

HLA Dana Suria (HLADS)

Apr 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

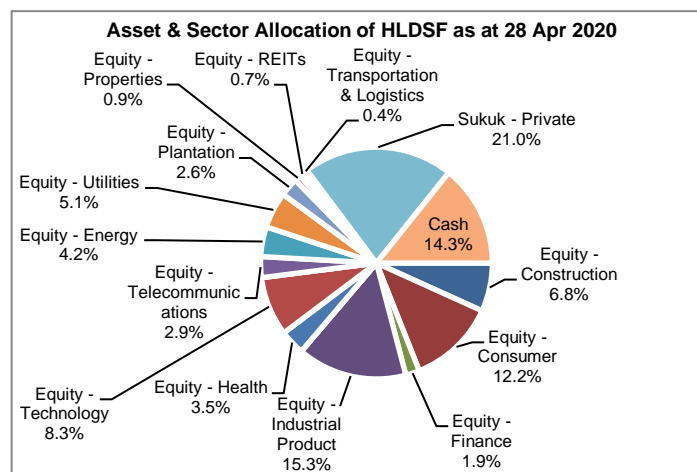
This fund is suitable for investors who have moderate risk-reward temperament and are looking for returns from Shariah-compliant investments in a medium-to-long term investment horizon.

Fund Details

| | |
|-----------------------------|---|
| Unit Price (28/4/2020) | :RM1.0255 |
| Fund Size (28/4/2020) | :RM6.2mil |
| 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.

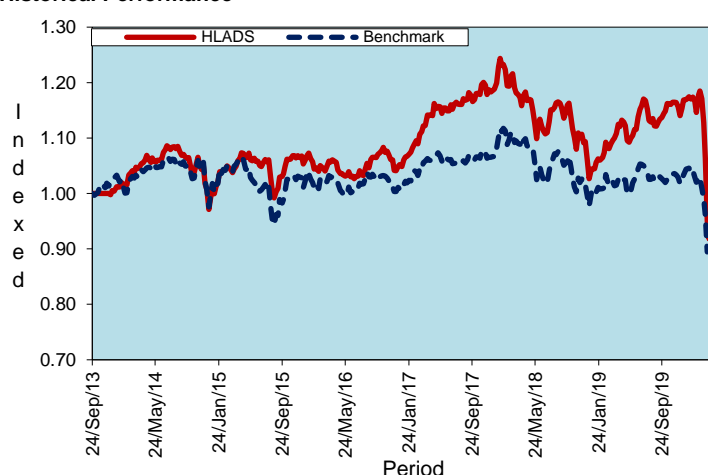
With effect 27 April 2020, the frequency of unit valuation will be changed from weekly to daily.



Top 5 Holdings for HLADS as at 30 Apr 2020

| | | % |
|--------------------|--|-------------|
| 1. | Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA) | Sukuk 7.0 |
| 2. | TNB Western Energy Berhad | Sukuk 3.9 |
| 3. | TENAGA | Equity 3.8 |
| 4. | Grand Sepadu (NK) Sendirian Berhad | Sukuk 3.4 |
| 5. | Sepangar Bay Power Corporation Sendirian Berhad | Sukuk 3.4 |
| Total Top 5 | | 21.4 |

Historical Performance



| | YTD | 1 month | 1 year | 3 years | 5 years | Since Inception |
|------------|---------|---------|--------|---------|---------|-----------------|
| HLADS | -12.31% | 5.40% | -9.14% | -10.08% | -4.37% | 2.55% |
| Benchmark* | -7.47% | 3.11% | -5.75% | -9.27% | -8.94% | -3.43% |
| Relative | -4.85% | 2.29% | -3.40% | -0.81% | 4.57% | 5.98% |

*Source: Bloomberg

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Market Review, Outlook & Strategy

Global equities saw a sharp recovery in April as fear of the unknown receded somewhat, driven by news of additional stimulus (the US announced the fourth relief bill which was an additional US\$484b Covid-19 relief package) coupled with flattening of the infection curves across countries signaling that they would be preparing to reopen their economies soon. The unlimited quantitative easing by the central banks has thrown a lifeline to risky assets. The US Fed kept interest rates unchanged during the recent FOMC meeting and pledged to do whatever it takes to help the economy recover following the release of 1Q20's -4.8% qoq GDP data. China also announced a 6.8% contraction in its 1Q20 GDP. Despite that, market sentiment was buoyed by Gilead's announcement of positive data from its Phase-3 trials for antiviral drug - Remdesivir. For the first time in history, WTI May futures fell into negative territory on concerns that crude storage worldwide will reach its maximum capacity as demand declines.

Over in Malaysia, the Movement Control Order (MCO) was first implemented on 18 March and since then extended to MCO Phase 2 (1-14 April), MCO Phase 3 (15-28 April) and MCO Phase 4 (29 April – 12 May). The Ministry of International Trade and Industry estimated that the economy was operating at only 45% of its operating capacity during the implementation of MCO throughout April. The government announced a fourth Covid-19 related stimulus package of RM10b to assist the SME sector. On a positive note, the MCO saw the infection curve flatten and the government has since announced some relaxation measures to allow more businesses to resume operations in May. Bank Negara released their 2020 GDP forecast of between -2% and 0.5% with headline inflation averaging between -1.5% to 0.5%.

On a relative basis for the month of April, the FBM KLCI underperformed the broader market by posting a smaller recovery of 4.2% mom to close at 1,408 pts. The FBM Emas Shariah and FBM Emas recorded gains of 7.8% mom and 6.2% mom respectively in April. The Small Cap index outperformed the other indexes with a gain of 20.2% mom. In April, Malaysian equities saw foreign outflows to the tune of US\$612m (representing a 51% mom decline). Cumulatively, Jan to Apr 20, total net outflow was US\$2.4b and foreign ownership of Malaysian equities is now estimated at around 21.6% vs 22.3% as at end 2019.

Going into May, we think markets will continue to be volatile with concerns over earnings disappointment in the upcoming results season, current low crude oil price and the potential resurgence of the US-China trade war. Domestically, investors have been following closely the Monetary Policy Committee meeting where Bank Negara has cut the Overnight Policy Rate by 50 bps to help support the local economy. Market will also be watching the Parliament sitting which will reconvene for one day (instead of 15 days) due to the Covid-19 and this will be the first Parliamentary sitting following the change in government in February. We continue to stay defensive in this current volatile trading environment sticking to companies which offer resilient earnings and dividend prospects with strong cash flow profile to weather the economic downturn.

Market Review, Outlook & Strategy - Fixed Income Market

After a major move seen in March, movement in the US Treasury ("UST") yields remained largely rangebound in the month of April with the 10-year UST yields oscillating between 0.56% to 0.77% before it closed the month at 0.64%. The US Federal Reserve's ("Fed") statement of unlimited support has evidently provided a great amount of liquidity cushion against large swings that occurred when the Covid-19 crisis found its way into paralysing the deeply liquid financial market. Henceforth, the spotlight for April was anchored on Fed's willingness to buy corporate debt including those with junk grades. The unprecedented support by the Fed with no clear caps and conditions had indirectly led Boeing (rated BBB-) – the airplane manufacturer- to issue a whopping USD25 billion in bond offering to shore up liquidity. Since the World Health Organization declared the coronavirus a pandemic, corporations issued USD265 billion in debt through April 27, twice as much than the same period last year. Notably, given the Fed's success in supporting the markets, central banks around the world have also jumped onto the bandwagon, albeit less aggressive relative to that of the Fed.

On the local front, the Malaysian Government Securities ("MGS") yields compressed 40-60bps across the curve on the back of huge downward pressure in oil prices as gloomy forecasts for oil demand during the coronavirus pandemic flared up. The short to belly MGS curve outperformed the long end curve on high expectations for a 50bps rate cut by BNM in May 2020. It is worth noting that the snapback in MGS yields in April was evidently as quick as the selloff in seen in the prior month.

Activity also picked up in the local corporate bond market with increased demand across the various rating bands. Prominent issuance for the month is Danum Capital Berhad's RM2 billion multi-tranche issuance which was upsized from an initial target of RM1.5 billion.

At this current juncture, while unprecedented measures by major central banks have provided immense confidence to the market, we expect to see persistent economic weakness as the global pandemic necessitated longer-than-expected lockdowns. While some major economies are gradually reopening, we opine that the risk of a second wave should not be completely ruled out. Henceforth, we would not be surprised to see default rates being revised higher should a second wave of economic lockdown play out. Moody's raised its default forecast for end-2020 to 10.6% and edge higher to 11.3% by end-March 2021 (March 2020: 3.5%) underpinned by the expectation of recessions in many large economies following the unprecedented turmoil in the financial market.

On the local front, while the MGS curve is now back to the pre-selloff levels in February, its valuation has indeed priced in the 50bps cut in OPR from 2.50% to 2%. BNM has ample policy space to adjust from the expected OPR level in May, which it has done, and the availability of unconventional monetary policy which may include direct purchase of government bonds at their disposal. As Malaysia is also directly impacted by the global oil rout given the country's status as an oil exporter, the demand and supply pressure may play out unfavourably for the country's fiscal position and in turn its credit rating going forward. That said, we think that near-term volatility on the MGS is inevitable given the abovesaid uncertainties. As such, we will continue with our active management in managing the portfolios. We will sell on strength when opportunity arises to lock in profit and gradually rebuild the position when the valuation turns cheaper again.

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.

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.

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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

- 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.
- 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.
- The maximum value of any asset of any fund shall not exceed the following price:
 - The last transacted market price at which those assets could be purchased or sold on the business day before the valuation date; or
 - 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.
- 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

- 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

- 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.

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.