

# HLA Dana Suria (HLADS)

May 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

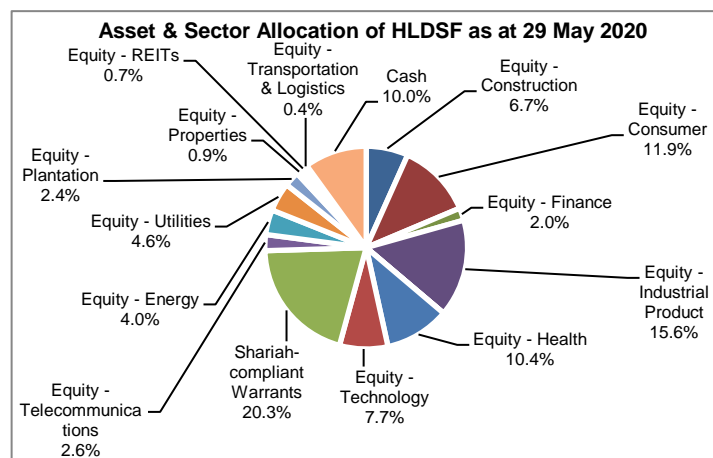
This fund is suitable for investors who have moderate risk-reward temperament and are looking for returns from Shariah-compliant investments in a medium-to-long term investment horizon.

## Fund Details

Unit Price (29/5/2020)	:RM1.1425
Fund Size (29/5/2020)	: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	: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.

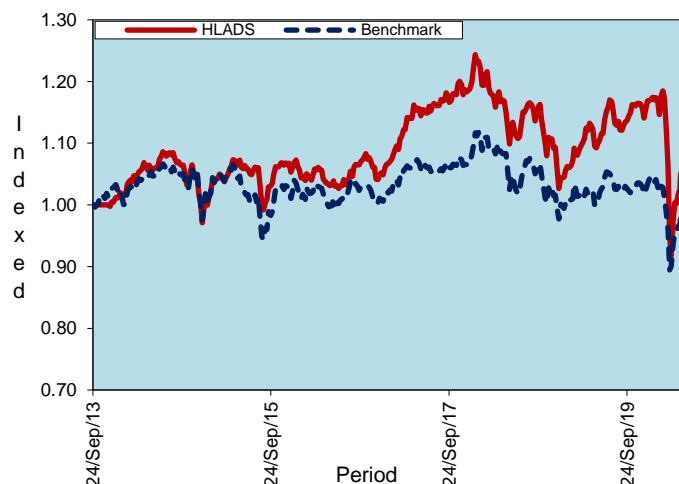
With effect 27 April 2020, the frequency of unit valuation will be changed from weekly to daily.



## Top 5 Holdings for HLADS as at 29 May 2020

		%
1.	Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA)	Sukuk 6.7
2.	TOPGLOV	Equity 5.8
3.	TNB Western Energy Berhad	Sukuk 3.8
4.	Grand Sepadu (NK) Sendirian Berhad	Sukuk 3.3
5.	Sepangar Bay Power Corporation Sendirian Berhad	Sukuk 3.3
<b>Total Top 5</b>		<b>22.9</b>

## Historical Performance



	YTD	1 month	1 year	3 years	5 years	Since Inception
HLADS	-2.31%	8.88%	3.91%	-0.14%	7.69%	14.25%
Benchmark*	0.21%	6.55%	4.16%	-1.17%	1.63%	4.58%
Relative	-2.52%	2.33%	-0.25%	1.03%	6.06%	9.67%

\*Source: Bloomberg

## HLA Dana Suria (HLADS)

### Market Review, Outlook & Strategy

Positive sentiment continued into the month of May on the progressive easing of Covid-19 lockdown measures with additional policy responses by governments throughout the world. This was despite the increasing prospect of a resumption of the new US-China trade war where the US might be using China as the bogeyman once again for the upcoming elections. The US also added 33 Chinese entities to its so-called entities list of Chinese firms, which restricts access to US technology and other items. Turmoil in Hong Kong resurfaced when China proposed a new national security law despite China maintaining that Hong Kong's judiciary will remain independent. US Secretary of State Mike Pompeo said that the US would no longer consider Hong Kong autonomous from China, which means that special treatments under the US law will no longer apply. US-China relations will likely remain tense at least until the US elections in November 2020. On a positive note, crude oil prices recovered by 85% to US\$35.32/ barrel on the back of OPEC+ deal, involuntary production cuts in the US and the return of domestic demand in China.

Domestically, Bank Negara announced a 50 bps cuts to the overnight policy rate and also allowed Malaysian government securities and investment issues to offset banks' statutory reserve requirements to help improve liquidity in the financial markets. Local market sentiment was upbeat with the massive domestic liquidity rush that pushed the KLCI to regain all the losses since the start of the Movement Control Order. The recovery was led by a rally in glove makers and healthcare-related companies' shares prices from strong retail interest; boosting its share of participation to 36% of daily trades in May (vs 24% in 2019).

On a relative basis for the month of May, the FBM KLCI again underperformed the broader market by posting a smaller recovery of 4.7% mom to close at 1,473 pts. The FBM Emas Shariah and FBM Emas recorded gains of +10.4% mom and 6.7% mom respectively in May. The Small Cap index also closed up by 9% mom. In May, strong retail participation of RM1b aided to partially offset the net selling by foreign investors in May of RM3b (April's outflow was RM2.4b).

Moving forward, investors will be keeping a close tab on US-China trade relations as well as the progress of the reopening of economies to suggest the likelihood of a potential 2<sup>nd</sup> wave of Covid-19. Domestically, market will continue to follow closely the first quarter results season which has been spread over two months (May-Jun) as well as domestic political developments as the opposition coalition is said to have garnered adequate support to seize back power from the incumbent government. Investors will also be waiting to see whether the current conditional MCO be extended beyond 9 Jun and await further details of the 6-month economic recovery plan expected in early-Jun. We continue to advocate a defensive strategy in the current volatile trading environment favoring stocks which offer resilient earnings and dividend prospects with strong cash flow profile to weather the economic downturn.

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

UST US Treasury ("UST") yields remained largely rangebound in the month of May with the 10-year UST yields oscillating between 59-74bps. The market has evidently been comforted by the unprecedented liquidity support from the Fed. As such, we have seen US corporations borrowing at more than twice its pace last year, surpassing the USD 1 trillion mark at the end of May as they race to restructure older debt, pay down bank lines and raise cash to weather the recession. According to Credit Flow Research, of the USD1 trillion in new issuance, 70% was rolled out in the nine weeks since the Fed announced it would support the corporate bond market on 23<sup>rd</sup> March 2020. On a different note, markets have started to turn their attention to the renewed US-China tension. Nonetheless, the movements were rather tame as investors noted that President Trump's tone was less harsh than feared. Notably, President Trump did not mention terminating the phase one US-China trade deal nor did he mention sanctions against the Chinese financial institutions. Over in other major economic centres, movement in sovereign yields were varied but were not volatile. Market talks were centred around stimulus packages to combat the economic pressures brought about by the coronavirus pandemic, sending yields lower for selected countries which had experienced more severe lockdowns.

On the local front, Bank Negara Malaysia ("BNM") went through with the widely expected 50bps cut in its overnight policy rate to 2%, lowest in a decade. This is the third consecutive rate cut by BNM this year following the two cuts of 25bps each in January and March, with a total reduction amounting to 100 bps year-to-date. The 10-year Malaysian Government Securities ("MGS") yields were oscillating at approximately a 20bps range and are currently consolidating above a crucial support of 2.76%.

The corporate bond market was relatively quiet for much of the month of May but picked up after the Hari Raya holidays. Interest was mainly in the government guaranteed papers followed by the AAA-AA part of the space as yields declined on strong bids. Prominent issuances for the month include Cagamas' AAA papers with 1-2 years tenure totalling RM100 million with coupons ranging between 2.65%-2.75% and RHB Bank's 10NC5 bonds amounting to RM500 million at a coupon of 3.35%.

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 think that the risk of a second wave has increased given the spike in cases in developing economies and massive protests in Hong Kong and the US.

On the local front, we expect MGS yields to be rangebound in the absence of any meaningful market catalyst. Nonetheless, as the Covid-19 pandemic necessitates aggressive fiscal measures with the simultaneous occurrence of a health and financial crisis, we remain mindful of potential sovereign downgrade risk by the global rating agencies. Malaysia has always been relatively stronger on the back of its positive but thinning current account buffers and hence, persistent weaknesses in trade which would subsequently pressurise Malaysia's current account position may be a potential trigger for a sovereign rating downgrade. In view of the above, we shall monitor economic developments and market sentiment closely and remain cautious in our investment decisions and credit selection.

### 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.

## 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	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.