Hong Leong Assurance

Hong Leong SMART Growth Fund (HLSGF)

July 2024

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, such as warrants and convertible loan stocks which are capable of being converted into new shares. The Target Fund may invest up to 25% of the Fund's NAV in foreign markets, which may include but not limited to Singapore, Indonesia, Thailand, Philippines, Vietnam, India, Hong Kong, China, Japan, Korea, Taiwan, Australia, United States of America and any other Eligible Markets where the regulatory authority is an ordinary or associate member of the International Organization of Securities Commissions. The Target Fund does not have an active asset allocation strategy but seeks to manage portfolios by investing in companies that satisfy the criteria of having a sustainable and credible business model, and are also trading at a discount to their intrinsic value. However, under conditions of extreme market volatility and/or when the market is trading at valuations deemed unsustainable, the Fund will seek to judiciously scale back its equity exposure.

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.

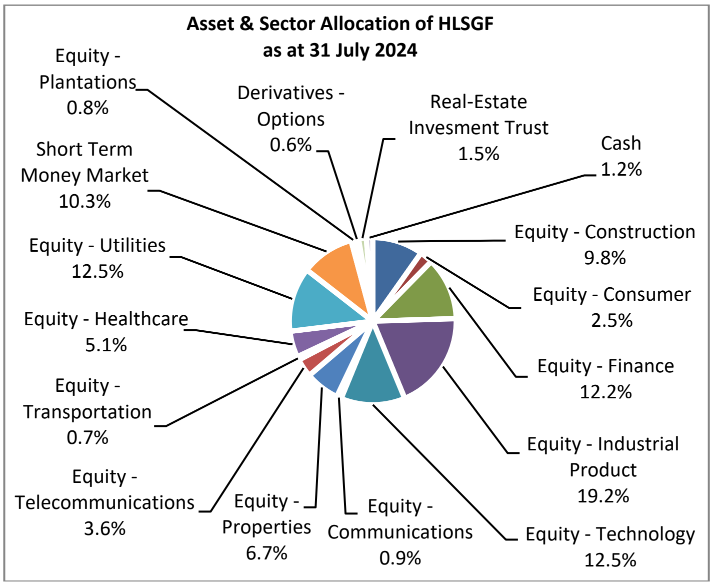
4. Target Market
This fund is suitable for investors who have long term investment time horizon and have a moderate risk profile with tolerance for short-term periods of volatility.

Fund Details

Unit Price (31/7/2024)	: RM2.8006
Fund Size (31/7/2024)	: RM218.9 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

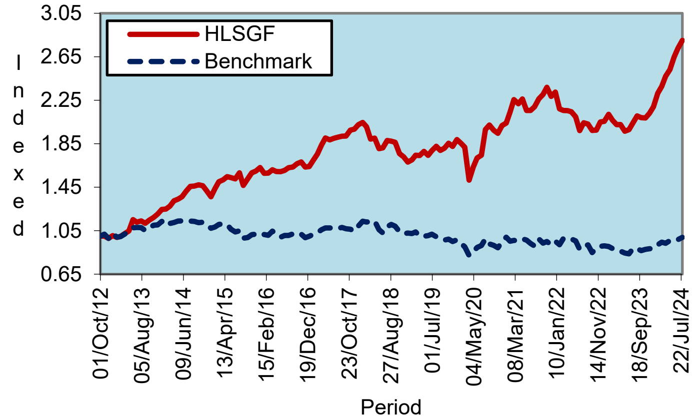
Fund management charge of underlying Collective Investment Scheme(s) is part of Fund Management Fee as stated in table above. There are no additional charges being charged to the Policy Owner. The Company reserves the right to change the Fund Management Fee (% p.a.) by giving the Policy Owner three (3) months prior written notice.

Asset Allocation for HLSGF as at 31 July 2024	%
Kenanga Growth Fund	99.99
Cash	0.01
Total	**100.0**



Top 5 Holdings for HLSGF as at 31 July 2024		%
1.	Sunway Berhad	5.6
2.	Frontken Corporated Berhad	5.3
3.	Kellington Group Berhad	4.4
4.	Gamuda Berhad	4.0
5.	CIMB Group Holdings Berhad	3.5
	Total Top 5	22.8

Historical Performance



	YTD	1 month	1 Year	3 Years	5 Years	Since Inception
HLSGF	27.86%	2.65%	37.00%	27.92%	53.35%	180.06%
Benchmark*	11.75%	2.23%	11.38%	8.76%	-0.57%	-1.08%
Relative	16.11%	0.42%	25.61%	19.15%	53.92%	181.14%

Source: Bloomberg

Notice: Past performance of the fund is not an indication of its future performance

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Market Review, Outlook & Strategy relevant to Target Fund

Global equity markets remained highly volatile during July amid rapidly changing macroeconomic and geopolitical environment. A weaker than expected US Consumer Price Index (CPI) reading early in the month, combined with weaker US labour market data, reassured bond investors that the Federal Reserve (Fed) will soon begin cutting interest rates. Investors now expect the first Fed rate cut in September and are currently pricing almost three US rate cuts this year, with around 150 basis points worth of cuts by June 2025. Overall, the Dow Jones Industrial Average rose 4.4% higher in July, the S&P 500 advanced 1.1%, and the NASDAQ slipped 0.7% as investors rotated out of mega-caps tech names. In Europe, the Euro STOXX 50 dropped 0.4% month-on-month (MoM) in July. Annual inflation rate in the Euro Area unexpectedly edged up to 2.6% in July 2024 from 2.5% in June, compared to forecasts it would slow to 2.4%. The European Central Bank (ECB) decided to keep interest rates unchanged in July 2024, as expected, as current data supports their previous inflation outlook. The main refinancing operations rate remained at 4.25%, the deposit facility rate at 3.75%, and the marginal lending rate at 4.5%. The unemployment rate in the Euro Area ticked up to 6.5% in June 2024, from an all-time low of 6.4% in the prior month. Asian equity markets were mixed in June. The MSCI Asia ex-Japan fell 0.6% MoM in July. Taiwan was the worst-performing market primarily on the back of the artificial intelligence (AI) driven Tech rally taking a breather in the last few weeks. Chinese equity markets also fell last month, due to continued challenges in the real estate sector and the spillover effects on the broader economy. However, Chinese authorities implemented measures to provide liquidity support to the financial system, including cutting the reverse repo rate, a key short-term policy rate, and lowering the benchmark loan prime rate. These efforts aim to stimulate lending and support economic growth amid ongoing market challenges.

Locally, the FBMKLCI, FBM100, FBM Shariah and FBM Small Cap were up by 2.23%, 2.64%, 1.67% and 0.63% MoM in July, respectively. The FBMKLCI remained the top performer in the region and Malaysia was the only country to see net foreign inflows in July, albeit marginal. Sector-wise, Construction was the best performer in July, increasing by 14.4% MoM amidst positive news flow and contract awards. Property was the second-best performing sector for July, increasing by 4.9% MoM with expectations of more datacentre related projects and land sales. In Malaysia, the overnight policy rate which remained stable at 3% as expected. This was followed by the 2Q24 advanced estimates for GDP growth came in at 5.8% which was above market expectations with the support of both domestic and export-driven factors. This was also in line with the industrial production index. Higher tourism arrivals, better crude palm oil production and the progress in the development of mega projects further supported the GDP growth. The Malaysian Ringgit also showed some signs of recovery in the month-end after efforts pout in by the central bank to persuade government linked companies and other corporates to repatriate and convert foreign earnings. Expectations of the Fed rate cut could further fuel the strength of the Ringgit.

In commodities, Brent crude oil prices declined by 6.6% MoM to USD80.7 per barrel /bbl as the market weighed the impact of weaker demand from China against supply issues arising from tensions in the Middle East. Meanwhile, CPO declined by 0.2% to RM3,908 per ton /ton despite strong July export as a stronger ringgit weighed down the price.
Investors' near-term focus will be on economic data in the US and the FED's guidance for indications of the timing of rate cuts. The FED could start cutting rates in the second half of 2024, with the market expecting the first cut to occur in September 2024. Markets are keenly focused on the growth outlook in the USA as debates form on a potential recession in the US. Nonetheless, should growth show signs of weakening, aggressive cuts by the US fed FED could support growth and liquidity. Meanwhile, China's additional fiscal stimulus has been supportive, but further measures are necessary to revive the property market and restore market confidence.

We remain positive on the Malaysian equity market this year as we expect resilient GDP growth of 4%-5%, improving momentum of policy execution on construction and infrastructure projects, rising foreign direct investment (FDI), while valuation and foreign shareholding remains low.
Given the positive outlook, we are positive on sectors such as financials, construction, property, new energy and utilities. Additionally, we continue to like the technology sector as the key beneficiary of long-term growth trends such as AI, electric vehicles (EVs) and supply chain relocation.

Actual Annual Investment Returns for the Past Ten (10) Calendar Years

Net returns are adjusted for tax and fund management fees.
Those are the actual returns in the past ten (10) 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.

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Benchmark	-5.7%	-3.9%	-3.0%	9.5%	-5.9%	-6.0%	2.4%	-3.7%	-4.6%	-2.7%
HLSGF- Gross	11.8%	23.1%	2.3%	27.1%	-16.8%	15.0%	10.3%	17.1%	-11.1%	8.9%
HLSGF - Net	9.3%	19.8%	0.6%	23.5%	-17.0%	12.3%	8.0%	14.0%	-11.6%	6.5%

Notice: Past performance of the fund is not an indication of its future performance.

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.

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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.

8. **Warrant and Convertible Loan Stock Risk**
   The price of the warrant and convertible loan stock are typically linked to the underlying stock. However, it generally fluctuates more that the underlying stocks due to the greater volatility of the warrants market. The fluctuation may have a great impact on the value of the funds. Generally, as the warrants have a limited life, they will depreciate in value as they approach their maturity date, assuming that all other factors remain unchanged. Warrants that are not exercised at maturity become worthless and negatively affect the NAV of the Fund. Convertible loan stocks must be converted to the underlying stock at a predetermined conversion ratio and conversion rate, and in the event the total costs of converting into underlying stock is higher than the market price of that the underlying stock, it will negatively affect the NAV of the Fund.

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:

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

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.

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.

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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.