

# **HONG LEONG ASSET MANAGEMENT BHD**

## **HONG LEONG WHOLESALE EQUITY FUND 2**

### **RESPONSIBILITY STATEMENT**

This Product Highlights Sheet has been reviewed and approved by the directors of Hong Leong Asset Management Bhd and they have collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable inquiries, they confirm to the best of their knowledge and belief, that there are no false or misleading statements or omission of other facts which would make any statement in the Product Highlights Sheet false or misleading.

### **STATEMENTS OF DISCLAIMER**

The relevant information and document in relation to the Hong Leong Wholesale Equity Fund 2, including a copy of this Product Highlights Sheet has been lodged with the Securities Commission Malaysia under the Lodge and Launch Framework.

The lodgement of the relevant information and document in relation to the Hong Leong Wholesale Equity Fund 2, including this Product Highlights Sheet, should not be taken to indicate that the Securities Commission Malaysia recommends the Hong Leong Wholesale Equity Fund 2 or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Product Highlights Sheet.

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This Product Highlights Sheet only highlights the key features and risks of the Hong Leong Wholesale Equity Fund 2. Investors are advised to request, read and understand the disclosure documents before deciding to invest.

## PRODUCT HIGHLIGHTS SHEET

# HONG LEONG WHOLESALE EQUITY FUND 2

## BRIEF INFORMATION ON THE FUND

### 1. What is this fund about?

Hong Leong Wholesale Equity Fund 2 (“HLWEF2” or the “Fund”) is an equity wholesale (open-ended) fund managed by Hong Leong Asset Management Bhd (the “Manager”) that aims to achieve medium to long-term<sup>1</sup> capital growth by investing primarily in equities and equity-related securities.

## FUND SUITABILITY

### 2. Who is this fund suitable for?

HLWEF2 is suitable for Sophisticated Investors who:

- are seeking potential capital growth in their investments;
- are seeking foreign exposure/regional exposure;
- have a medium to long-term<sup>1</sup> investment horizon; and
- are willing to assume a higher risk in their investments to obtain potentially higher returns.

The Fund has a Product Risk Rating of ‘High Risk’.

## KEY FUND FEATURES

### 3. What am I investing in?

<b>Category of fund</b>	Equity Wholesale (open-ended).
<b>Type of fund</b>	Growth.
<b>Investment objective</b>	The Fund aims to achieve medium to long-term <sup>1</sup> capital growth by investing primarily in equities and equity-related securities.
<b>Asset allocation (% of the Fund’s net asset value  (“NAV”))</b>	<ul style="list-style-type: none"> <li>• Equities and equity-related securities: Minimum of 70% and a maximum of 98% of the Fund’s NAV.</li> <li>• Deposits, money market instruments and unlisted money market collective investment schemes: Minimum of 2% to a maximum of 30% of the Fund’s NAV.</li> </ul>
<b>Performance benchmark</b>	FTSE Bursa Malaysia KLCI.
<b>Investment process and strategy</b>	<p>The investment strategy of the Fund is to invest primarily in equities and equity-related securities of growth companies operating in Eligible Markets, which are able to achieve a positive absolute return of 8% per annum over the medium to long-term<sup>1</sup> regardless of market conditions. Investments in foreign equity markets are limited to countries where the regulatory authority is an ordinary or associate member of the International Organization of Securities Commissions (IOSCO). The Fund will be investing a minimum of 70% and a maximum of 98% of the Fund’s NAV into equities and equity-related securities. The Fund may invest a minimum of 2% and a maximum of 30% of the Fund’s NAV in deposits, money market instruments and unlisted money market collective investment schemes.</p> <p>The Fund will employ a “top down” asset and sector allocation with a “bottom up” stock selection process. The Manager uses economic research to evaluate the impact of current macroeconomic factors to identify the potential sectors for the Fund’s investment.</p> <p><i>For more details on the Fund’s investment process and strategy, please refer to Section 3.3 of the Information Memorandum of the Fund.</i></p>
<b>Distribution policy</b>	The Fund intends to provide unit holders with medium to long-term <sup>1</sup> capital growth. As such, income distribution will be incidental to the overall capital growth objective, with a substantial portion of the returns from investments to be reinvested. The Fund may also declare distributions in the form of additional units to its unit holders.
<b>Launch date</b>	28 September 2020.
<b>Initial Offer Price</b>	RM1.0000 per unit.
<b>Initial Offer Period (IOP)</b>	The IOP for the Fund will be five (5) calendar days from the launch date of the Fund, i.e. commencing from 28 September 2020 to 2 October 2020.

Note:

<sup>1</sup> Medium to long-term refers to a period of 3 to 5 years.

<b>Commencement date</b>	The date on which the investments of the Fund are first made and is the date which falls on the next Business Day <sup>1</sup> immediately after the expiry of the IOP.
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#### 4. Who am I investing with?

<b>Manager</b>	Hong Leong Asset Management Bhd [199401033034 (318717-M)].
<b>Trustee</b>	Deutsche Trustees Malaysia Berhad [200701005591 (763590-H)].

#### 5. What are the possible outcomes of my investment?

There are many possible outcomes associated with an investment in the Fund. Unit holders can potentially make profit either (i) when the Fund declares and pays out distributions; or (ii) when the unit holder sells their investments in the Fund when the market value of the Fund's portfolio and its NAV per unit increase. However, this also means that the market value of the Fund's portfolio and its NAV per unit may fall and as a result, unit holders may lose part of its capital. Unit holders should take note that the value of an investment in the Fund and its distribution payable (if any) may go down as well as up and are not guaranteed. Unit holders should also take note that investment in the Fund involves some degree of risk and that the value of their investment is at risk depending on the underlying investments of the Fund.

### KEY RISKS

#### 6. What are the key risks associated with this fund?

##### General risks

<b>Market risk</b>	Market risk refers to the potential losses that may arise from adverse changes in the market prices of the investments of the Fund. Prices of securities that the Fund has invested in may fluctuate in response to market developments (such as adverse changes in government regulations and policies, economic developments, investor sentiment, inflation, interest rates and exchange rates), which would then affect the Fund's NAV per unit.
<b>Fund management risk</b>	The performance of the Fund is dependent on the experience, knowledge, expertise and investment strategies adopted by the personnel of the Manager. Lack of experience, knowledge and expertise, as well as poor execution of the investment strategy or general management of the Fund may jeopardise the unit holders' capital and returns. In view of this, proper training and stringent selection of personnel to manage the Fund is crucial towards mitigating this risk.
<b>Non-compliance risk</b>	This is the risk where the Manager does not comply with the provisions as set out in the deed; or the laws/guidelines that govern the Fund; or its internal procedures and policies. The non-compliance could be due to several factors such as a result of human errors and oversight, system failures or fraudulent acts by the Manager. Any non-compliance may adversely affect the Fund's NAV per unit, especially in situations where the Manager is forced to sell the investments of the Fund at unfavourable prices to resolve the non-compliance. The Manager has imposed stringent internal compliance controls to mitigate this risk.
<b>Loan financing risk</b>	The risk occurs when unit holders take a loan/financing to finance their investment. The inherent risk of investing with borrowed money includes unit holders being unable to service the loan repayments. In the event units are used as collateral, unit holders may be required to top-up their existing instalment if the prices of units fall below a certain level due to market conditions. Failing which, the units may be sold at a lower NAV per unit as compared to the NAV per unit at the point of purchase towards settling the loan.
<b>Inflation/Purchasing power risk</b>	This refers to the likelihood that a unit holder's investments are not growing at a rate equal or greater than the inflation rate, thus resulting in the unit holder's decreasing purchasing power.

##### Specific risks

<b>Credit/default risk</b>	<p>The Fund's investments in fixed income instruments such as money market instruments, deposits and Negotiable Instruments of Deposit ("NID") of financial institutions are subject to the risk of the financial institutions/counterparties being unable to make timely payments of interest and/or principal payment on the maturity date. This may then lead to a default in the payment of interest and/or principal amount and ultimately, affect the NAV per unit of the Fund.</p> <p>To mitigate this risk, the Manager will ascertain the creditworthiness of the financial institutions/counterparties of the money market instruments, deposits and NID through a rigorous and disciplined credit research and analysis before prior to its investments.</p>
<b>Interest rate risk</b>	The risk refers to the effect of interest rate changes on the prices of the Fund's investments in money market instruments such as NID. Generally, interest rate movements are inversely correlated with prices of NID, i.e. when interest rates rise, prices of NID will fall and vice versa. The fluctuations in the prices of the NID may in turn, have an impact on the Fund's NAV per unit. This risk can be mitigated by holding the NID until their maturity due to lock in of price and yield.

Note:

<sup>1</sup> 'Business Day' refers to a day (other than Saturday, Sunday or public holidays) on which the Manager is open for business and Bursa Malaysia is open for trading.

<b>Counterparty risk</b>	Counterparty risk refers to the risk that the counterparty (i.e. financial institution) of the deposits and money market instruments with which the Fund has invested in fails to fulfil its obligations such as making timely payments of interest and/or principal on the maturity date. This may then lead to a default in the payment of interest and/or principal and ultimately, affect the NAV per unit of the Fund. To mitigate this risk, the Manager will evaluate the counterparties of the deposits and money market instruments before its investments. The Fund will also only invest with a financial institution that has a rating of "A3" or "P2" by RAM at the point of investment or its equivalent ratings by another registered rating agency. In the event there is a downgrade in the financial institution with which the Fund has invested its deposits and/or money market instruments with, the Manager reserves the right to deal with the said investment in the best interest of the unit holders including to withdraw the invested deposits and/or sell the money market instruments within a reasonable time frame.
<b>Reinvestment risk</b>	The risk is more prevalent during times of declining interest rates when the Fund has received its principal and interest earned from a maturing deposits and/or money market instruments. As a result, the Fund has to reinvest the above proceeds in a new deposits and money market instruments offering a lower return than the previous deposits and money market instruments.
<b>Liquidity risk</b>	<p>Liquidity risk comprises two broad risk types: Market Liquidity Risk and Funding Liquidity Risk. Market Liquidity Risk is defined as the ease with which a security can be sold at or near its fair value depending on the trading volume of that security in the market. If the Fund holds a large portfolio of securities that are less liquid, these securities may have to be sold at unfavourable prices and/or withdraw deposits placed with financial institutions prior to maturity which would expose the Fund to a higher degree of market liquidity risk. As such, any premature withdrawal of deposits where interest income may be forfeited or forced sale of the Fund's investment to meet any shortfall will have adverse impact on the Fund's NAV per unit and subsequently the value of unit holders' investments in the Fund.</p> <p>Funding Liquidity Risk is defined as the risk that the Fund will not be able to meet efficiently both the expected and unexpected current and future cash outflow. The risk primarily involves the Fund's inability to meet redemption requests without major distortion to the portfolio allocation.</p> <p>To mitigate this risk, the Manager will employ prudent liquidity management such as cash flow and redemption monitoring to ensure that the Fund maintains reasonable levels of liquidity to meet any redemption request supplemented by a temporary defensive strategy should adverse conditions prevail. The Manager will apply Liquidity Risk Management tools inclusive of Liquidity Stress Test to assess the Fund's viability to meet expected and unexpected redemptions under adverse scenarios.</p> <p>The Manager may, in consultation with the Trustee, suspend dealing in units under exceptional circumstances where there is sufficient reason to do so having regard to the interests of the unit holders in an effort to further curtail the liquidity risk experienced by the Fund. Exceptional circumstances can be considered where the market value or fair value of a material portion of the Fund's assets cannot be determined.</p>
<b>Currency risk</b>	This risk is associated when the Fund has investments that are denominated in foreign currency. Any fluctuations in the currency exchange rates can affect the Fund's foreign investments when it is converted back to the Fund's base currency in RM, and subsequently affect the Fund's NAV per unit. Investors should be aware that if the currencies in which the investments are denominated depreciate against the base currency, this will have an adverse effect on the NAV of the Fund in the base currency and vice versa. Investors should note that any gains or losses arising from the fluctuation in the exchange rate may further increase or decrease the returns of the investment. This risk may be mitigated through investing in a wide range of foreign currency denominated assets, thus reducing the risk of single currency exposure. Alternatively hedging may be applied to mitigate the currency risk, where necessary. While currency hedging has the potential to mitigate adverse currency fluctuations, any potential gains from currency appreciation will be capped. Therefore unit holders will not benefit from any currency appreciation.
<b>Country risk</b>	<p>The foreign investments made by the Fund may be affected by changes in the economic, social and/or political conditions of the countries in which the investments are made. These changes may in turn, influence the growth and development of businesses and have an adverse impact on market sentiment. For example, the deteriorating economic condition of such countries may adversely affect the value of the investment undertaken by the Fund in those affected countries. This in turn may cause the NAV of the Fund or prices of units to fall. However, this risk may be mitigated by conducting thorough research on the respective markets, their economies, companies, politics and social conditions as well as minimizing or omitting investments in such markets.</p> <p>The Manager will also ensure all the necessary licenses/permits for investments are applied for in countries that require such licenses/permits. The Manager will seek to invest in other accessible markets if the Manager is unable to obtain the necessary licenses/permits in those countries, or that such licenses/permits are revoked or not renewed.</p>
<b>Emerging market risk</b>	This risk is associated with the Fund's investment in emerging markets. Emerging markets such as China, Indonesia, Thailand, Korea, India, Philippines and Vietnam are still at a relatively early stage of development and are not well established. Investments in securities of these markets would generally entail a higher risk than investment in securities of developed markets. This is because investment in emerging markets are more susceptible to the risk that the government may discriminately impose or fail to enforce the laws, regulations, policies or contracts governing an investment. The effect of such changes can have an adverse impact of the Fund's NAV per unit and affect the unit holder's capital returns. To mitigate this risk, the Manager will monitor more closely the Fund's investments in such companies.

<b>Repatriation risk</b>	Investments in some emerging markets could be adversely affected by delays in, or refusal to grant relevant approvals for the repatriation of funds or by any official intervention affecting the process of settlement of transactions. This could arise due to the imposition of new exchange control policies.
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**SOPHISTICATED INVESTORS SHOULD TAKE NOTE THAT THE ABOVE LIST OF RISKS MAY NOT BE EXHAUSTIVE AND IF NECESSARY, THEY SHOULD CONSULT THEIR ADVISER(S) FOR A BETTER UNDERSTANDING OF THE RISKS.**

## FEES & CHARGES

### 7. What are the fees and charges involved?

There are fees and charges involved and investors are advised to consider them before investing in the Fund.

The following table describes the charges that you may **directly** incur when you buy or redeem units:

<b>Sales charge<sup>1</sup></b>	Up to 5.00% of the Fund's NAV per unit.
<b>Redemption charge<sup>1</sup></b>	There is no redemption charge imposed by the Manager.
<b>Switching fee<sup>1</sup></b>	There is no switching fee imposed on switching-in or switching-out of the Fund.
<b>Transfer fee<sup>1</sup></b>	A transfer fee may be imposed on unit holders who transfer, either fully or partially, the units registered in their names to other person. However, the Manager has waived the transfer fee for the Fund.

The following table describes the fees that you may **indirectly** incur when you invest in the Fund:

<b>Annual management fee<sup>1</sup></b>	Up to 2.00% per annum of the Fund's NAV, calculated and accrued on a daily basis.
<b>Annual trustee fee<sup>1</sup></b>	Up to 0.035% per annum of the Fund's NAV, subject to a minimum of RM12,000 per annum (excluding foreign custodian fee and charges) and capped at RM500,000 per annum.
<b>Other Fund expenses</b>	There are other expenses involved in the administration of the Fund. The other fund expenses are custodian fee (for funds with foreign investments)(if any), brokerage fee (if any), the Auditor's fees and other relevant professional fees such as validation and regulatory reporting on common reporting standard ("CRS"), foreign account tax compliance act ("FATCA"), distribution of statements of investment, quarterly and annual reports, tax vouchers, distribution warrants and other notices to unit holders as well as expenses that are directly related and necessary to the business of the Fund as set out in the deed. These fund expenses may be paid out of the Fund.

## VALUATIONS AND EXITING FROM INVESTMENT

### 8. How often are valuations available?

The NAV per unit of the Fund is determined on each Business Day<sup>2</sup>. The daily NAV per unit of the Fund can be obtained from the Manager's website at [www.hlam.com.my](http://www.hlam.com.my) or our branch offices. Alternatively, investors may contact the Customer Experience personnel at 03 – 2081 8600 ext 18603/18604 for the NAV per unit.

### 9. How can I exit from this investment and what are the risks and costs involved?

#### Cooling-off right

The cooling-off right is not applicable for this Fund.

#### Redemption of units

- No redemption charge is imposed upon redemption of units.
- Minimum redemption of units is 10,000 units.
- No restriction on the frequency for redemption.
- Cut-off time for any redemption requests is at 4.00 p.m. on any Business Day<sup>2</sup>.
- For partial redemption, you must maintain a minimum balance of 50,000 units in the Fund. Otherwise, the Manager will automatically effect a full redemption and inform the unit holder thereafter.
- Payment will be made to you within seven (7) Business Days.
- Payment can be made either via cheque, telegraphic transfer to Hong Leong Bank Berhad or participating banks' Giro account.

#### Notes:

<sup>1</sup> All fees and charges and/or sum set out that may be payable to the Manager/Trustee are subject to any applicable taxes and/or duties and at such rate as may be imposed by the government from time to time. The Manager/Trustee (where applicable) shall have the right to charge and recover from the Fund any applicable taxes and/or duties now or hereafter imposed by law or required to be paid in connection with the products or services provided by the Manager/Trustee (where applicable).

<sup>2</sup> 'Business Day' refers to a day (other than Saturday, Sunday or public holidays) on which the Manager is open for business and Bursa Malaysia is open for trading.

### Transfer of Units

- The minimum transfer of units is 10,000 units.

### Switching of Units

- Switching of units is allowed for this Fund. The minimum amount of units switch to other fund(s) is 10,000 units.

## FUND PERFORMANCE

### 10. Information on Fund Performance

#### (a) Average total return for the following period ended 30 November 2022

	1-Year	Since launch#
Hong Leong Wholesale Equity 2 (%)	-9.63	-0.45
FTSE Bursa Malaysia KLCI (%)	-1.66	-0.69

#### (b) Annual total return for the financial period ended 30 November

	2022	2021#
Hong Leong Wholesale Equity 2 (%)	-9.63	9.58
FTSE Bursa Malaysia KLCI (%)	-1.66	0.15

#The figure shown is for the period since launch of the Fund (28 September 2020)

Sources: Lipper for Investment Management.

Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.

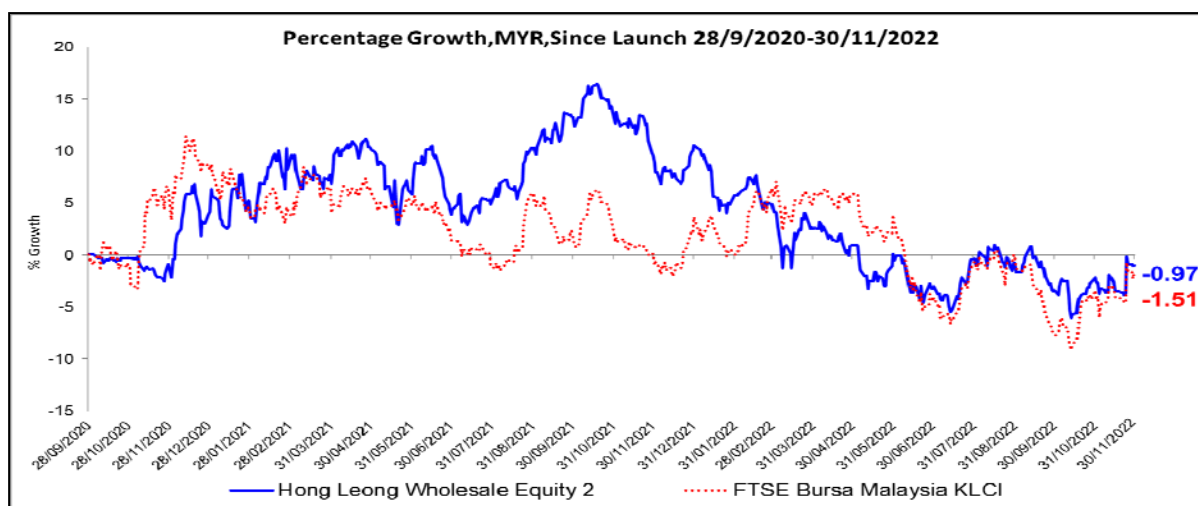
#### Since launch performance review

The Fund has posted a return of -9.63% for the financial period ended 30 November 2022 while its benchmark the FTSE Bursa Malaysia KLCI has registered a return of -1.66%.

#### (c) Basis of calculation

Percentage Growth, NAV Per unit-to-NAV Per unit basis with gross income (if any) from Hong Leong Wholesale Equity 2 reinvested and in MYR terms.

#### (d) Performance in Chart



Source: Lipper for Investment Management.

Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.

Since launch, the Fund has posted a return of -0.97% while its benchmark the FTSE Bursa Malaysia KLCI has registered a return of -1.51%.

#### (e) Portfolio turnover ratio (PTR)

	Financial year ended 30 November	
	2022	2021*
PTR of the Fund (times)	0.70	3.42

\* The figure shown is for the period since launch of the Fund (28 September 2020).

The Fund recorded a lower PTR of 0.70 times during the financial year ended 2022 from 3.42 times during the financial period ended 2021 on account of lower level of rebalancing activities performed by the Fund.

**(f) Distribution**

Financial year	Additional Units	Cash distribution
2021	-	Gross/Net 2.1190 sen/unit
2022	-	Gross/Net 3.2970 sen/unit

**INVESTORS SHOULD NOT MAKE PAYMENT IN CASH TO A UNIT TRUST CONSULTANT OR ISSUE A CHEQUE IN THE NAME OF A UNIT TRUST CONSULTANT**

**PAST PERFORMANCE OF THE FUND IS NOT AN INDICATION OF ITS FUTURE PERFORMANCE**

**CONTACT INFORMATION**

**11. Who should I contact for further information or to lodge a complaint?**

1. For internal dispute resolution, you may contact:

**Hong Leong Asset Management Bhd**

Level 18, Block B, Plaza Zurich  
No. 12, Jalan Gelenggang  
Bukit Damansara  
50490 Kuala Lumpur  
Tel : 03-2081 8600  
Fax : 03-2081 8500  
Website : [www.hlam.com.my](http://www.hlam.com.my)  
E-mail : [inquiry@hla.hongleong.com.my](mailto:inquiry@hla.hongleong.com.my)

2. If you are dissatisfied with the outcome of the internal dispute resolution process, please refer your dispute to the Securities Industries Dispute Resolution Center (SIDREC):

(a) via phone to : 03-2282 2280  
(b) via fax to : 03-2282 3855  
(c) via e-mail to : [info@sidrec.com.my](mailto:info@sidrec.com.my)  
(d) via letter to : Securities Industry Dispute Resolution Center (SIDREC)  
Unit A-9-1, Level 9, Tower A  
Menara UOA Bangsar  
No. 5, Jalan Bangsar Utama 1  
59000 Kuala Lumpur

3. You can also direct your complaint to the Securities Commission Malaysia (SC) even if you have initiated a dispute resolution process with SIDREC. To make a complaint, please contact the SC's Consumer & Investor Office:

(a) via phone to the Aduan Hotline at : 03-6204 8999  
(b) via fax to : 03-6204 8991  
(c) via e-mail to : [aduan@seccom.com.my](mailto:aduan@seccom.com.my)  
(d) via online complaint form available at : [www.sc.com.my](http://www.sc.com.my)  
(e) via letter to : Consumer & Investor Office  
Securities Commission Malaysia  
3 Persiaran Bukit Kiara  
Bukit Kiara  
50490 Kuala Lumpur

4. Federation of Investment Managers Malaysia (FIMM)'s Complaints Bureau:

(a) via phone to : 03-7890 4242  
(b) via e-mail to : [complaints@fimm.com.my](mailto:complaints@fimm.com.my)  
(c) via online complaint form available at : [www.fimm.com.my](http://www.fimm.com.my)  
(d) via letter to : Legal & Regulatory Affairs  
Federation of Investment Managers Malaysia  
19-06-01, 6<sup>th</sup> Floor Wisma Tune  
No. 19, Lorong Dungun  
Damansara Heights  
50490 Kuala Lumpur