

HLA Dana Suria (HLADS)

Nov 2019

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.

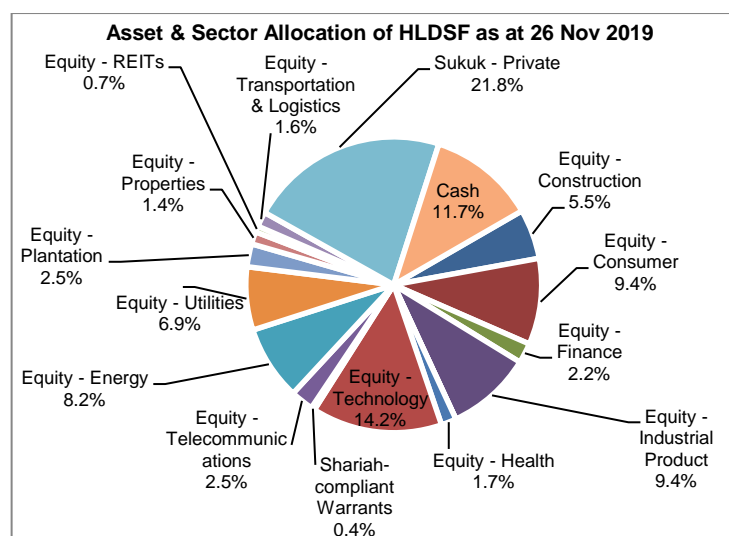
4. Target Market

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 (26/11/2019)	:RM1.1564
Fund Size (26/11/2019)	:RM6.9mil
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

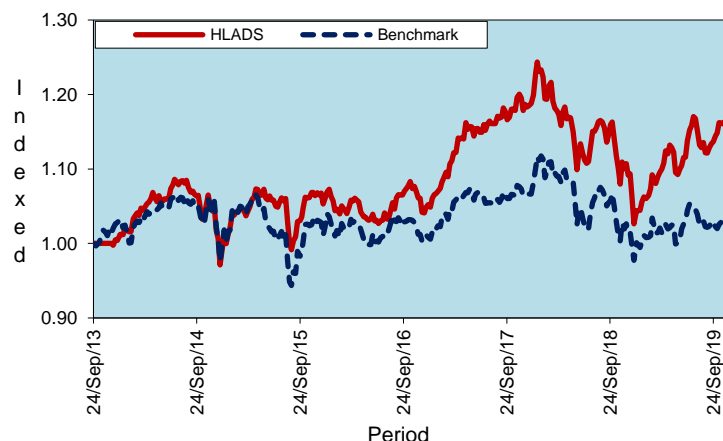
Fund management charge of underlying Collective Investment Scheme(s) is part of Fund Management Fee as stated in table above. There are no additional charges being charged to the Policy Owner. The Company reserves the right to change the Fund Management Fee (% p.a.) by giving the Policy Owner ninety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



Top 5 Holdings for HLADS as at 26 Nov 2019

		%
1.	Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA)	Sukuk 6.1
2.	TENAGA	Equity 5.9
3.	TNB Western Energy Berhad	Sukuk 3.4
4.	Grand Sepadu (NK) Sendirian Berhad	Sukuk 3.1
5.	Sepangar Bay Power Corporation Sendirian Berhad	Sukuk 3.1
Total Top 5		21.7

Historical Performance



	YTD	1 month	1 year	3 years	5 years	Since Inception
HLADS	10.75%	-0.35%	5.95%	11.00%	10.14%	15.64%
Benchmark*	2.81%	0.06%	1.43%	2.58%	-2.57%	2.92%
Relative	7.94%	-0.41%	4.52%	8.42%	12.71%	12.72%

*Source: Bloomberg

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HLA Dana Suria (HLADS)

Market Review, Outlook & Strategy

During the month, sentiment in regional markets improved with the S&P 500 and Nasdaq hitting new highs amid renewed optimism for potential progress in the US-China trade dispute. US President Trump mentioned that both the US and China were another step closer to a deal after a phone conversation took place between the lead trade negotiator and vice premier Liu He and White House officials. This was despite the US Congress passing a bill aimed at supporting pro-democracy protesters in Hong Kong and President Trump signing the bill into law. Healthy corporate earnings on Wall Street also helped buoy the market, indicating that the country's economy remains strong. Adding to the positive sentiment was the move by China's central bank to cut the key loan rate, which pushed the yuan higher. Christine Lagarde's first major speech as President of the European Central Bank (ECB) also confirmed ECB's ongoing accommodative stance and she also indicated that a strategic review of the ECB's monetary policy framework to tackle "side effect" concerns will begin soon. Over in the UK, polls suggest that PM Boris Johnson is on course to win a comfortable majority in parliament in the upcoming general election which would help to get the Brexit bill passed.

On the domestic front, however, sentiment continued to be weak. The third quarter reporting season continued to disappoint with most index heavyweights reporting lacklustre results. Tenaga was sold off on the last day of the month after it announced that it had received Notices of Additional Tax Assessments totalling RM4b for Year of Assessments (YA) 2015-2017. 3Q19's GDP of +4.4% yoy was announced, moderating from +4.9% in 2Q19. Bank Negara Malaysia (BNM) maintained its full year forecast of 4.3-4.8% GDP growth for 2019 and said that the economy will remain "resilient" this year and next and that monetary policy will remain accommodative and supportive of economic activities. Market is expecting another round of rate cuts in early 2020. Petronas also recently released its 3Q19 report card where 3Q net profit halved to RM7bn due to lower oil prices, weak downstream and 11% QoQ decline in entitled volume to 1.50m boepd (due to drop in oil production). For the sector valuation to sustain at high levels, the next Petronas Activity Outlook will be important to ascertain whether maintenance activities will remain in high demand and whether the outlook for 2020 would be better for greenfield projects

For the month, the KLCI performed in line with the broader market. FBM KLCI declined by 2.3% mom to 1,562 pts. The FBM Small Cap was down by 2.4% mom to 13,355 pts. FBM Emas Shariah also declined by 2.0% mom to 11,593 pts and FBM Emas decreased by 1.9% mom to 11,093 pts.

Going into December, we anticipate more activities in the market as funds start to re-position for the new year as well as potential window dressing activities towards the year end. All eyes will continue to be on the potential outcome of the US-China phase 1 deal. Volatility will continue to persist; as such we maintain our defensive stance favouring dividend yielding stocks trading at palatable valuations with earnings certainty. As for sector exposure, we continue to like technology, selective oil & gas and plantations.

Market Review, Outlook & Strategy - Fixed Income Market

The 10 year US Treasuries ("UST") yield continued to inch higher in November 2019 as relationship between US and China has gradually turned less confrontational, and as a result investors are paring back some of their aggressiveness in rate cut pricing and thereby pushing yields higher. Jerome Powell's message was clear and cited that the Fed is likely to keep rates unchanged in the coming months unless there's a material shift in the economic outlook. He also openly urged the US government to play their part in reducing the federal government's annual deficit as a ballooning deficit will make it harder for Congress to cut taxes or boost spending when the next recession hits on the back of a monetary policy environment that is already extremely accommodative.

For the month of November, the local bond market remained somewhat lethargic and lacked a strong directional bias, despite a slower Q319 GDP which clocked in a yoy growth of 4.4% in 3Q19 (2Q19: 4.9%) making the case stronger for another OPR cut. Nonetheless, we noted that the Malaysian Government Securities ("MGS") curve shifted lower on almost all tenures ranging from 2-14 bps across the curve, with the 5 year tenure staging the steepest decline. On a separate note, BNM unexpectedly announced a 50bps cut in the Statutory Reserve Requirement ("SRR") to 3% from 3.5% effective November 2019 to maintain sufficient liquidity in the system. Interestingly, BNM has also made it clear that the said move is not a signal of a more dovish monetary policy stance. Nonetheless, we think that this is a pre-emptive move in view of the potential risk sparked by foreign outflows in the local bond market as a result of the overhang from the FTSE Russell's decision in late September 2019 to extend Malaysia on its watch list until the next review of its flagship World Government Bond Index as well as the dilution of Malaysia's weight in JP Morgan's Government Bond Index Emerging Markets next year due to China's inclusion. Consequently, the shorter end of the MGS curve saw yields trending lower for the month of November.

Trading volumes in the corporate bond space regained traction in the month of November with interest mainly in the government guaranteed and the AA-rating space. There were some large issuances in the month and the more prominent ones were Danainfra's RM2.8 billion government-guaranteed bonds with tenures ranging from 7-30 years with coupons ranging from 3.53%-4.29% and Genting Bhd's RMTN AAA-rated bonds with tenures ranging from 10-15 years at coupons between 4.18%-4.38%.

In the US, while manufacturing sentiment remains weak and is dragging on industrial production growth, it has not dented the pace of job creation in the United States. With strong job additions and rising earnings growth as well as inflation that remain below target, an additional rate cut by the Fed is far from sight. The dynamics of the trade war remains the dominant driver of the direction in bond yields and that seems unlikely to change in the near term. While a trade deal remains far from concrete, both parties appear to be making constructive progress. As China insists on some degree of tariff rollback as a prerequisite for trade agreement, it remains to be seen whether both parties can achieve anything meaningful as we approach the next deadline that falls on the 15th December 2019 when the US is set to impose additional tariffs on Chinese goods.

On the local front, local factors are supportive of the MGS curve on the back of an easing bias on monetary policy and resilient domestic demand for bonds by domestic institutional investors. Given the strong rally in MGS thus far, we will continuously look for opportunities to take profit and position defensively as external factors pose upside to local yields. Given the fluid economic developments globally, we are skewed towards the shorter end and will also be on the lookout for investment and trading opportunities.

Actual Annual Investment Returns for the Past Six (6) Calendar Years

Year	2013	2014	2015	2016	2017	2018
Benchmark	3.3%	-1.4%	2.2%	0.4%	7.5%	-7.5%
HLADS - Gross	2.7%	1.5%	7.4%	-0.6%	17.0%	-12.6%
HLADS - Net	1.2%	0.1%	5.5%	-1.9%	14.3%	-12.9%

Net returns are adjusted for tax and fund management fees.

Those are the actual returns in the past six (6) 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.

HLA Dana Suria (HLADS)

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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Performance	31.1%	14.4%	2.8%	6.4%	7.0%	0.1%	9.1%	-1.2%	13.1%	-11.1%

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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Performance	25.1%	14.4%	-3.1%	10.0%	32.6%	-1.1%	4.9%	-2.4%	20.8%	-17.8%

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.

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.