

Hong Leong SMART Growth Fund (HLSGF)

June 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 capital 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

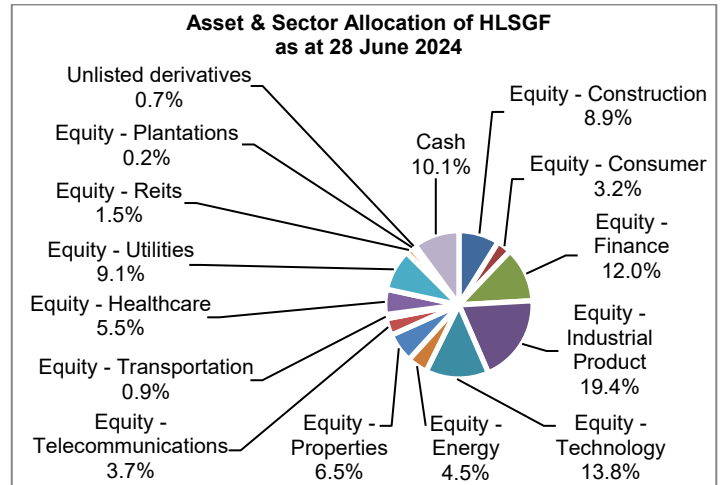
This fund is suitable for investors who have long term investment time horizon and have a moderate risk profile with tolerance for short-term periods of volatility.

Fund Details

| | |
|-----------------------------|---|
| Unit Price (28/6/2024) | : RM 2.7282 |
| Fund Size (28/6/2024) | : RM 213.9 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.

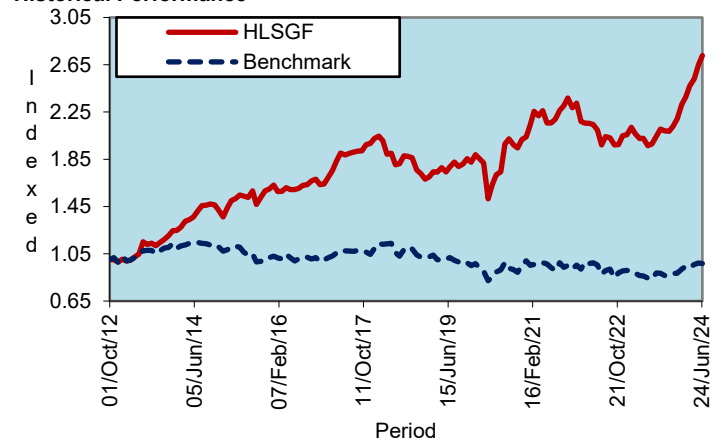
| Asset Allocation for HLSGF as at 28 June 2024 | % |
|---|--------------|
| Kenanga Growth Fund | 99.82 |
| Cash | 0.18 |
| Total | 100.0 |



Top 5 Holdings for HLSGF as at 28 June 2024

| Rank | Company Name | % |
|--------------------|--------------------------------|-------------|
| 1. | Frontken Corporated Berhad | 5.8 |
| 2. | Sunway Berhad | 5.1 |
| 3. | Kellington Group Berhad | 4.6 |
| 4. | YTL Power International Berhad | 3.4 |
| 5. | Gamuda Berhad | 3.4 |
| Total Top 5 | | 22.3 |

Historical Performance



| | YTD | 1 month | 1 Year | 3 Years | 5 Years | Since Inception |
|------------|--------|---------|--------|---------|---------|-----------------|
| HLSGF | 24.55% | 3.05% | 37.84% | 26.50% | 52.77% | 172.82% |
| Benchmark* | 9.31% | -0.41% | 15.50% | 3.75% | -4.91% | -3.24% |
| Relative | 15.24% | 3.46% | 22.33% | 22.76% | 57.68% | 176.06% |

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 continued to perform well in June 2024, with the US S&P 500, Nasdaq and Dow Jones increasing by 3.5%, 6.0% and 1.1% month-on-month (MoM), respectively. The US market finished the first half of 2024 strongly, with the S&P 500, Nasdaq and Dow Jones up by 14.5%, 18.1% and 3.8% respectively. The rally in the US market was mainly driven by better-than-expected corporate earnings. Wall Street is forecasting steady earnings growth through 2025. Even after excluding megacap technology stocks, the earnings outlook remains decent. US inflation cooled slightly to 3.3% in May, compared to the economists' expectation of 3.4%. The US Federal Reserve (Fed) has decided to hold interest rates steady after its meeting on the 11th and 12th of June. The Fed now expects only one cut in 2024 amid sticky inflation, with economists anticipating the first cut in September 2024. In Europe, the Euro STOXX 50 was down 1.8% MoM in June, finishing the first half of 2024 with an 8.2% increase. Eurozone inflation eased slightly in June to 2.5%, while core inflation, stripping out energy, food, alcohol and tobacco, was 2.9%, above the expected 2.8%. The European Central Bank (ECB) became the second major central bank to cut interest rates, lowering them from 4% to 3.75% in June 2024, following Canada's decision to cut interest rates. ECB President Christine Lagarde said the outlook for inflation had improved 'markedly' and expects inflation to remain above the bank's 2% target, averaging 2.5% in 2024 and 2.2% in 2025. Asian equity markets were mixed in June. Taiwan was the best-performing market with an 8.8% return MoM, finishing the first half of 2024 strongly with a 28.5% increase, driven by ongoing global artificial intelligence (AI) optimism that helped drive further upside in the sector. Korea also saw an uptick in June, rising by 6.1% MoM, mainly driven by the recovery in the memory export market. The China Shanghai index fell by 3.9% MoM in June, and analysts expect the Chinese government to roll out more policy support measures in the short term to support the property market. The MSCI Asia ex-Japan gained 3.9% MoM in June, outperforming the MSCI ASEAN, which increased by only 0.4% MoM. In local currencies terms, Thailand, the Philippines, Malaysia and Singapore posted negative returns for June, while only Indonesia posted a positive return.

Locally, the FBMKLCI was down slightly by 0.4% MoM in June, but the FBM100, the FBM Shariah and the FBM Small Cap were up by 0.24%, 1.29% and 3.64% MoM, respectively. The Malaysian market finished the first half of 2024 strongly, with the FBMKLCI, the FBM100, the FBM Shariah and the FBM Small Cap up by 9.3%, 12.5%, 14.2% and 18.0%, respectively. Foreign investors turned net sellers of RM61.2 million worth of equities in June, after being net buyers in May 2024. This brings the year-to-date (YTD) foreign net sales to RM0.8 billion. Sector wise, Construction was the best performer in June, increasing by 8.4% MoM due to the rollout of infrastructure projects in Malaysia. Technology was the second-best performing sector for June, increasing by 5.1% MoM due to better earnings prospects moving into the second half of 2024. The Malaysian economy grew at a higher rate of 4.2% in the 1Q2024 (4Q 2023: 2.9%), driven by stronger private expenditure and positive turnaround in exports. The Prime Minister announced an increase in civil servant's remuneration of more than 13%, to take effect from 1 December 2024. Meanwhile, EPF approved more than RM5.5 billion in new Account 3 withdrawals, which could support consumer spending. Google plans to invest USD2.0 billion in Malaysia, developing its first data center and a Google Cloud hub. The news follows Microsoft's recent announcement that it would spend USD2.2 billion over the next four years into building Malaysia's new cloud and artificial intelligence infrastructure. On energy sector, Malaysia launched the commercial trading of Renewable Energy Certificates (RECs) through the Malaysian Green Attribute Trading System (mGATS), which will be operated by Tenaga Nasional. Meanwhile, the government is expected to begin implementing Third Party Access in the national electricity supply industry from September this year, therefore allowing independent power producers (IPP) to sell electricity directly to consumers. On subsidy rationalisation move, the Prime Minister said Malaysia will start cutting its fuel subsidies starting with diesel, a move that could save around RM4 billion annually. Putrajaya later unveiled that its targeted diesel subsidies will provide eligible individuals, and agriculture and commodity smallholders with RM200 per month. The government allocated at least RM25 billion to support the newly launched National Semiconductor Strategy (NSS). On monetary policy, Bank Negara Malaysia (BNM) kept the overnight policy rate (OPR) at 3% at May Monetary Policy Committee (MPC) meeting. Meanwhile, on corporate developments, May saw deals announced for Malaysia Airports and YTL-Ranhill, while ANZ finally exited from AMMB.

In commodities, Brent crude oil prices increased by 5.9% MoM to USD86.4 per barrel amid supply concerns and rising tensions in the Middle East. Meanwhile, crude palm oil (CPO) declined by 3.9% to RM3,916 per ton due to substitution effect and expectation in rise of soybean supply.

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. Meanwhile, the ECB became the second major central bank to cut interest rates in June 2024, following Canada's decision to do so. Easier monetary conditions globally could support growth and liquidity, thereby improving the outlook for equities. China's additional fiscal stimulus has been supportive, but further measures are necessary to revive the property market and restore market confidence.

We are positive on the Malaysian equity market this year as we expect resilient Gross Domestic Product (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 than 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.