HLA Dana Suria (HLADS)

Jan 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.

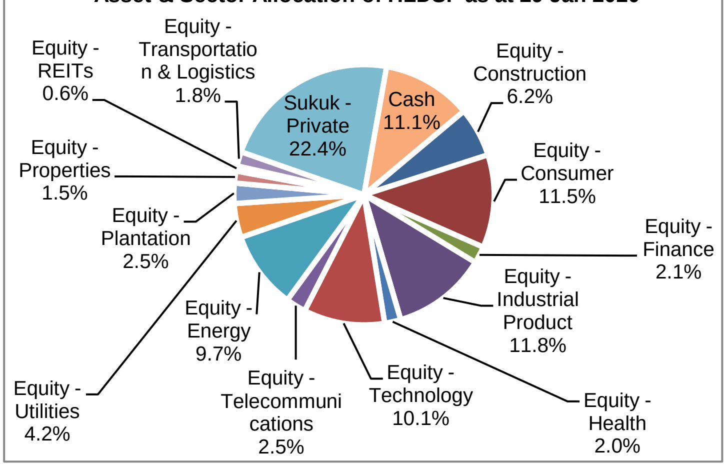
Fund Details

Unit Price (29/1/2020)	:RM1.167
Fund Size (29/1/2020)	:RM7.0mil
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	:Weekly

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.

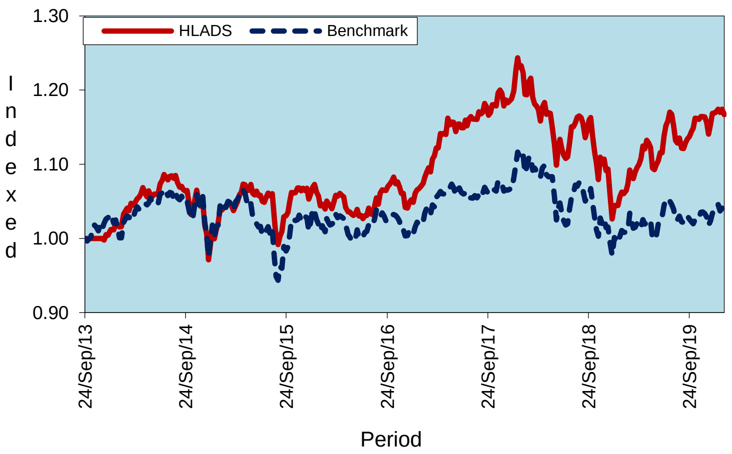
Asset & Sector Allocation of HLDSF as at 29 Jan 2020



Top 5 Holdings for HLADS as at 29 Jan 2020

			%
1.	Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA)	Sukuk	6.2
2.	TNB Western Energy Berhad	Sukuk	5.7
3.	TENAGA	Equity	3.5
4.	Grand Sepadu (NK) Sendirian Berhad	Sukuk	3.1
5.	Sepangar Bay Power Corporation Sendirian Berhad	Sukuk	3.1
	Total Top 5		**21.6**

Historical Performance



	YTD	1 month	1 year	3 years	5 years	Since Inception
HLADS	-0.21%	-0.21%	10.07%	9.05%	12.29%	16.70%
Benchmark*	-1.37%	-1.37%	2.11%	0.53%	-1.42%	2.93%
Relative	1.16%	1.16%	7.96%	8.51%	13.71%	13.77%

*Source: Bloomberg

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Market Review, Outlook & Strategy

Regional markets tumbled in the first trading month of the year 2020. Investors initially had to deal with geopolitical uncertainties following the Iran retaliation airstrikes and sentiment deteriorated further over mounting concerns of the economic and human impact of the coronavirus outbreak in China. The outbreak comes at a critical time for Asian economies and China in particular as they emerge from a manufacturing slump due to the prolonged trade war. The US and European markets, however, continued to be resilient as earnings results continue to offer encouragement. The UK has formally left the EU on 31 Jan 2020 after the EU parliament approved UK's exit terms. The US President's impeachment hearing continues to linger and the US Fed remains neutral with growth outlook largely unchanged from December's meeting.

The local bourse started the year on a stronger footing underpinned by optimism over the economic growth in the new year. This optimism did not last long, unfortunately. FBM KLCI retreated when news emerged that the US launched an airstrike in Baghdad, killing a top Iranian general and an Iraqi militant leader. This was further exacerbated by fears over the spread of the novel coronavirus from Wuhan, China. In a surprise move, Bank Negara Malaysia (BNM) cut the overnight policy rate (OPR) by 25 bps to 2.75% as a preemptive move to insulate the growth trajectory and price stability. The timing of the cut was earlier than expected, sparking concerns that there could potentially be another rate cut in 2020. Other major news include the cabinet's decision to not sell PLUS but the highway concession agreement with PLUS will be restructured to facilitate the implementation of an 18% reduction in toll rates.

For the month, the FBM KLCI (-3.6% mom) outperformed the FBM Emas (-3.8% mom) and the FBM Small Cap Index (-6.3% mom) to close at 1,531.06 points. However, the KLCI underperformed the FBM Shariah Index which registered a 3% mom decline. In January, foreign investors bought RM8.1b of equities and sold the same value, which neutralised their fund flows in Malaysian equities.

Investors will continue to track closely the developments of the novel coronavirus outbreak. A prolonged outbreak will further affect the nascent recovery of trade activities. Based on the outbreak trajectory during SARS in 2003, the disease could peak sometime in March/ April and to be fully contained by June. As for Malaysia, the virus contagion fear will likely mar the Visit Malaysia Year 2020 campaign which was initially expected to be a growth catalyst. February will also be the 4Q19 earnings season, which is likely to be uninspiring. We may see some form of stimulus being introduced to address the potentially weaker economic growth. We continue to advocate our defensive strategy - favouring dividend yielding names with resilient earnings base.

Market Review, Outlook & Strategy - Fixed Income Market

Global bond markets had a synchronized rally, spurred by a broad risk-off sentiment as investors grew increasingly worried about the potential economic fallout from the coronavirus epidemic that began in China. The virus has fast spread to at least 18 other countries and has dampened sentiment over global economic growth. At the 30th Jan FOMC meeting, the Federal Reserve left the fed funds rate target range unchanged at 1.5-1.75% as widely expected and cited that it would continue expanding its balance sheet in order to ensure ample reserves are in the financial system. This was followed by the BOE's announcement to keep its bank rate steady at 0.75%, ahead of the 31 Jan Brexit date. Taking cue from the global risk-off sentiment, the benchmark 30-year U.S. Treasury ("UST") yield fell below 2% for the first time since Oct 2019 whilst 10-year UST yields fell as low as 1.51%. The yield curve saw both the 3-month vs 10-year and 2-year vs 5-year UST inverted, signaling an increase in downside risks to growth and potential recession.

On a similar trend, Malaysian Government Securities ("MGS") yield curve flattened on better buying at the ultra-long end. Trading was active on the back of real money demand especially post Monetary Policy Meeting ("MPC") meeting on 22 Jan. Market was caught off guard on Bank Negara Malaysia ("BNM") decision to cut Overnight Policy Rate ("OPR") by 25bps to 2.75%. While the central bank expects domestic growth to improve in 2020, it still sees downside risks externally and domestically, including from trade policies, geopolitical risks, weakness in commodity related sectors and domestic project implementation. In reaction to the OPR cut, MGS yields shifted 8-16bps lower on the announcement day led by front-end bonds. On a MoM basis, the MGS curve bull-flattened with yields collapsing 36-38bps along the 15- to 30-years. At close, the benchmark MGS 3, 5, 7, 10, 15, 20 and 30-year yields were 2.85% (-14bps MoM), 2.96% (-23bps MoM), 3.06% (-25bps MoM), 3.13% (-18bps MoM), 3.26% (-35bps MoM), 3.42% (-35bps MoM) and 3.77% (-35bps MoM), respectively.

Corporate bond yields dropped 13-37bps in January, catching up with the slide in government bond yields. Trading volumes in the secondary market picked up to RM8.25 billion (Dec 2019: RM6.48 billion) as investors started to rebuild positions for the year. The Focus remained on the Government Guaranteed ("GG"), high-grade quasi and AAA sectors. Primary supply on corporate bonds remains tight, with only a few small issuances seen in January and mostly centered along 3 to 5 years tenure to maturity. Some of the prominent ones include Perbadanan Kemajuan Negeri Selangor ("PKNS") AA3-rated 3-year bond with 3.765% coupon totalling RM100 million, Kedah Cement Sdn Bhd (fka Lafarge Cement Sdn Bhd) A1-rated 3-year bonds with 4.60% coupon totalling RM180 million and Toyota Capital Malaysia Sdn Bhd AAA-rated 3- and 5-year bonds amounting to RM100 million each at a coupon of 3.70% and 3.80% respectively

On the back of uncertainties caused by the coronavirus outbreak which remains unabated at the time of writing, global expectations have been recalibrated in recent days to take into account the potential downward pressure on growth globally. There are already estimates that growth in China will cripple to 2% in 2020 as a result of the related disruptions. The outbreak would definitely have a knock-on effect on both the global and local economy should it drag on longer. This could trigger a need for stronger fiscal stimulus and monetary support through further rate cuts.

We view that at the current levels, local bond yields are at new norms in terms of valuation. Further decline in yields could be a result of short-term momentum driven rally while investors are still gauging the potential effects of the current pandemic in relation to previous outbreaks such as SARS, H1N1 (swine flu) and Ebola. Given the already rich valuations, bond yields could sharply reverse should the fear of the global pandemic subside. Thus, we remain cautious on aggressively building any new investment for the portfolio on a favourable risk-reward basis. We are also of the view that this event could provide at best some trading opportunities.

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 will cover the nature and scope of the investment authority that is exercisable by various parties in managing the Company's investments. Besides this, sensitivity and stress testing is conducted to inform the Company's management the profit & loss profiles of their investments under different pre-defined risk scenarios and the necessary action to be taken if the potential losses exceed the Company's risk tolerance level.

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	14.4%	-3.1%	10.0%	32.6%	-1.1%	4.9%	-2.4%	20.8%	-17.8%	10.5%

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.

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.