

# Hong Leong SMART Growth Fund (HLSGF)

March 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

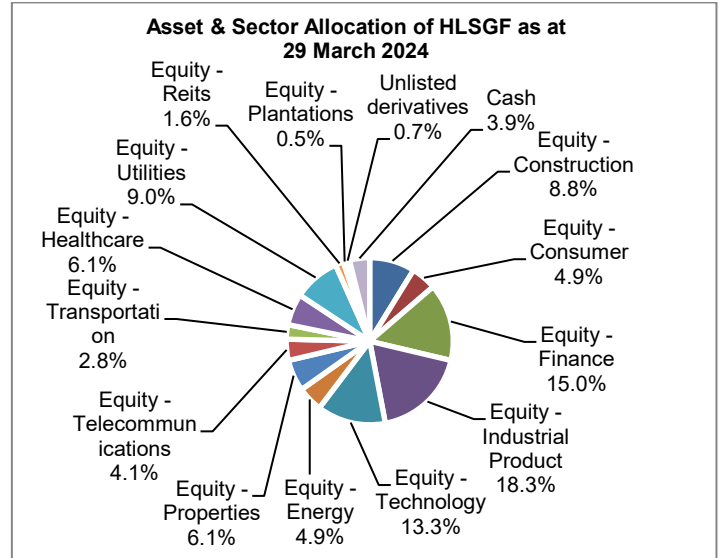
This fund is suitable for investors who have long term investment time horizon and have a moderate risk profile with tolerance for short-term periods of volatility.

## Fund Details

|                             |   |
|-----------------------------|---|
| Unit Price (29/3/2024)      | : RM2.4711                                  |
| Fund Size (29/3/2024)       | : RM198.3 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 three (3) months prior written notice.

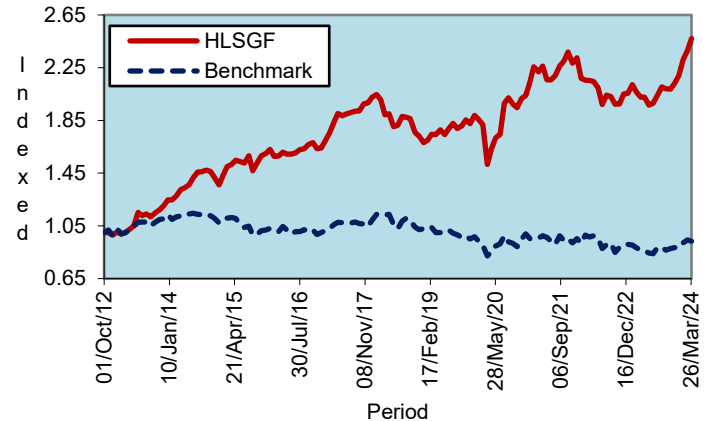
| Asset Allocation for HLSGF as at 29 Mar 2024 | %            |
|--|--------------|
| Kenanga Growth Fund                          | 99.97        |
| Cash   | 0.03         |
| <b>Total</b>                                 | <b>100.0</b> |



## Top 5 Holdings for HLSGF as at 29 March 2024

| Rank               | Company Name                   | %           |
|--------------------|--------------------------------|-------------|
| 1.                 | Frontken Corporation Berhad    | 5.8         |
| 2.                 | Sunway Berhad                  | 4.9         |
| 3.                 | YTL Power International Berhad | 4.5         |
| 4.                 | Kellington Group Berhad        | 4.1         |
| 5.                 | CIMB Group Holdings Berhad     | 3.6         |
| <b>Total Top 5</b> |                                | <b>22.9</b> |

## Historical Performance



|            | YTD    | 1 month | 1 Year | 3 Years | 5 Years | Since Inception |
|------------|--------|---------|--------|---------|---------|-----------------|
| HLSGF      | 12.82% | 3.94%   | 21.99% | 11.41%  | 41.87%  | 147.11%         |
| Benchmark* | 5.60%  | -0.99%  | 7.98%  | -2.38%  | -6.54%  | -6.53%          |
| Relative   | 7.22%  | 4.93%   | 14.02% | 13.79%  | 48.41%  | 153.64%         |

Source: Bloomberg

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

## Hong Leong SMART Growth Fund (HLSGF)

### Market Review, Outlook & Strategy relevant to Target Fund

In US, the S&P500, Dow Jones, and Nasdaq were up 3.1%, 2.1%, 1.8% month-on-month (MoM) in March respectively, fueled by the continued optimism over the economy, potential rate cuts, and business opportunities in the AI space. The street now expects the Gross Domestic Product (GDP) to grow at 2.2% in 2024. The US Federal Reserve (Fed) maintained rates at 5.25%-5.5%, keeping it steady for the fifth consecutive meeting. Fed Chair Jerome Powell emphasized that the Fed remains “fully committed” to bring inflation down to its 2% target. However, the inflation rate rose to 3.2% year-on-year (YoY) in February 2024 suggests the path to the Fed’s target could be longer and bumpier than expected, as the labour market and economic growth remain strong, elevating prices. In Europe, the Euro STOXX 50 was up 4.2% MoM in March. Inflation moderated to 2.4% YoY in March, below the expected 2.6% YoY, compared to 2.6% YoY in February, declining for the third month in a row. The core inflation rate, which strips out energy and food slowed to 2.9% from 3.1%, hitting a two-year low. The market anticipates four rate cuts by the European Central Bank (ECB), with the first in June. Over in Asia, China (SHSZ300 +0.6% MoM), Hong Kong (Hang Seng +0.2% MoM), and Taiwan (TWSE +7.0% MoM) markets grew on the back of solid earnings and economic data. However, the US-China conflict has dampened risk appetite and investors are waiting for clear signals of demand recovery, structural policy supports, and the Fed’s pivot. Meanwhile in Taiwan, its Central Bank surprised the market by lifting the key policy rates by 12.5 basis points (bps) to 2.0%, the highest since late 2008. Korea (KOSPI +3.9% MoM) renewed its 2-year high on strong AI-driven rally and dovish Fed. Japan’s Nikkei 225 improved 3.1% MoM, outperforming MSCI Asia ex-Japan’s +2.3% MoM. Gains were largely centered around large-cap value stocks with continued net buying from foreign investors for the 3<sup>rd</sup> consecutive month. The Bank of Japan (BoJ) has ended eight years of negative interest rate on 19 March 2024. This marks Japan’s first-rate hike in 17 years, raising the policy short term rate from -0.1% to between 0% and 0.1%. The hike came after Japan’s biggest companies agreed to raise wages by 5.3% for 2024, the highest in 33 years. All eyes are on BoJ’s new 3-year inflation projection scheduled to be released on 26 April 2024. MSCI ASEAN grew marginally by 0.7% MoM. Indonesia’s JCI fell 0.4% MoM whereas Thailand’s SET improved slightly by 0.5% MoM. Thailand welcomed over 9.4 million tourists, marking a 44% increase YoY, and is on course to meet its year-end target of 35 million visitors. Additionally, the nation is also studying the legalization of gaming casinos to boost its tourism sector.

Locally, FBM Small Cap, FBM Shariah, and FBM 100 registered MoM gains of 3.1%, 1.0%, and 0.5% respectively, whereas FBM KLCI fell 1.0% MoM. Foreigners turned net sellers after strong net foreign inflows in January-February, and foreign ownership eased to 19.6% at end-March from 19.9% at end-February. Newsflow in the month was centered around infrastructure, with Property leading the gains at +9.3% MoM, followed by Construction (+5.6% MoM), and Transport (+3.6% MoM). Meanwhile, the worst performing sectors were Telecom (-2.6% MoM), Consumer (-1.2% MoM), and REIT (-0.5% MoM). In the month, Bank Negara Malaysia (BNM) kept overnight policy rate (OPR) unchanged at 3% following the March Monetary Policy Committee (MPC) meeting, the government and Malaysia Airports Holdings inked new operating agreements for the next 45 years, Sime Darby completed their acquisition of UMW Holdings, the LRT project in Penang has finally received approval, with Gamuda’s 60% owned subsidiary bagging the civil works contract on the first segment. The implementation of High Value Goods tax has been postponed amidst calls to further study its impact. Amongst commodities, Brent crude oil prices grew 4.6% MoM to USD87.5/bbl attributed to tightening of physical markets, decision by OPEC+ members to prolong production cuts, along with the increased demand from major oil consumers worldwide and escalating geopolitical tensions. Meanwhile, Crude Palm Oil (CPO) increased 5.6% MoM to RM4,194/ton, predominantly shaped by declines in palm oil inventories. Markets expect the Fed to keep rates unchanged and possibly shift to cutting rates in 2H2024, with a similar pattern expected in the Eurozone. Easier monetary conditions globally are expected to support growth and liquidity, thus 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 remain optimistic on the ASEAN market as the region benefits from easing global monetary conditions later in the year. We are 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. Key events to watch include the government’s plans to rationalize subsidies, and execution of planned infrastructure projects.

### 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                 | 2013  | 2014  | 2015  | 2016  | 2017  | 2018   | 2019  | 2020  | 2021  | 2022   |
|----------------------|-------|-------|-------|-------|-------|--------|-------|-------|-------|--------|
| <b>Benchmark</b>     | 10.5% | -5.7% | -3.9% | -3.0% | 9.5%  | -5.9%  | -6.0% | 2.4%  | -3.7% | -4.6%  |
| <b>HLSGF - Gross</b> | 27.8% | 11.8% | 23.1% | 2.3%  | 27.1% | -16.8% | 15.0% | 10.3% | 17.1% | -11.1% |
| <b>HLSGF - Net</b>   | 24.1% | 9.3%  | 19.8% | 0.6%  | 23.5% | -17.0% | 12.3% | 8.0%  | 14.0% | -11.6% |

**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.

### 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.

## Hong Leong SMART Growth Fund (HLSGF)

### 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.

### 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        | 2013  | 2014 | 2015  | 2016  | 2017  | 2018   | 2019  | 2020 | 2021  | 2022   |
|-------------|-------|------|-------|-------|-------|--------|-------|------|-------|--------|
| Performance | 26.4% | 9.3% | 20.9% | -0.1% | 25.8% | -18.1% | 13.5% | 8.9% | 14.4% | -12.7% |

### 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.