

Hong Leong Smart Growth Fund (HLSGF)

Sep 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

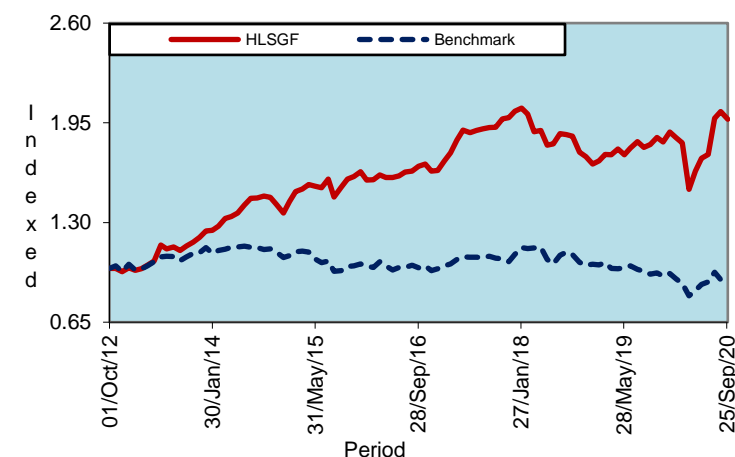
Unit Price (30/9/2020)	: RM1.9731
Fund Size (30/9/2020)	: RM218.3 mil
Fund Management Fee	: 1.50% p.a.
Fund Manager	: Hong Leong Assurance Berhad
Fund Category	: Equity
Fund Inception	: 01 Oct 2012
Benchmark	: FTSE Bursa Malaysia KLCI Index (FBM KLCI)
Frequency of Unit Valuation	: Daily

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 30 Sep 2020

	%
1. FRONTKEN CORP BHD	9.2
2. GREATECH TECHNOLOGY BHD	7.6
3. PENTAMASTER CORP BHD	6.7
4. TOP GLOVE CORPORATION BHD	6.0
5. TENAGA NASIONAL BHD	5.0
Total Top 5	34.6

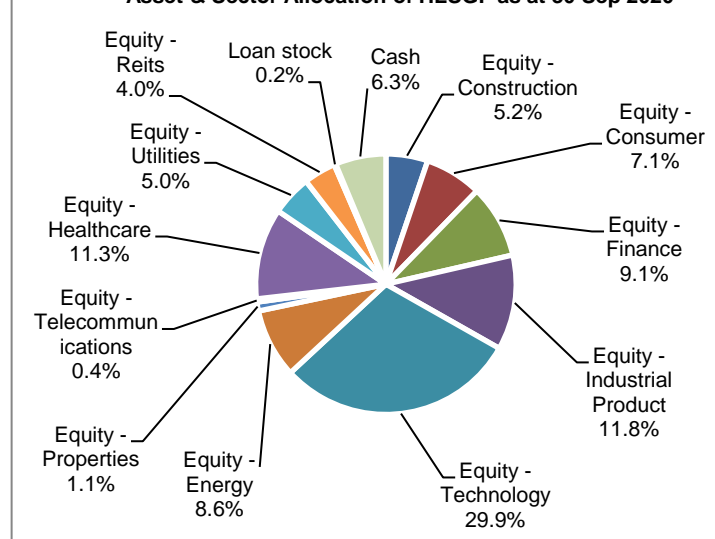
Historical Performance



	YTD	1 month	1 Year	3 Years	5 Years	Since Inception
HLSGF	4.45%	-2.44%	9.10%	2.71%	29.13%	97.31%
Benchmark*	-5.28%	-1.34%	-4.99%	-14.28%	-7.17%	-8.43%
Relative	9.74%	-1.10%	14.09%	17.00%	36.30%	105.74%

*Source: Bloomberg

Asset & Sector Allocation of HLSGF as at 30 Sep 2020



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Market Review, Outlook & Strategy relevant to Target Fund

Global equity markets lost momentum and ended in negative territories in September. Decline in US equities was led by a correction in technology sector and concern on economy recovery without further stimulus. The US election is also heating up, with current polls suggesting that the Democrats are gaining ground. In the race for the senate, polls currently imply either a Democrat majority or a 50:50 split. In Europe, news flow was dominated by the rising number of Covid-19 cases and worries on second lockdown.

Central banks across the globe maintained respective key interest rates in September. US Federal Reserve officials held interest rates near zero and plans to leave rates unchanged until the US gets back to maximum employment and 2% inflation. European Central Bank (ECB) kept its interest rates and coronavirus-stimulus program unchanged at EUR1.35bn which could last until June 2021. Furthermore, the ECB stated that the central bank expects for the euro area's GDP to decline by -8.0% in 2020, as the economic fallout will be less severe than -8.7% projected earlier. The Bank of Japan kept monetary policy steady and slightly upgraded its view on the economy, suggesting that no immediate expansion of stimulus was needed to combat the coronavirus pandemic.

Domestically, Bank Negara Malaysia maintained the Overnight Policy Rate (OPR) at 1.75%, in view of signs of economic recovery. Malaysia was kept in the FTSE World Government Bond Index but will remain in the watch list for a potential downgrade. The World Bank revised its 2020 economic growth forecast for Malaysia to a contraction of 4.9% from the previous 3.1% decline following the country's sharper-than-expected GDP contraction in the second quarter of 2020. The Prime Minister declared a new economic stimulus package worth RM10bn or 0.7% of GDP, bringing the cumulative Covid-19 stimulus measures to RM305bn or 21.5% of GDP. The additional allocations were targeted to help micro entrepreneurs, the country's workforce and those from the B40 and M40 income group. On the political front, the leader of the opposition, YB Dato' Seri Anwar Ibrahim announced on 23 September 2020, three days before the Sabah State Election that it has the majority to form a new Government with realignment of some current Government MPs. Gabungan Rakyat Sabah (GRS), a coalition of parties supporting the Federal Government won the Sabah State election with the highest number of seats (38), while the incumbent Warisan Plus coalition won 32 seats and independent won 3 seats.

On commodities, Brent crude fell by 9.6% after four months of successive gains amid growing concerns that another wave of the coronavirus pandemic will spark tighter lockdown measures and further suppress crude demand.

The KLCI fell 1.3% in September driven by profit-taking in the glove stocks, concerns over political uncertainty and the end of loan moratorium. Retail investors remain the largest net buyer of RM1.4bn (-16.5% MoM) in the month, offsetting the net outflows from foreigners of RM1.97bn (+32.0% MoM).

Equity markets are expected to remain volatile as participants increasingly shift attention towards the upcoming US presidential election, Brexit trade deal negotiations and potential escalation of US-China tensions. The COVID-19 pandemic still remains front and centre, with the risk of rising infections potentially prompting governments to re-impose limits on business activities. Pace of economic recovery remains fragile and uneven with new Covid-19 cases in some countries are now even worse than March/April figures. Nevertheless, asset prices should remain supported as policymakers continue to provide ample fiscal and monetary stimulus.

Domestically, political uncertainties continued to weigh on sentiment and foreign investor interest. Investors will also monitor the impact from ending of moratorium which could reduce liquidity in the market.

We remain selective and prefer sectors that see more resilient growth. As such, we continue to overweight sectors such as technology and exporters due to decent earnings growth while also favouring high dividend yielding stocks which provide some defensiveness and should continue to do well in a low yield environment. Meanwhile, we are also looking to add cyclical stocks on weakness to position for a rebound. We maintain a trading bias to take advantage of market volatility in the near term.

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.

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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 covers the nature and scope of the investment authority that is exercisable by various parties in managing the Company's investments. The potential investment risks that are taken into consideration in managing the fund include economic conditions, liquidity, qualitative and quantitative aspects of the securities.

The investment manager(s) have put in place the following controls to reduce the risks through:

- having a flexible tactical asset allocation
- investing in a wide range of companies across different sectors
- setting prudent investment limits on various exposures
- taking into account the liquidity factor in selecting securities
- engaging in the hedging of foreign currency exposure where appropriate

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.