (Sapura Energy-led) underperformed. Construction companies underperformed on worries of foreign contractors' dominance after a change in MRT 3 PDP format to turnkey contractor with mandatory funding. Healthcare outperformed, led by Hartalega on higher demand led by China's mandatory closure of vinyl glove plants. Average daily value traded on Bursa in Nov fell 9% to RM2.47bn

Market Outlook & Fund Strategy

Dec has historically been the best month of the year for the KLCI with aggressive window dressing activities and we believe this could again be the case this year given how Malaysia has underperformed the region. The recent decline in market could be due to lack of catalysts and uncertainty ahead of GE14, which is widely expected to be held in 1H18. There will be some changes to the constituents that form the KLCI index as we head into 2018. Following the semi-annual review and Sime Darby demerger, it was announced that the new members of the KLCI constituents will be Sime Darby Plantation, Nestle and Press Metal. These stocks will replace Westports, BAT and IJM.

We remain constructive on the market outlook for 2018 given the stronger Ringgit and improved GDP growth prospects for the country. For the remainder of 2017, we are adopting a balanced portfolio comprised of a good mix of growth and defensive stocks. We continue to favour companies driven by selective themes such as beneficiaries of rising foreign direct investment, GLC reform/restructuring plays, infrastructure, construction, technology and tourism.

Hong Leong Smart Growth Fund (HLSGF)

Actual Annual Investment Returns for the Past Five (5) Calendar Years

Year	2012	2013	2014	2015	2016
Benchmark	2.8%	10.5%	-5.7%	-3.9%	-3.0%
HLSGF- Gross	3.3%	27.8%	11.8%	23.1%	2.3%
HLSGF - Net	1.6%	24.1%	9.3%	19.8%	0.6%

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 detailed explanation of the risk 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	2012	2013	2014	2015	2016
Performance	14.1%	26.4%	9.3%	20.9%	-0.1%

Hong Leong Smart Growth Fund (HLSGF)

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.