

HLA Dana Suria (HLADS)

July 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 (30/7/2020)	:RM1.2665
Fund Size (30/7/2020)	: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

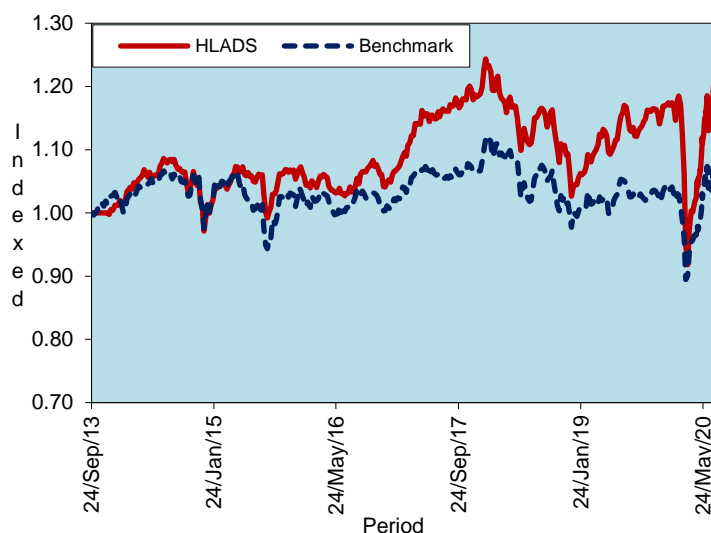
Fund management charge of underlying Collective Investment Scheme(s) is part of Fund Management Fee as stated in table above. There are no additional charges being charged to the Policy Owner. The Company reserves the right to change the Fund Management Fee (% p.a.) by giving the Policy Owner ninety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

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

Top 5 Holdings for HLADS as at 30 Jul 2020

		%
1.	Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA)	Sukuk 5.5
2.	Top Glove Corporation Berhad	Equity 5.4
3.	Supermax	Equity 4.7
4.	Tenaga	Equity 3.1
5.	TNB Western Energy Berhad	Sukuk 3.0
Total Top 5		21.7

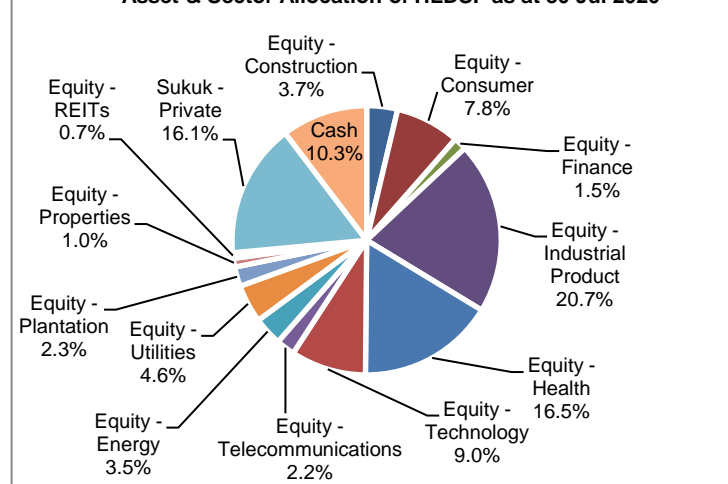
Historical Performance



	YTD	1 month	1 year	3 years	5 years	Since Inception
HLADS	8.29%	9.98%	9.97%	8.76%	19.77%	26.65%
Benchmark*	7.92%	7.56%	8.38%	6.78%	12.11%	12.63%
Relative	0.37%	2.42%	1.59%	1.98%	7.67%	14.02%

*Source: Bloomberg

Asset & Sector Allocation of HLDSF as at 30 Jul 2020



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HLA Dana Suria (HLADS)

Market Review, Outlook & Strategy

During the month, markets continued to experience the risk-on rally with global mega-cap technology stocks leading the way due to strong earnings expectations and further supported by the Fed's continued dovish stance. A second wave of Covid-19 infections were seen across Asia with China, Hong Kong and Japan reporting a spike in new cases and hence leading to re-tightening of social distancing measures. The US Fed maintained its policy stance of keeping rates near zero with a consistent pace of asset purchases as well as pledging to keep monetary policy loose until the US economy recovers from the pandemic. On the vaccine front, news flow has been encouraging with at least 3 vaccines entering the final stages of trials although most experts expect the availability of vaccines to realistically be mass-available only in early 2021. US-China trade tensions continued to worsen during the month with the US ordering the closure of China's consulate in Houston, which led to a tit-for-tat by China on the US consulate in Chengdu.

Domestically, it was a month of many firsts for Malaysia. Bursa Malaysia's daily trading volume surged to over 12b shares twice in July. Amidst this unprecedented level of retail trading, the system crashed on July 16th. May's unemployment data which was released in July spiked to 5.3%, the highest in 30 years. Ex-PM Najib Razak was found guilty of seven charges related to the misappropriation of RM42m from Government-owned company SRC International Sdn Bhd when he was the PM. He has since filed an appeal against the High Court decision. Following the guilty verdict, UMNO's chief Ahmad Zahid Hamidi announced that the party would not formally join the loose ruling coalition of Perikatan Nasional, leaving PM Muhyiddin's government in a delicate balancing act due to the current slim majority.

For the month of July, on a relative basis, the FBM KLCI underperformed the broader market with a mom gain of 6.85% to close at 1,603.75 pts. The FBM Emas Shariah was the best performing bourse posting a mom gain of 11.63%. The next best performing index is the FBM Small Cap index with a +10.06% mom gain and FBM Emas with a +8.17% mom gain. Foreign investors net sold around RM2.6b of Malaysian equities in Jul 20, which is their 12th consecutive month of net sell. This brings cumulative net sell for the first 7 months of 2020 to RM19b vs 2019's net outflow of RM11b. Foreign holding in Malaysian equities should have receded further from 21.4% as of end Jun 20, closing in to 2009/10's low of slightly above 20%.

Going forward, regional key events that investors will be looking out for would include the new stimulus package in the US worth around US\$1trn, severity of the second wave of Covid-19 as well as the success of vaccine development during the final stages of the trials. Domestically, investors will be watching out for the roll-out of the medium to long term policy measures by the government in October, Budget 2021 in November, upcoming 2Q earnings season and also the political developments. We continue to advocate a defensive stance, favoring high dividend yielding stocks as well as stocks offering resilient earnings prospects in the current challenging economic environment. We would also favour structural stocks that provide earnings certainty as we look forward to a world post-Covid-19 pandemic.

Market Review, Outlook & Strategy - Fixed Income Market

The US Treasury ("UST") yield curve was consolidating in a tight range for the month of July and ended the month 4-22bps lower across the curve despite a rather eventful month amid ongoing news surrounding the surge in coronavirus infections, vaccine development and the reoccurrence of geopolitical tension between US and China. Fitch also cut the rating outlook of the US sovereign to negative from stable on the back of persistent deterioration in public finances but was largely seen as a non-event to affect the perceived credit strength of the country. The outcome of the FOMC meeting held in the month did not deliver surprises as the Fed reiterated its commitment to continue with its asset purchases at the current pace. As a result of the said guidance by the Fed, it is also increasingly evident that government bond yields have become less responsive to prospects for economic growth and inflation.

In line with the trend seen globally, the 10 year Malaysian Government Securities ("MGS") yields continued to trend lower amidst glaring economic headwinds. The MGS curve shifted lower by 32-47bps across the curve as local and foreign buyers continue to scoop up the local safe haven in view of its relatively attractive absolute yield compared to some of its regional peers.

The corporate bond market was vibrant for the month of July with interest seen across the board. Prominent new issuances for the month were PR1MA's RM2 billion issuance at tenures of 5 years and 7 years and were priced at 2.38% and 2.58% respectively, or equivalent to +25to +26 bps spread over MGS, which are tighter than quasi spreads in the secondary market. Tenaga Nasional Bhd also tapped the market for its AAA-rated multi-tranche issuance amounting to RM3 billion in various tenures. Interest was high as demonstrated by its order book of RM9 billion which was more than four times its initial RM2 billion target size, which was subsequently upsized to RM3 billion. Due to strong buying interest amidst the scarcity of high quality corporate issuances in the local bond market, yields were revised downwards to 2.90% for 10 years, 3.25% for 15 years and 3.55% for the 20 years, or approximately 29-36bps spread over the MGS and that was evidently tighter than the AAA spreads of approximately 40bps in secondary market.

With the release of weak economic growth numbers towards the end of July, we are likely to see more volatility in the month of August as the market waits for a slew of economic releases. In addition, the latest development surrounding the Covid-19 pandemic suggests that the economic consequences will probably be here to stay. Across the board globally, we expect to see some of the worst economic releases and corporate earnings in decades which may drive further inflows into safe havens away from riskier assets.

While we expect local MGS yields to track movements seen on the global front, the risk to the MGS curve is also anchored on a few potential negative surprises locally. This includes a potential downgrade on Malaysia sovereign rating or outlook by the international rating agencies on concerns about Malaysia's widening fiscal deficit as it rolls out stimulus measures to help combat the negative economic consequences of Covid-19. Besides, political uncertainties as well as the impending FTSE Russell announcement on whether Malaysia will be excluded from its flagship index or have its weight reduced are curve balls that the MGS players are closely watching for. Given the dynamics in the local sovereign space, we will take advantage of weaknesses when we see a temporary sell off to lock in attractive yields and strategically take profit when the sovereign market turn bullish.

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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.

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

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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.