

HLA Dana Suria (HLADS)

June 2022

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

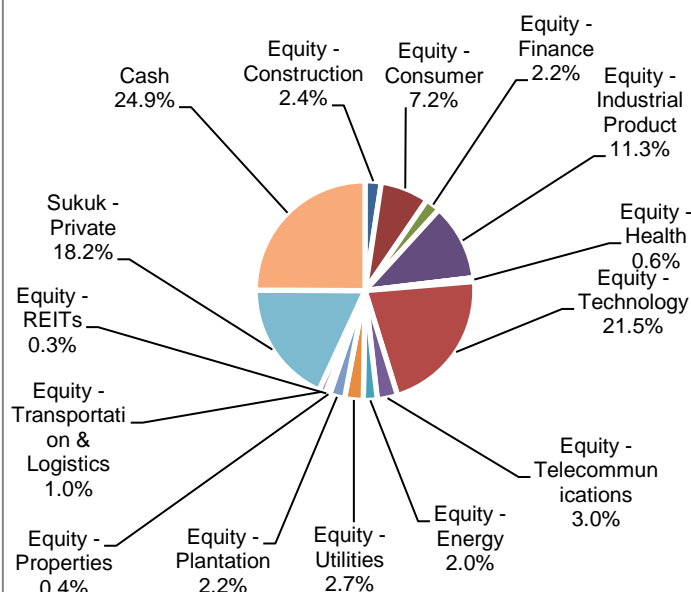
This fund is suitable for investors who have moderate risk-reward temperament and are looking for returns from Shariah-compliant investments in a medium-to-long term investment horizon.

Fund Details

Unit Price (30/6/2022)	:RM1.3572
Fund Size (30/6/2022)	:RM10.5 mil
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.

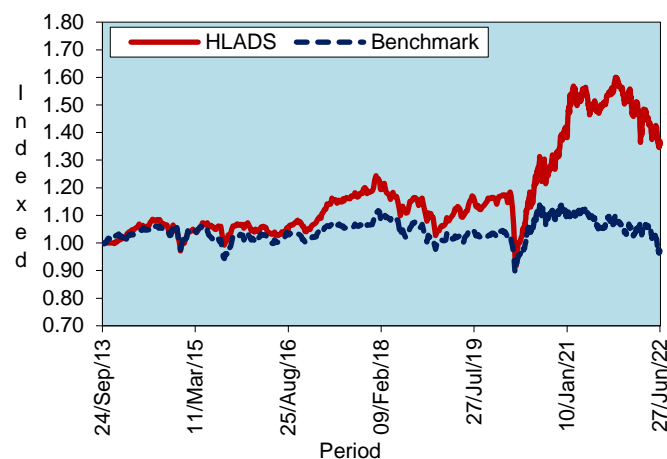
Asset & Sector Allocation of HLDSF as at 30 June 2022



Top 5 Holdings for HLADS as at 30 June 2022

		%
1.	Samalaju Industrial Port Sdn Bhd	Sukuk 4.8
2.	Government Investment Issue 2024	Sukuk 4.7
3.	Government Investment Issue 2028	Sukuk 2.4
4.	Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA)	Sukuk 2.4
5.	Inari Amertron Berhad	Equity 2.2
Total Top 5		16.5

Historical Performance



	YTD	1 month	1 year	3 years	5 years	Since Inception
HLADS	-12.52%	-4.12%	-8.07%	19.26%	18.11%	35.72%
Benchmark*	-8.95%	-5.43%	-8.29%	-6.88%	-8.23%	-2.73%
Relative	-3.57%	1.31%	0.22%	26.14%	26.34%	38.45%

*Source: Bloomberg

Notice: Past performance of the fund is not an indication of its future performance.

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Market Review, Outlook & Strategy

Global equities declined during the month due to inflation and recessionary fears. In June, the FOMC hiked rates by 75bps and the Fed Chair reiterated that commitment to reigning in inflation was “unconditional”. During the Fed Chair’s testimony to the congress, he acknowledged that a recession was possible and achieving a soft landing would be very challenging. Commodities were not spared from the correction as prices from oil to copper and wheat weakened, pricing in the probability of a recession. Whereas over in China, the sentiment was more positive on the back of easing Covid restrictions as well as more signals on possible reduction in US tariffs over China goods. In a keynote speech to the BRICs Business Forum, the Chinese President also reiterated the commitment to achieve 2022 economic targets as well as mentioned the support for internet/ platform companies.

Domestically, Malaysia was not spared from inflationary pressures due to supply chain disruptions, labour shortages and the impact of the war in Ukraine. In its effort to help temper the effects of rising prices, the government made the decision to keep Peninsular Malaysia’s electricity tariff rates unchanged for 2H22 and reinstated the ceiling price for chicken at RM9.40 per kg (from an earlier decision to remove the ceiling price of RM8.90 per kg). Due to the unanticipated subsidies for fuel, chicken and eggs and cooking oil as well as flood relief, Malaysia is expected to spend around RM77b in subsidies and cash aid for 2022. Plantation stocks corrected during the month following the collapse in CPO prices, breaching the RM5k/MT level following Indonesia’s removal of the ban on palm oil exports. Notable corporate developments include the greenlight given by MCMC to the merger of Celcom and Digi’s operations which will create the leading telco provider in Malaysia. The Ringgit weakened further against the US\$ to end the month at 4.4085 from 4.3770 at the start of the month.

Average daily trading value increased to RM2.59b in June from May’s RM2.4b. Retailers remained net buyers with +RM0.6b and local institutions turned net buyers with +RM0.7b. Foreign institutions turned net sellers with -RM1.3b. Retailers and local institutions accounted for 23.6% and 35.4% of value traded. Foreign institutions accounted for 29.2% of value traded. The four indices continued its downtrend in June. The FBMKLCI, FBM Shariah, FBM Emas and FBMSC declined by 8%, 8.7%, 7.6% and 8.8% mom respectively.

Going into July, market is expecting another round of 75 bps hike by the Fed. But there are also some expectations of the Fed scaling back the additional tightening from December onwards and some probability of rate cuts in 2023. As for China, investors will continue to monitor closely the progress of its reopening and potentially any further easing to both its monetary and fiscal measures. For Malaysia, the Ministry of Finance will be tabling the Fiscal Responsibility Act during the upcoming Parliament session scheduled to start on 18th July. This bill will help to boost tax collection by broadening the tax base which is crucial to replenish the nation’s coffers to finance the nation’s development and longer-term reform plans. Malaysia can also finally progress with the 5G deployment as the telco players have finally reached an agreement with state-owned Digital Nasional Bhd (DNB) before the due date on 30 Jun 22. Malaysia’s Communications and Multimedia Minister said an announcement of the deal will be made known at the early part of July, removing the overhang for the sector. We remain defensive and will maintain our barbell strategy by investing in both the value and growth sectors. Sectors that we continue to favour include interest rate hike beneficiaries (banks), selected recovery/reopening names (consumers with pricing power) and 5G/ technology (easing of supply chain bottlenecks).

Market Review, Outlook & Strategy - Fixed Income Market

US Treasury (“UST”) rates increased in June as Fed officials conveyed that taming inflation would be their main priority and that policy levers would be largely geared towards said goal. The 2-, 5-, 10- and 30-years UST yields increased by 39, 22, 17 and 13 bps respectively m-o-m. During the month, the Fed raised interest rate by 75bps, a move that it had previously claimed as one that is not even being considered. While market participants did have an inkling that a 75bps hike was likely given that May inflation came in at 8.6%, yields did shoot up subsequent to the hike announcement. This is evidenced by the 2- and 10-year note which shot up to 3.44% and 3.48% subsequent to the announcement, the highest level since November 2007 and April 2011 respectively. However, lacklustre economic data and more pronounced fears of recession stemming from aggressive rate hikes led to a drop in yields towards the end of the month with the 2- and 10-year note settling at 2.95% and 3.01% respectively as at end June.

On the local front, relatively similar trend was observed in govies yield as it continued to track the trend in the US. The yields on the 3-, 5-, 10-, 15- and 30-year MGS increased by 4, 23, 7, 9 and 10 bps, respectively. Fundamentally, the increase is also attributable to inflation expectations that have recently gained momentum. It was anticipated that the elimination of the price ceiling for chicken and eggs and the subsidy for bottled cooking oil would have a significant impact on food inflation. On a more positive note, S&P’s affirmed Malaysia’s sovereign rating with an upward revision in outlook from negative to stable in end June. The outlook revision should boost investors’ confidence and demand for government debt securities.

In the corporate bond segment, some prominent new issuances during the month were Johor Corporation (RM1.6 billion, AAA), TNB Power Generation Sdn Berhad (RM1.5 billion, AAA), and Pengurusan Air SPV Berhad (RM1.3 billion, AA3).

Outlook & Strategy

Inflation levels and the Fed’s subsequent policy action and tone are likely to affect the UST. While the Fed has attempted to appease the market by suggesting that the robust labour market allows for aggressive rate hikes without triggering a recession, market participants appear to disagree, as evidenced by the recent appearance of yield curve inversions. As inflation is currently red-hot and further aggressive rate hikes will have negative effects on economic activity, it is probable that a pronounced risk aversion could drive yields lower.

Domestically, while cognizant of impending inflationary pressures, we believe that the bond market has already priced in the aggressive stance of future monetary policy action with current valuation accounting for at least five rate increases. In fact, we believe the market has overpriced the likelihood of a rate hike despite the anticipated increase in inflationary pressure in the second half of 2022. In the next three to six months, we expect local bond yields to decline from their current levels, as the current valuation is rather attractive. S&P’s revision of outlook for Malaysia’s sovereign rating from negative to stable on June 27 will also increase buying interest. In view of the above, we will continue to monitor economic data that could induce significant risk-off sentiments while waiting for an opportunity to reinvest.

Actual Annual Investment Returns for the Past Eight (8) Calendar Years

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021
Benchmark	3.3%	-1.4%	2.2%	0.4%	7.5%	-7.5%	4.3%	6.7%	-4.0%
HLADS - Gross	2.7%	1.5%	7.4%	-0.6%	17.0%	-12.6%	14.5%	24.1%	12.2%
HLADS - Net	1.2%	0.1%	5.5%	-1.9%	14.3%	-12.9%	12.0%	20.9%	9.8%

Net returns are adjusted for tax and fund management fees.

Those are the actual returns in the past eight (8) 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.

Notice: Past performance of the fund is not an indication of its future performance.

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.

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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.
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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Performance	6.4%	7.0%	0.1%	9.1%	-1.2%	13.1%	-11.1%	17.8%	28.5%	19.8%

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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Performance	7.8%	28.6%	-2.4%	3.1%	-3.6%	17.7%	-17.7%	8.3%	18.9%	2.1%

Source: Hong Leong Assurance Berhad

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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.