

HONG LEONG ASSET MANAGEMENT BHD

HONG LEONG WHOLESALE BOND FUND

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 Bond Fund, 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 Bond Fund, including this Product Highlights Sheet, should not be taken to indicate that the Securities Commission Malaysia recommends the Hong Leong Wholesale Bond Fund or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Product Highlights Sheet.

The Securities Commission Malaysia is not liable for any non-disclosure on the part of the Hong Leong Asset Management Bhd who is responsible for the Hong Leong Wholesale Bond Fund and takes no responsibility for the contents of this Product Highlights Sheet. The Securities Commission Malaysia makes no representation on the accuracy or completeness of this Product Highlights Sheet, and expressly disclaims any liability whatsoever arising from, or in reliance upon, the whole or any part of its contents.

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

PRODUCT HIGHLIGHTS SHEET

HONG LEONG WHOLESALE BOND FUND

BRIEF INFORMATION ON THE FUND

1. What is this fund about?

Hong Leong Wholesale Bond Fund (“HLWBoF” or the “Fund”) is a fixed income wholesale fund managed by Hong Leong Asset Management Bhd (the “Manager”) that aims to provide regular income¹ while maintaining capital stability² through investments in fixed income instruments.

FUND SUITABILITY

2. Who is this fund suitable for?

HLWBoF is suitable for sophisticated investors who:

- are seeking for regular income¹ stream; and
- are looking for a more conservative investment with reasonable capital stability².

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

KEY FUND FEATURES

3. What am I investing in?

Category of fund	Fixed income (Wholesale).
Type of fund	Income.
Investment objective	The Fund aims to provide regular income ¹ while maintaining capital stability ² through investments in fixed income instruments.
Asset allocation	Fixed income instruments: Minimum 80% of the Fund’s net asset value (“NAV”). <i>Note: The Fund may hold sufficient cash for liquidity purposes.</i>
Performance benchmark	12-month fixed deposit rate quoted by Malayan Banking Berhad.
Investment process and strategy	The Fund aims to achieve its investment objective by investing in fixed income instruments which include but are not limited to local and foreign corporate bonds, government and/or government-sponsored bonds, convertible bonds, medium-term notes, commercial papers, money market instruments and cash-equivalents.
Distribution policy	Distribution of income ¹ will be half-yearly, subject to the availability of income. The Manager has the discretion [*] to distribute income depending on realised gains or income, interest rates, market conditions and the performance of the Fund. The Manager’s current intention is to declare distributions out of the income and/or capital ^{**} of the Fund after deducting fees and expenses incurred by the Fund. Income distribution may be declared out of capital ^{**} if the Fund does not have sufficient net realized gains or net realized income from the current financial year. The rationale for providing for payment of distribution out of capital ^{**} is to allow for the ability to provide a stable and consistent level of distribution to unit holders. Distribution out of capital ^{**} carries the risk of eroding the capital of the Fund and as a result the value of future returns may be diminished. <i>Notes:</i> <i>* The Manager has the discretion to decide on the amount to be distributed to unit holders. If the distribution available is too small or insignificant, the Manager may choose not to distribute the income as the distribution may not be beneficial to the unit holders as the total cost to be incurred in such distribution may be higher than the amount available for distribution.</i> <i>** Capital refers to unrealised income or unrealised gain..</i>
Class under the Fund	Class D.
Launch date	7 October 2013.

Notes:

¹ Income may be distributed in the form of cash and/or additional units.

² Please take note that this Fund is not a capital guaranteed or capital protected fund and returns are not guaranteed.

4. Who am I investing with?

Manager	Hong Leong Asset Management Bhd [199401033034 (318717-M)].
Trustee	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, the 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. Investors 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

Market risk	Market risk refers to the potential losses that may arise from changes in the value of the investments of the Fund 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.
Fund management risk	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.
Non-compliance risk	This is the risk where the Manager does not comply with the provisions as set out in the Fund's 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 an unfavorable price in order to resolve the non-compliance. In order to mitigate this risk, the Manager has imposed stringent internal compliance controls.
Loan/financing risk	This risk occurs when unit holders take a loan/financing to finance their investment. The inherent risk of investing with borrowed/financed 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 the 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/financing.
Inflation/purchasing power risk	This refers to the likelihood of 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

Particular security risk	The performance of each security that the Fund invests in will affect the NAV per unit and is dependent on factors which include but are not limited to the management quality of the particular company, its growth potential, changes in consumer tastes and preferences, and conditions specific to the industry of the security of which the Fund has invested in. Valued collectively, the performance of individual securities will cause the Fund's NAV per unit to rise or fall accordingly. The Fund's NAV per unit is also dependent on the weightage of the individual securities within the Fund's portfolio. This risk is managed by the adherence to a strict investment decision-making process which is applied in the security selection process and involves primary and secondary research on the company's industry and business outlook, management track record, financial health, earnings quality, growth potential and other financial valuations.
Credit/default risk	This risk is intrinsic to the Fund's investments in fixed income instruments and refers to the possibility of the issuer of the fixed income instrument being unable or not willing to pay/repay in a timely manner the interest payments due and/or the principal respectively. This will cause a decline in the value of the defaulted fixed income instrument and subsequently affect the Fund's NAV per unit. This risk can be mitigated through a rigorous and disciplined credit research and analysis to ascertain the creditworthiness of the issuer prior to its investments.
Counterparty risk	The Fund's placements of cash/deposits with financial institutions are subject to the risk of the counterparty. Counterparty risk refers to the possibility that the counterparty of an instrument 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 and/or interest and ultimately, affect the NAV per unit of the Fund.

Interest rate risk	This risk refers to the effect of interest rate changes on the market value of the Fund's fixed income investments. In the event of rising interest rates, prices of fixed income securities tend to move inversely. Meanwhile, fixed income securities with longer maturities and lower coupon/profit rates are more sensitive to interest rate changes. The interest rate risk will be mitigated via the management of the duration structure of the fixed income portfolio by diversifying the investments in fixed income securities across different maturities (e.g. one year, three years and five years) and investing in short-term (i.e. less than three years) fixed income securities.
Liquidity risk	<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>
Reinvestment risk	Reinvestment risk occurs when an issuer of a fixed income security decides to exercise its right to pay back the principal on an obligation, at a date earlier than the expected maturity date. When that happens, the Fund will have to reinvest the proceeds at prevailing market rates, which may be at a lower rate of return than the original fixed income security at the time of initial investment.
Concentration risk	The Fund may have a concentrated portfolio of securities which means it may hold a limited number of investments, take large positions in a relatively small number of securities and/or invest in securities of single issuer. As a result, if one or more of these investments decline or is otherwise affected, it may have a pronounced effect on the Fund's NAV per unit. The Manager seeks to mitigate this risk by conducting fundamental research prior to its investments.
Single issuer risk	The Fund may invest a greater portion of its assets in a single issuer, and as such, the Fund is susceptible to any adverse developments affecting the single issuer held in its portfolio. Any changes in the financial condition of the single issuer may cause fluctuations in the Fund's NAV. The Manager seeks to mitigate this risk by conducting fundamental research prior to its investments, where the Manager will conduct thorough analysis of the issuer's financial statements by assessing its potential earnings growth, cash flow sustainability, debt manageability as well as historical financial performance.
Currency risk	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 local 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 of the Fund 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 minimize 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.
Country risk	<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 investments 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 minimising 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 which require such licenses/permits. In the event that the Manger is unable to obtain the necessary licenses/permits in those countries, or that such licenses/permits are then revoked or not renewed, the Manager will then seek to invest in other accessible markets.</p>

Derivatives risk	<p>The Fund may invest into derivatives or structured products, which are financial contracts whose value depends on, or is derived from, the value of an underlying asset, reference rate or index. Such assets, rates and indices may include shares, interest rates, currency exchange rates and stock indices. While the judicious use of these financial derivative instruments by the Manager can be beneficial, the risks involved in the investments of these financial derivative instruments may be higher than risks involved in traditional securities investments.</p> <p>Unit holders should be aware that there is a risk of higher volatility in the NAV per unit of the Fund when derivatives or structured products are part of the Fund's investment assets. Some of the risks associated with investments in derivatives or structured products by the Fund include the following:</p> <p>a) Leverage risk Investments in derivatives or structured products involve leverage risk because derivatives allow the Fund to be exposed to a selected underlying with a nominal amount significantly larger than the premium paid for by the Fund. Unit holders should be aware that there is no assurance that the Fund's derivative strategy will succeed. Therefore, unit holders should carefully consider their risk tolerance level and be aware that there is a risk of higher volatility in the NAV per unit of the Fund before investing in the Fund. However, this risk is mitigated as any downside risk will be limited only to the premium paid for by the Fund. In addition to that, investments in derivatives or structured products are closely monitored by the Manager with careful research prior to its investments.</p> <p>b) Derivatives/Structured products counterparty risk When the Fund invests in derivatives or structured products, it will be subjected to the derivatives or structured products counterparty default risk. This risk refers to the possibility of the counterparty of these financial derivative instruments being unable to make payments and/or pay/repay the obligations in a timely manner. As a result, this could lead to a lower or zero valuation of these financial derivatives instruments, which would then have an adverse impact on the NAV per unit of the Fund. Therefore, the Manager will only invest in derivatives or structured products issued by counterparties with a strong credit rating. A Malaysian counterparty must have a credit rating of at least "AA3" by RAM or its equivalent rating by MARC, whereas a foreign counterparty must have a credit rating of at least "A" as rated by S&P or its equivalent rating by another recognised global rating agency. In the event that the counterparty is downgraded below the abovementioned credit ratings, the Manager will unwind the invested financial derivative instruments or hold the financial derivative instruments to maturity if its period to maturity is less than six (6) months.</p> <p>c) Derivatives/Structured products valuation risk The Manager is relying on the counterparty of the derivatives or structured products to conduct the daily valuation of the derivatives or structured products. Any error in valuation would result in an under or over computation of the NAV per unit of the Fund. However, this risk is mitigated as the Manager will conduct a periodic independent in-house verification of the prices of the derivatives or structured products provided by its counterparty.</p>
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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:

	Class D
Sales charge¹	There is no sales charge imposed by the Manager.
Redemption charge¹	There is no redemption charge imposed by the Manager.
Switching fee¹	There is no switching fee imposed on switching of units.
Transfer fee¹	There is no transfer fee imposed on the transfer of units to a transferee.

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

	Class D
Annual management fee¹	Up to 1.00% per annum of the NAV of the Class, calculated on a daily basis.
Annual trustee fee¹	0.015% per annum of the NAV of the Fund calculated on a daily basis, (excluding foreign custodian fees and charges).

Note:

¹ All fees and charges and/or sum 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).

VALUATIONS AND EXITING FROM INVESTMENT

8. How often are valuations available?

The NAV per unit of the Fund is determined on each Business Day¹. The daily NAV per unit of the Fund can be obtained via online portal of The Star and/or the Manager's website at www.hlam.com.my or our branch offices. Alternatively, you 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

Cooling-off right is not allowed for this Fund.

Redemption of Unit

	Class D
Minimum Redemption of units	100,000 units
Minimum balance of units (for partial redemption)	100,000 units
<ul style="list-style-type: none"> • There is no redemption charge for redeeming units of the Fund • Units can be redeemed during normal business or banking hours at the Manager's head office or branches No restriction on the frequency for redemption. • All applications must be accompanied with the relevant documents. • Any application for redemption of units that are received by the Manager after 4.00 p.m. on a Business Day¹ will be deemed as transacted on the next Business Day¹ and would only be processed at the next Business Day¹. • Generally, unit holders will be paid within 7 (seven) business days from the date the redemption request is received by the Manager. • The Manager reserves the right to reject any application that is not complete and/or not accompanied by the required documents. 	

FUND PERFORMANCE

10. Information on Fund Performance

a) Average total return for the following periods ended 31 March 2023

	1-year	3-year	5-year	Since launch [#]
HLWBoF Class D (%)	3.76	1.20	2.90	3.80
Maybank 12-Month Fixed Deposit Rate (%)	2.49	2.15	2.68	3.23

b) Annual total return for the financial years/period ended 31 March

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014 [#]
HLWBoF Class D (%)	3.76	0.88	-1.01	4.75	5.49	4.52	3.47	4.48	4.82	0.33
Maybank 12-Month Fixed Deposit Rate (%)	2.49	1.85	1.97	3.07	3.35	3.14	3.17	3.30	3.23	1.51

[#]The figure shown is for the period since launch of the Fund (7 October 2013)

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.

1-Year performance review

HLWBoF Class D posted a return of 3.76% for the financial year ended 31 March 2023 while its benchmark the Maybank 12-Month Fixed Deposit Rate registered a return of 2.49%.

c) Basis of calculation

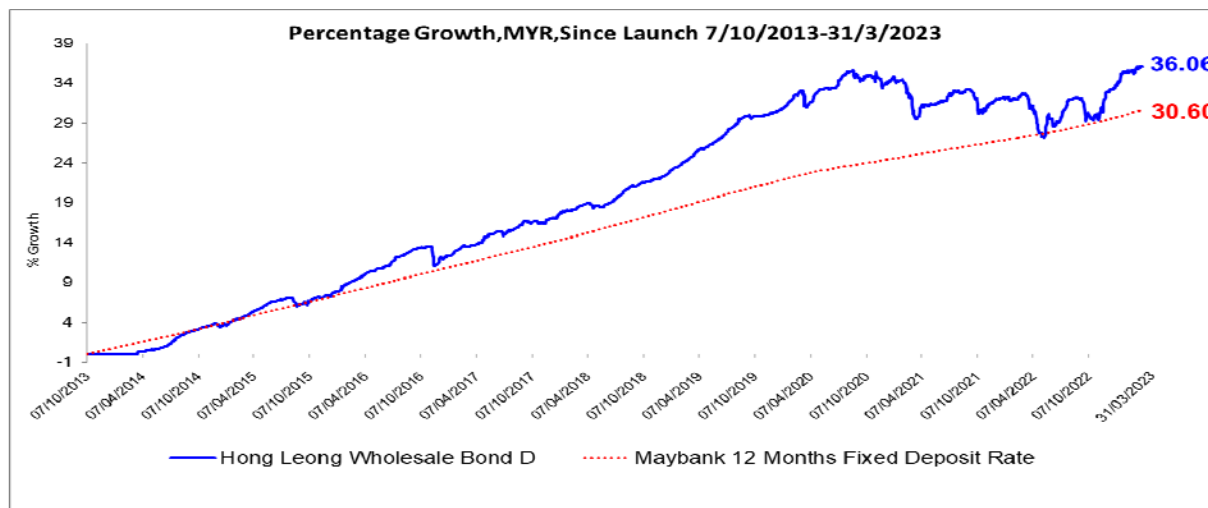
Percentage Growth, NAV Per unit-to-NAV Per unit basis with gross income (if any) from HLWBoF reinvested and in MYR terms.

Note:

¹ '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.

d) Performance in Chart

HLWBoF Class D



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, HLWBoF Class D has posted a return of 36.06% while its benchmark the Maybank 12-Month Fixed Deposit Rate has registered a return of 30.60%.

e) Portfolio turnover ratio (PTR)

	Financial year ended 31 March		
	2023	2022	2021
PTR of the Fund (times)	0.14	0.50	0.63

The Fund recorded a lower PTR of 0.14 times during the financial year ended 2023 from 0.50 times during the financial year ended 2022 on account of lower level of rebalancing activities performed by the Fund.

f) Distribution

Financial year	Additional Units	Cash distribution
2021	-	Gross/Net 4.5000 sen/unit
2022	-	Gross/Net 3.7000 sen/unit
2023	-	Gross/Net 1.4000 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
E-mail : inquiry@hlam.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
 - (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
 - (d) *via online complaint form available at* : 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
 - (c) *via online complaint form available at* : www.fimm.com.my
 - (e) *via letter to* : Legal & Regulatory Affairs
Federation of Investment Managers Malaysia
19-06-01, 6th Floor Wisma Tune
No. 19, Lorong Dungun
Damansara Heights
50490 Kuala Lumpur