

HLA Dana Suria (HLADS)

Nov 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.

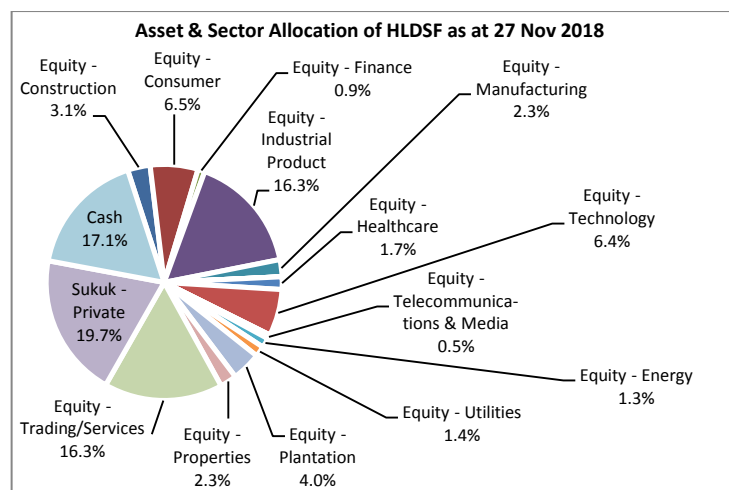
4. Target Market

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 (27/11/2018)	:RM1.0915
Fund Size (27/11/2018)	:RM6.22mil
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

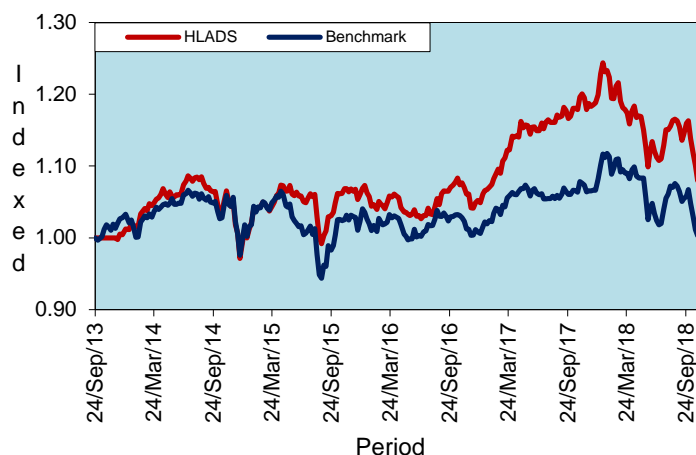
Fund management charge of underlying Collective Investment Scheme(s) is part of Fund Management Fee as stated in table above. There are no additional charges being charged to the Policy Owner. The Company reserves the right to change the Fund Management Fee (% p.a.) by giving the Policy Owner ninety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



Top 5 Holdings for HLADS as at 27 Nov 2018

		%
1.	Tenaga Nasional Berhad	Equity 6.1
2.	Tenaga Nasional Berhad Sukuk	Sukuk 5.0
3.	Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA)	Sukuk 4.8
4.	QL	Equity 3.4
5.	Sepang Bay Power Corporation Sdn Bhd	Sukuk 2.5
Total Top 5		21.8

Historical Performance



	YTD	1 month	1 year	3 years	5 years	Since Inception
HLADS	-8.97%	1.11%	-8.04%	2.21%	9.15%	9.15%
Benchmark*	-6.19%	1.15%	-4.76%	-1.61%	0.15%	1.47%
Relative	-2.77%	-0.04%	-3.27%	3.82%	9.00%	7.68%

*Source: Bloomberg

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Market Review, Outlook & Strategy

Regional markets continue to be volatile with conflicting developments on the trade war front. While US President Trump was initially contemplating implementing tariffs on the remaining US\$275b of Chinese imports to the US by December; he subsequently indicated his willingness to negotiate with China on the US-China trade tariffs the following day. The US Mid-Term Elections also saw Democrats winning the majority in the House of Representatives while the Republicans expanded its majority in the Senate. This may result in fiscal decisions being more contentious going forward with a number of decisions needed to be made to avoid a partial government shutdown; to increase the debt ceiling and to lift the cap on discretionary spending up until year 2020. The recent comments in the FOMC Meeting Minutes by US Fed Chairman Jerome Powell also set a dovish tone on the economy. He earlier characterised interest rates as being "a long way from neutral" but recently tempered the tone to indicate that rates "remain below the broad range of estimates of the level that would be neutral for the economy".

As for the local market, Budget 2019 was still an expansionary one that tried to strike a balance between fiscal management and national debt rationalisation, as well as the promotion of nation building and the rakyat's wellbeing. GDP growth in 2018 and 2019 is forecasted at 4.8% and 4.9% respectively while the budget deficit will widen to 3.7% of GDP in 2018 and come off to 3.4% of GDP in 2019. Among the unexpected announcements were the introduction of additional fees for gaming licenses and higher casino duties, imposition of sugar tax, Real Property Gains Tax for properties held > 5 years, new departure levy on travellers and a more defined petrol subsidy. The 3Q18 quarter results season was also a disappointment with notable earnings downgrades across major sectors such as utilities, plantation, construction and property.

Crude oil prices took a plunge (-22% mom) to US\$50.72/barrel when the US offered waivers to eight of Iran's top importers of crude following sanctions on the Middle East nation. The Ringgit held steady against the US\$ ending the month at RM4.1842/ US\$.

For the month, FBM KLCI ended the month lower by 1.7% mom to 1,679.86 pts. It underperformed FTSE Emas Shariah which declined by 1.2% mom and FTSE Emas which was down by 1.4% mom. The FTSE Small Cap index continued to see pressure with a 4.4% mom decline in November.

Going forward, investors will be following closely the developments at the G20 meeting and also the OPEC meeting in early December. Trade tensions between the US and China has been temporarily halted for 90 days pending discussions, but the main issues may remain unresolved. The 3Q18 corporate earnings disappointment is also likely to continue into 4Q18. As such, with no strong growth catalysts for the domestic market, we expect the local bourse to take its cue from regional developments and remain volatile. We retain our defensive strategy, staying invested in high dividend yielding blue chip stocks with certainty of earnings.

Market Review, Outlook & Strategy - Fixed Income Market

The U.S. Treasury (UST) market experienced wild swings in October, stemming from concerns over the prospect of rising interest rates and the rout across global equity markets. Geopolitical risks and rising US government debt also contributed to the volatility that propelled the 30-year UST yield to end 18bps higher at 3.39%, while 10-year UST yield also closed 8bps higher at 3.14%.

U.S. Treasury ("UST") rallied with 10-year yields briefly sliding below 3% at end-November from 3.14% a month ago, driven by risk-off sentiment. Fear over slowing global growth had boosted demand for UST, more so when Fed Chair Jerome Powell commented that interest rates were "just below" neutral level, suggesting a shift from a hawkish to dovish bias.

Meanwhile, Malaysian Government Securities ("MGS") yields twist flattened with shorter-dated yields climbing 3-6 bps higher while longer-dated yields retreated 2-4 bps lower on MoM basis, aided by risk-off sentiment across regional markets.

Corporate bonds and sukuk market were also lackluster with secondary trade volume dropping to RM7.3 billion from prior month's RM13.2 billion, mainly attributed to lower demand on high grade bonds from both AAA-rated and quasi-government segments. Credit spreads widened within 3-11 bps on the longer-dated bonds across the rating space, while short-end tightened by 1-3 bps. The Government Guaranteed (GG) curve steepened further with credit spread widening by 3-12 bps from the belly to the back-end of the curve.

Slowing global growth has increased expectations that the Fed will not be able to raise rates much further without hurting the U.S. economy. Despite a December rate hike being largely priced in, the interest rate path for 2019 is now uncertain. With that, investors are reassessing the pace of tightening amid signs of faltering global growth and the 1 to 2 rate expected hikes have been dialled back.

On the local front, while there are some concerns of a flight to safety selloff due to further emerging market outflows triggered by external headwinds, the risk is lower as foreign holdings of MGS and GII has already dropped to a low 25%. This risk is further mitigated by the fact that more than half of local bonds are held by foreign government agencies, central banks and pension funds who are longer term sticky investors. Also, we are of the view that event driven volatility which causes knee jerk sell-downs are usually short lived. Generally, central bank's monetary policy will still be the key factor in dictating the bond yield movement or interest rate direction.

We expect trading activities to gradually pick up as any upward movement in bond yields could provide a good opportunity for investors to switch into higher yielding reinvestments. We are also of the view that the Malaysian bond market remains resilient and that any sell-off would be matched by buying interest given the ample liquidity in the system. This is further supported by the deep institutional presence and current scarcity of corporate bonds and sukuk issuances. As such, we would maintain our overweight position on bonds and continue to reinvest into longer tenure papers which enable the portfolios to benefit from dissipating risk premium when the market strengthens.

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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.

$$\frac{\text{Unit Price}_t - \text{Unit Price}_{t-1}}{\text{Unit Price}_{t-1}}$$

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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.