HLA Dana Suria (HLADS)

Oct 2020

Fund Features

1. Investment Objective

This fund provides investors an affordable access into a diversified investment portfolio which offers steady and consistent return over a long-term investment horizon by investing into local and global equities and fixed income securities that comply with Shariah requirements.

2. Investment Strategy & Approach

At inception, this fund will invest by feeding into Hong Leong Dana Maa'rof and HLA Venture Dana Putra ("Target Funds") with the option to increase the number of funds or replace the Target Funds in future.

Generally, the Target Funds select undervalued companies that have the potential to offer good Medium-To-Long Term capital growth. In terms of fixed income instruments, selection depends largely on credit quality to assure relative certainty in profit income, principal payment, and overall total return stability.

3. Asset Allocation

Hong Leong Dana Maa'rof (HLDM) will invest a minimum 40% and maximum 60% of its NAV into Shariah-compliant equities while HLA Venture Dana Putra (HLAVDP) will invest up to maximum 90%, but not less than 40% of fund's NAV into Shariah approved equities. Generally, HLA Dana Suria may invest up to a maximum of 95% of its NAV into Shariah-compliant equities or a maximum of 100% of its NAV into Shariah-based deposits or Islamic money market instruments.

4. Target Market

This fund is suitable for investors who have moderate risk-reward temperament and are looking for returns from Shariah-compliant investments in a medium-to-long term investment horizon.

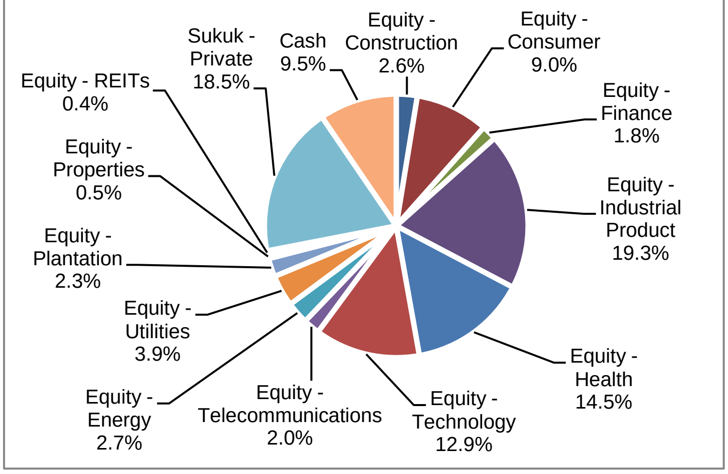
Fund Details

Unit Price (30/10/2020)	:RM1.2716
Fund Size (30/10/2020)	:RM7.7mil
Fund Management Fee	:1.30% p.a.
Fund Manager	:Hong Leong Assurance Berhad
Fund Category	:Managed
Fund Inception	:24 Sept 2013
Benchmark	:(70% x FTSE Bursa Malaysia EmasShariah Index) + (30% x 3-month Klibor)
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 ninety (90) days prior written notice.

With effect 27 April 2020, the frequency of unit valuation will be changed from weekly to daily.

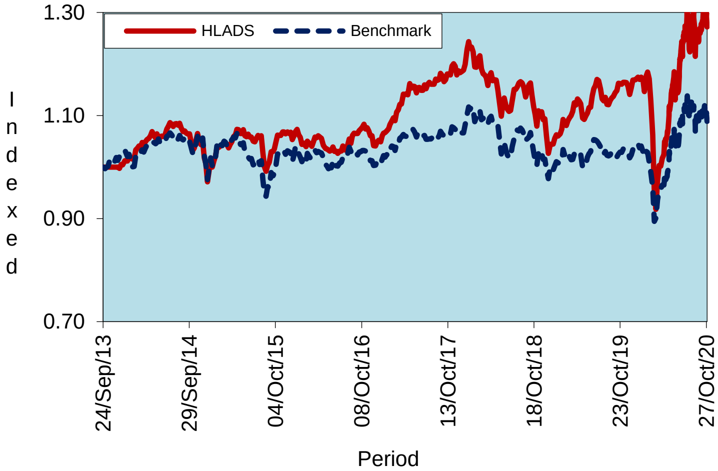
Asset & Sector Allocation of HLDSF as at 30 Oct 2020



Top 5 Holdings for HLADS as at 30 Oct 2020

			%
1.	Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA)	Sukuk	5.4
2.	Government Investment Issue	Sukuk	4.9
3.	Topglove	Equity	4.6
4.	Supermax	Equity	4.1
5.	TNB Western Energy Berhad	Equity	3.0
	Total Top 5		**22.0**

Historical Performance



	YTD	1 month	1 year	3 years	5 years	Since Inception
HLADS	8.73%	0.98%	9.57%	6.31%	19.78%	27.16%
Benchmark*	4.34%	-0.76%	5.87%	1.00%	6.34%	8.89%
Relative	4.39%	1.75%	3.71%	5.31%	13.44%	18.27%

*Source: Bloomberg

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Market Review, Outlook & Strategy

Regional markets wavered towards the end of the month on fears of rising Covid-19 cases in the US and Europe and also fading hopes of a big pre-election US fiscal stimulus package. The technology sector also succumbed to profit taking after earnings disappointed which led to concerns that a slowing economy will dampen profit. Europe also saw another flare up in the virus with UK, Italy, France, Germany and Spain reintroducing tougher social restrictions and new lock-down measures. This will inevitably slow the economy down in 4Q. The upcoming US Presidential election on 3rd Nov also contributed to market jitters as the outcome of the election will determine the size of fiscal stimulus, hence the strength of the USD and global economic recovery as well as the risk of any new trade tensions. In China, the 19th Central Committee of the Communist Party of China (CPC) concluded its fifth plenary session where China will continue to aim to achieve "sustained and healthy economic development in 2021-2025, with a focus on higher quality growth. Oil declined by 10% mom to close at US$35.72 per barrel due to weaker than expected demand arising from the second wave of Covid-19 and the rising stockpiles seen in the US.

Domestically, a resurgence in Covid-19 cases and rising political uncertainty led to softer market performance in October. During the month, Prime Minister Tan Sri Muhyiddin Yassin called for a state of emergency on escalating Covid-19 cases but this proposal was rejected by the King, much to everyone's relief. Politicians from both sides are most likely to respect the ceasefire as demanded by the King, to allow the upcoming Budget 2021 to be passed in the interest of the Rakyat. Bursa also saw the share of retail participants' daily trading activities rise 2% mom to 40% in October as trading interest returned following the implementation of CMCO in Klang Valley from 14th Oct onwards. Retailers were net buyers at +RM0.5bn (USD120m) together with local institutions at +RM0.6bn (USD144m). Foreign institutions remained net sellers at –RM0.7bn (USD168m), though selling values were 68% lower mom. Retailers and local institutions were active accounting for 35.8% and 28.9% of value traded. Foreign institutions accounted for 13.9% of value traded.

For the month of October, on a mom basis the FBMKLCI underperformed the broader market with a decline of 2.5%. FBM Emas Shariah was down by 1.2% and FBM Emas declined by 2.0%. FBMSC bucked the trend eking a gain of 0.5%.

Moving into November, on the regional front investors will be following closely the outcome of the 2020 US presidential election on 3rd Nov, latest developments on the Brexit trade deal negotiations and the FOMC meeting on 4th - 5th Nov. Domestically, market will be focusing on the 1) release of 3Q GDP numbers on 13th Nov, 2) tabling of Budget 2021 on 6th Nov, 3) the Monetary Policy Committee meeting on 3rd Nov, 4) the 3Q20 corporate earnings reporting season in Malaysia, 5) new Covid-19 cases and potential extension of the CMCO beyond 9th Nov and 6) on-going Parliament sitting until 15th Dec. As market will likely be volatile into November; we would continue to advocate a defensive trading approach favoring stocks that offer earnings certainty with dividend yield as well as stocks that are beneficiaries from the structural changes brought about and accelerated by Covid-19.

Market Review, Outlook & Strategy - Fixed Income Market

In the month of October, 10 years US Treasury ("UST") yields rose to 0.87%, highest since June 5th. The yield curve also bear steepened on hopes that U.S. lawmakers were close to striking a deal on new fiscal stimulus to combat the economic devastation caused by the pandemic. Investors were concerned that the long-dated yields would rise on the likelihood of greater fiscal spending (more taxes and/or more UST supply) to boost the economy.

On the contrary, the Malaysian Government Securities ("MGS") market rallied and yield curve bull steepened with short-end MGS yields declining the most by 14 to 30bps MoM. Traders were positioning ahead of the Monetary Policy Committee ("MPC") meeting scheduled on Nov 3rd with the anticipation that Malaysia's central bank may cut the Overnight Policy Rate ("OPR") by another 25bps amid concern over downside risks to growth following the resurgence of Covid-19 cases. The rally was also helped by offshore investors when they picked up short tenure MGS amid recent US dollar weakness. On a similar trend, long-end MGS yields also dropped, however the quantum is marginal (-1 to -4bps MoM), with the exception of the 20-year MGS benchmark which rose by 2bps MoM. Generally, investors stayed defensive on the long tenure bonds amid concern over the political risks; placing uncertainties over the focal points of Budget Malaysia 2021 announcement on Nov 6th.

As for corporate bond market, trading activities remained lacklustre since focus was shifted towards the participation in primary issuances which were relatively hefty. Some prominent new issuances for the month were Alliance Bank Malaysia Bhd's RM1.2 billion of A2-rated subordinated debts, Malayan Banking Bhd's RM3 billion of AA1-rated subordinated debts, Prasarana Malaysia Bhd's RM1 billion of government guaranteed ("GG") bond, Bank Islam Malaysia Bhd's RM700 million of A1-rated subordinated debts, Cagamas Bhd's RM550 million AAA-rated bond, Imtiaz Sukuk II Bhd's RM700 million AA2-rated bond, Bank Pembangunan Malaysia Bhd's RM1 billion AAA-rated bond, Pengerang LNG (Two) Sdn Bhd's RM3.4 billion AAA-rated bond, Perbadanan Tabung Pendidikan Tinggi Nasional's RM3 billion GG bond and Perbadanan Kemajuan Pertanian Negeri Pahang's RM535 million AA3-rated bond.

In the U.S., investors are betting that new stimulus is likely to take place after the Nov 3rd presidential election if lawmakers do not agree to it now. With Democrats likely to offer a larger package if they were to win majority seats in the Senate, the new fiscal spending should improve the U.S. economic outlook and raises the prospect of higher inflation, which potentially send yields higher. Correspondingly, a glut of UST supply to finance the spending could also weigh on the U.S. bond market. However, the ongoing weakness from Covid-related business disruptions will likely keep downward pressure on yields. Also, the Federal Reserve has mentioned that the Fed would keep low rates in place until it is confident that the economy improves.

On the local front, everyone is eyeing on the upcoming MPC meeting and Malaysia Budget 2021. Regardless of BNM's decision on the policy rate, the policy statement is expected to remain dovish, accommodative and supportive of sustaining the economy recovery. In our view, the upcoming budget may not be able to deliver a significant expansionary fiscal stance given the limited fiscal space. Hence, BNM may need to consider the effects of Budget 2021 and assess if there is a need to reinforce with a rate cut amid resurgence of COVID-19 cases locally and globally which elevates the downside risks to growth. Globally, as a result of second waves, the U.S., U.K and several countries in the EU (e.g. Germany, France, Italy and Spain) have re-imposed lockdowns. This will have a material negative impact on external demand for Malaysian products, as both the U.S. and EU comprise around 20% of Malaysia's total exports. Against this backdrop, demand for govvies is expected to remain supported for now. However, we will remain defensive amidst the ongoing political risks and the heavy supply on both govvies and corporate bonds.

Actual Annual Investment Returns for the Past Seven (7) Calendar Years

Year	2013	2014	2015	2016	2017	2018	2019
Benchmark	3.3%	-1.4%	2.2%	0.4%	7.5%	-7.5%	4.3%
HLADS - Gross	2.7%	1.5%	7.4%	-0.6%	17.0%	-12.6%	14.5%
HLADS - Net	1.2%	0.1%	5.5%	-1.9%	14.3%	-12.9%	12.0%

Net returns are adjusted for tax and fund management fees.

Those are the actual returns in the past seven (7) 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.

The fund was only launched on 24 September 2013. The actual investment returns are calculated based on unit price from 24 September to 31 December 2013.

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.

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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. **Country Risk**
   The foreign investment of a fund may be affected by the political & economic conditions of the country which the investments are made.

4. **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.

5. **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.

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

1. Hong Leong Dana Maa'rof is a Balanced fund managed by Hong Leong Asset Management Berhad. The past performance of this fund is as follows:

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Performance	14.4%	2.8%	6.4%	7.0%	0.1%	9.1%	-1.2%	13.1%	-11.1%	17.8%

Source: Hong Leong Asset Management Berhad

2. HLA Venture Dana Putra is an Equity fund managed by Hong Leong Assurance Berhad. The past performance of this fund is as follows:

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Performance	11.9%	-4.5%	7.8%	28.6%	-2.4%	3.1%	-3.6%	17.7%	-17.7%	8.3%

Source: Hong Leong Assurance Berhad

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

HLA Dana Suria is managed by Hong Leong Assurance Berhad (HLA). Any amount invested in this fund is invested by HLA on behalf of Policy Owner into Islamic unit trust/investment-linked funds which will invest in Shariah-compliant fixed income securities, equities, collective investment scheme, foreign asset, derivatives and money market instrument/s. If the financial institutions and/or corporations issuing the funds default or become insolvent, the Policy Owner risks losing part or all of his/her amount that were invested into the fund 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.

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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.