

# HLA Dana Suria (HLADS)

Jan 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.

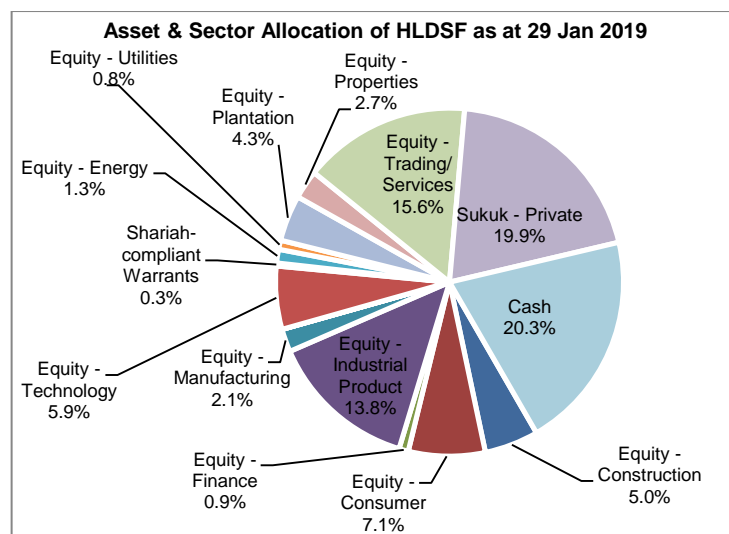
### 4. Target Market

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

<b>Unit Price (29/1/2019)</b>	:RM1.0602
<b>Fund Size (29/1/2019)</b>	:RM6.31mil
<b>Fund Management Fee</b>	:1.30% p.a.
<b>Fund Manager</b>	:Hong Leong Assurance Berhad
<b>Fund Category</b>	:Managed
<b>Fund Inception</b>	:24 Sept 2013
<b>Benchmark</b>	:(70% x FTSE Bursa Malaysia EmasShariah Index) + (30% x 3-month Klibor)
<b>Frequency of Unit Valuation</b>	:Weekly

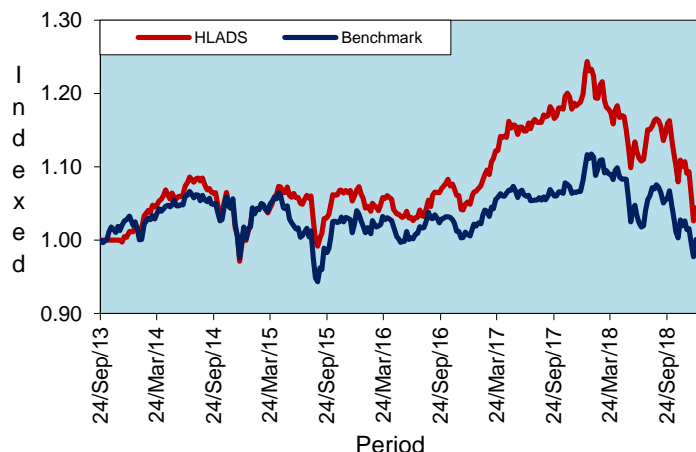
Fund management charge of underlying Collective Investment Scheme(s) is part of Fund Management Fee as stated in table above. There are no additional charges being charged to the Policy Owner. The Company reserves the right to change the Fund Management Fee (% p.a.) by giving the Policy Owner ninety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



## Top 5 Holdings for HLADS as at 29 Jan 2019

		%
1.	Tenaga Nasional Berhad Sukuk	Sukuk 5.1
2.	Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA)	Sukuk 4.9
3.	TENAGA	Equity 4.2
4.	QL	Equity 3.2
5.	Sarawak Hidro Sdn Bhd	Sukuk 2.5
<b>Total Top 5</b>		<b>19.9</b>

## Historical Performance



	YTD	1 month	1 year	3 years	5 years	Since Inception
HLADS	1.53%	1.53%	-13.35%	1.57%	4.39%	6.02%
Benchmark*	0.70%	0.70%	-9.43%	-0.21%	0.73%	0.80%
Relative	0.84%	0.84%	-3.91%	1.78%	3.66%	5.22%

\*Source: Bloomberg

## HLA Dana Suria (HLADS)

### Market Review, Outlook & Strategy

Regional markets started the year firmer, recovering from the lows seen in December and early January. The renewed optimism in equity markets was in part driven by expectations that the Federal Reserve is less inclined to pursue aggressive rate hikes for 2019 after the sharp market correction at the end of 2018. The US meanwhile saw the longest government shutdown in history until President Trump and Congress leaders agreed to reopen the government for 3 weeks on 25 January. Meanwhile, recent US and China economic data have indicated signs of slowdown due to the ongoing US-China trade tensions. Even, Apple Inc issued a revenue warning, cutting its forecast due to slower China demand and fewer iPhone upgrades.

As expected, the Federal Reserve left the overnight policy rate unchanged at 2.25-2.5% with a more dovish tone. China also released its 4Q18 GDP growth figures indicating that growth slowed further to 6.4% from 6.5% in 3Q18. Brexit negotiations also continued to hit a wall with no resolution in sight whilst Prime Minister Theresa May just survived a vote of no confidence in Parliament. Sentiment, however, improved towards month end when China's policymakers cut the reserve requirement ratio for banks by 1% to inject liquidity into the financial system. Policymakers also pledged to offset the economic slowdown by implementing more stimulus measures targeting to boost consumer spending. Finally, it seemed that there was a high chance of a trade resolution between US and China which further boosted markets.

Domestically, the FBM KLCI also recovered in tandem with regional markets despite economic data showing signs of slowing economic growth. During the month, Bank Negara kept its overnight policy unchanged at 3.25% while highlighting moderating global growth momentum with the ongoing trade tensions. The National Housing Policy was unveiled where affordable home prices would be capped at RM300,000 with a minimum unit size of 900 sq ft to help the B40 group. The government will also provide 1m affordable houses over 10 years. Ringgit appreciated by >1% mom crossing the USD/RM4.10 level on the back of stronger crude oil prices with WTI rebounding by close to 19% mom from the low of US\$46/ barrel.

For the month, FBM KLCI underperformed the general market. The index was down marginally by 0.4% to end the month at 1,683.53 pts. The Emas Shariah index increased by 0.4% mom to 11,552.61 pts, Emas index was up by 1.2% mom to 11,660.62 pts and the Small Cap index was the best performing index appreciating by 7.2% mom to 12,108.48 pts.

We continue to expect market volatility in the coming months. Investors will continue to closely monitor the progress of the trade negotiations between the US and China as well as the negotiations between the US President and Congress come February 15. As we enter February 2019, investors will look towards the Oct - Dec 18 quarterly reporting period. We expect a lackluster reporting season given the generally weak economic environment. While negative earnings may have largely been priced in, we remain defensive into 2H 2019 preferring stocks that have been oversold as well as high quality names with earnings resilience and less risk of being adversely affected by changing policy risk.

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

UST yields remained largely range bound in the month of January with momentum picking up towards the month end. Major central banks have signalled a more dovish stance of late as big corporates conveyed more subdued earnings guidance. A series of downward revisions to global growth forecast by renowned institutions such as IMF and World Bank also reaffirmed that a synchronised global growth slowdown is on the horizon. The European Central Bank also started the year acknowledging that the outlook for the Eurozone economy is somewhat softer but not pessimistic enough for another round of quantitative easing.

At home, local government bonds ("govvies") rallied between 1-9 bps across the curve with the 7- and 20- year outperforming other parts of the curve. The month of January saw some solid interest in the local government bond auctions. The 10.5 years GII 7/29 new issue which replaces the GII 10/28 as the new 10 year GII benchmark, drew keen interest with bid/cover of 4.067x, highest since 2005. While the interest for the MGS 7/26 new issue paled in comparison to the former, the bid/cover was still decent at 2.216x (average for 2018: 2.28x).

In the primary issuance space, Danainfra raised a total of RM3 billion via book building and private placement in a multi-tranche issuance to fund the Pan Borneo Highway project. The 7-year and 10-year notes were sold through book building clocking in final yields of 4.15% and 4.36%, respectively. Other notable issuances include Pengurusan Air Sdn Bhd which released both government guaranteed ("GG") and AAA-rated papers, Danum Capital Berhad's AAA-rated papers, all of which have received overwhelming response.

The current earnings seasons in the US was a mixed bag with a considerable number of large corporates conveying weaker 2019 earnings guidance. Simultaneously, a series of weak economic releases from China and other economic leading indicators point to further pressure on growth. As such, market players will look at repositioning into safer assets until there is better clarity or fresh catalysts for a positive rerating. Volatility remains the theme and is expected to dominate in the first half of the year. On the macro front, with slowing economic growth in some countries, fiscal concerns will be back to the fore. This will offer considerable trading opportunities in the fixed income space.

Local govvies and corporate papers are expected to piggyback with the return of interest in emerging markets, albeit to a lesser degree compared to regional peers as relative valuations are less attractive in Malaysia. With foreign holdings at lows, we see risk of further foreign outflows to be muted at this juncture. We also do not foresee any changes to the OPR unless growth turns out to be significantly lower due to external challenges.

At this juncture, with no signs of stress in the broad credit environment, we do not envisage significant rating revisions on the downside. Potential deterioration in credit condition in the coming months, if any, may stem from uncertainties surrounding international trade, tightening global liquidity and importantly, China slowdown risks.

We expect around RM112 billion of bonds maturing in 2019. Given the scarcity of bonds/sukuk issuances coupled with flush domestic liquidity in the system, the bond market could continue to strengthen. As such, we prefer longer tenure bonds given its potential to benefit from further yield compression as the bond market strengthens.

## HLA Dana Suria (HLADS)

### 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.

#### 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.

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

## HLA Dana Suria (HLADS)

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.