

# HLA Dana Suria (HLADS)

Sep 2018

## 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.

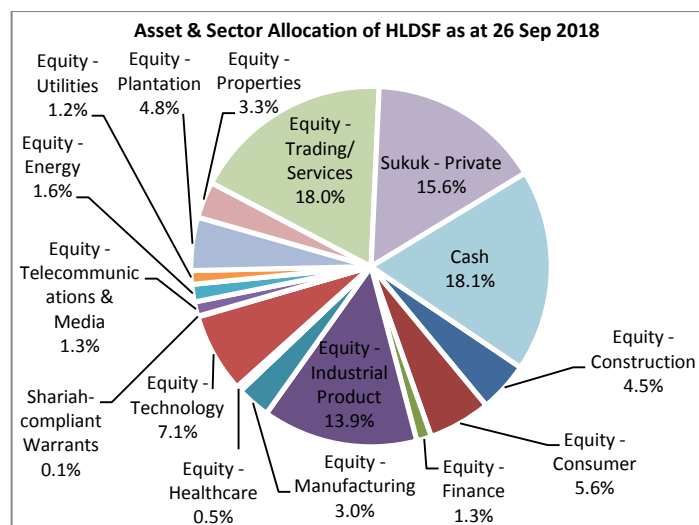
### 4. Target Market

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 (26/9/2018)	:RM1.1596
Fund Size (26/9/2018)	:RM6.60mil
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

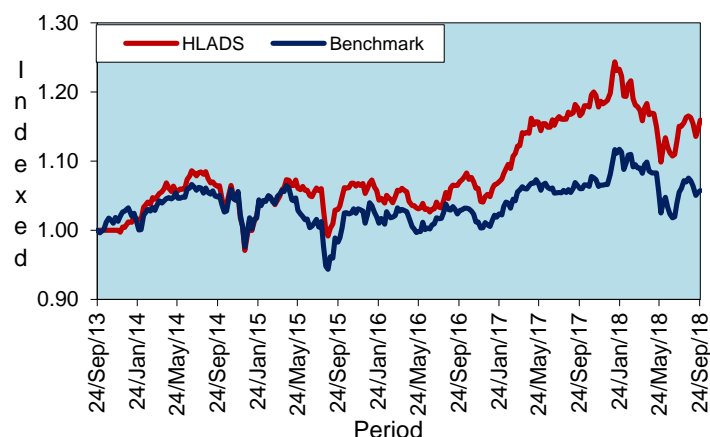
Fund management charge of underlying Collective Investment Scheme(s) is part of Fund Management Fee as stated in table above. There are no additional charges being charged to the Policy Owner. The Company reserves the right to change the Fund Management Fee (% p.a.) by giving the Policy Owner ninety (90) days prior written notice.



## Top 10 Holdings for HLADS as at 26 Sep 2018

		%
1.	Tenaga Nasional Berhad	Equity 5.6
2.	Tenaga Nasional Berhad Sukuk	Sukuk 4.6
3.	Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA)	Sukuk 4.3
4.	QL	Equity 3.0
5.	INARI	Equity 3.0
6.	MYEG	Equity 2.7
7.	DIALOG	Equity 2.4
8.	YINSON	Equity 2.3
9.	Petronas Chemicals Group	Equity 2.3
10.	Kesas Sdn Bhd	Sukuk 2.3
Total Top 10		32.5

## Historical Performance



	YTD	1 month	1 Year	3 Years	Since Inception
HLADS	-3.29%	-0.29%	-0.54%	11.98%	15.96%
Benchmark*	-2.21%	-1.33%	-0.25%	6.96%	5.78%
Relative	-1.08%	1.04%	-0.30%	5.03%	10.18%

\*Source: Bloomberg

**Hong Leong Assurance Berhad** (94613-X)

Level 3, Tower B, PJ City Development, No. 15A, Jalan 219, Seksyen 51A, 46100 Petaling Jaya, Selangor.

Telephone 03-7650 1818 Facsimile 03-7650 1991

Customer Service Hotline 03-7650 1288 Customer Service Hotfax 03-7650 1299

## HLA Dana Suria (HLADS)

### Market Review, Outlook & Strategy

During the month investors had to contend with continuing turmoil in Emerging Markets. Apart from the currency meltdown in Argentina, Turkey, South Africa and India, the contagion had now spread to South East Asian markets with the Indonesia Rupiah and Philippine Peso coming under tremendous selling pressure. This brought to mind comparisons with the Asian Financial Crisis which was also precipitated by the sharp depreciation of the Thai Baht in 1997.

Simultaneously, the global trade environment has become increasingly factionalised when US decided to proceed with imposing a 10% tariff on US\$200b worth of exports from China effective 24th September with the rate increasing to 25% in January 2019. China in turn retaliated by hiking 5-10% duties on US\$60b worth of US imports and called off the trade talks with the US. Meanwhile, the US and Canada also failed to agree on the new North America Free Trade Agreement. During the month, the US Federal Reserve raised interest rates by 25 bps to 2.25% in line with market expectations. Market now anticipates another rate hike in December and three more hikes in 2019 on the back of the strong underlying US economy.

On the domestic front, the sales and services tax (SST) came into effect on 1st September. Bank Negara Malaysia also kept its overnight policy rate unchanged at 3.25%, cautioning on increasing risk to global growth and greater volatility in the financial markets as well as rising capital outflows from emerging markets. The Ringgit depreciated by close to 1% mom against the US\$ to close at RM4.1383 as at end of September. Oil price continued its upward trajectory to above US\$70/barrel after sanctions by US on Iran's exports while Russia and OPEC did not unveil any further plans to increase production. Petronas also announced that it would raise its dividend payment by 50% to RM24b this year and has plans to increase upstream capex in Malaysia to RM15b this year from RM12b last year which should bode well for the local O&G scene.

During the month, the KLCI declined by 1.5% mom to close at 1,793.15pts. The broader markets outperformed the KLCI with smaller declines. FTSE Emas Shariah was down 1% mom, FTSE Small Cap Index declined by 0.6% mom and FTSE Emas was down 1.5% mom.

Going into October, investors will likely keep a close watch on the latest developments between the US and China for signs of increasing trade tensions, leading to a potential full blown trade war. Domestically, the Malaysian economy is expected to slow down on the back of the pullback of mega infrastructure projects and also potentially softer consumer and business sentiment post the implementation of the SST. As the government undertakes a more disciplined approach towards fiscal spending, there is unlikely to be any major announcements in the upcoming Budget 2019. Potentially there could be higher excise duties, gaming tax and even soda tax to be announced. As such we will continue to stay defensive focusing on companies with sustainable earnings and dividend yield.

### Market Review, Outlook & Strategy - Fixed Income Market

A confluence of events such as the multi-directional trade talks, substantial new supply of corporate bonds in the US, bets on the Fed rate hike as well as flight to safety on concerns over Italy's fiscal standing were the key driving forces behind the movement of US Treasuries (UST). UST yields marched higher since the start of the month on data releases that point towards stronger economic growth and inflation in the US. The much-anticipated 25 bps Fed rate hike was delivered before the month concluded and is currently in the range of 2%-2.25%. The added twist to the policy statement released by the US Federal Reserve was the omission of its longstanding reference to its monetary stance as being 'accommodative' which led to widespread speculation over a change in their policy direction.

On the local front, Malaysian government bonds came under selling pressure earlier in the month amid risk-off sentiment. The pressure was also fueled by the emerging market selloffs triggered by Turkey which extended its grip on the local bond market. That said, uptick in yields was quickly met with strong local bids, an indication of the still ample domestic liquidity as supply of corporate bonds remain scarce. The subsequent weeks saw some strength returning to local government bonds, particularly on longer-dated papers with the release of lower inflation figures in August. This was also on the back of the Finance Minister's comments that the country continues to enjoy strong economic fundamentals with growth forecast for 2018 at 5%, a strong labour market, steady external position, low inflation, robust international reserves and well-capitalised financial institutions. All in all, as we wrap up the third quarter of the year, the local bond market has evidently demonstrated resilience despite interim domestic and external challenges thanks to Malaysia's deep domestic institutional presence.

In the corporate bond or corporate sukuk space, the amount of new issuances as at end-September 2018 was down 29% YoY amid uncertainties in government policies and cancellation of mega infrastructure projects. Given the shortage, volume in the secondary market was higher despite a shorter working month. Yields generally ended lower with interest skewed along the government-guaranteed papers, followed by the AA-part of the curve up to the 20-year tenures.

We expect trading in local government bonds to continue to take its cue from global developments going forward and more importantly developments in the lead-up to the tabling of Malaysia's Budget 2019 by the newly-elected Pakatan Harapan government. As risk of foreign outflows coincide with the chunky maturities of Malaysian Government Securities ("MGS") and Government Investment Issues ("GII") in the next few months, foreigners are likely to vie for more clarity on fiscal policies for conviction to retain their funds onshore. While the government is keen on maintaining a prudent fiscal stance, there remain challenges in plugging the revenue hole. The jury is also still out on the amount of government infrastructure spending as well as whether the government intends to refinance some costly debts taken by 1MDB, the troubled sovereign wealth fund. We are of the view that corporate bond issuances are going to remain tepid for the rest of 2018 as uncertainties stemming from changes in heads of government-like entities and the wait-and-see attitude for better clarity in public policies may lead to some delays in corporate issuances.

On corporate bonds, we will continue to switch out of the short tenure bonds to participate in the primary issuances with preference for the longer tenure bonds to enhance the portfolio yield whilst remaining vigilant on credit selection. We will trade on MGS/GII as and when the opportunity arises.

## HLA Dana Suria (HLADS)

### Actual Annual Investment Returns for the Past Five (5) Calendar Years

Year	2013	2014	2015	2016	2017
Benchmark	3.3%	-1.4%	2.2%	0.4%	7.5%
HLADS - Gross	2.7%	1.5%	7.4%	-0.6%	17.0%
HLADS - Net	1.2%	0.1%	5.5%	-1.9%	14.3%

Net returns are adjusted for tax and fund management fees.

Those are the actual returns in the past five (5) 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.

#### 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	2013	2014	2015	2016	2017
Performance	7.0%	0.1%	9.1%	-1.2%	13.1%

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	2013	2014	2015	2016	2017
Performance	32.6%	-1.1%	4.9%	-2.3%	20.8%

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.

## HLA Dana Suria (HLADS)

### 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.