

# HLA Dana Suria (HLADS)

August 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.

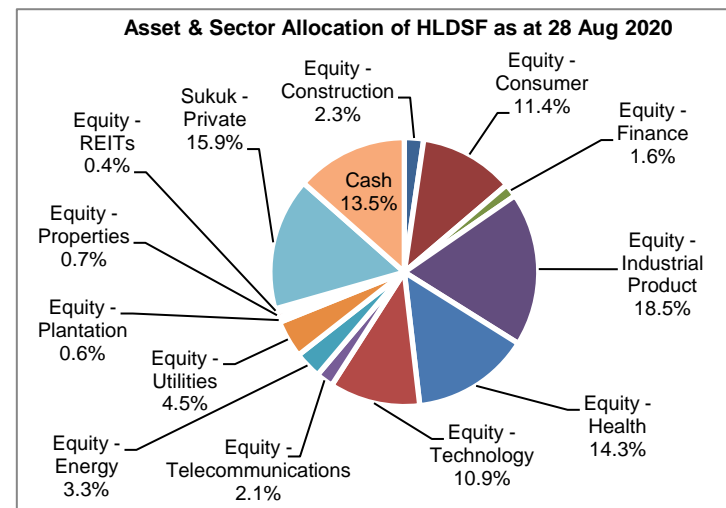
## Fund Details

Unit Price (28/8/2020)	:RM1.2928
Fund Size (28/8/2020)	:RM7.9mil
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 Emas Shariah Index) + (30% x 3-month Klibor)

### Frequency of Unit Valuation

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.

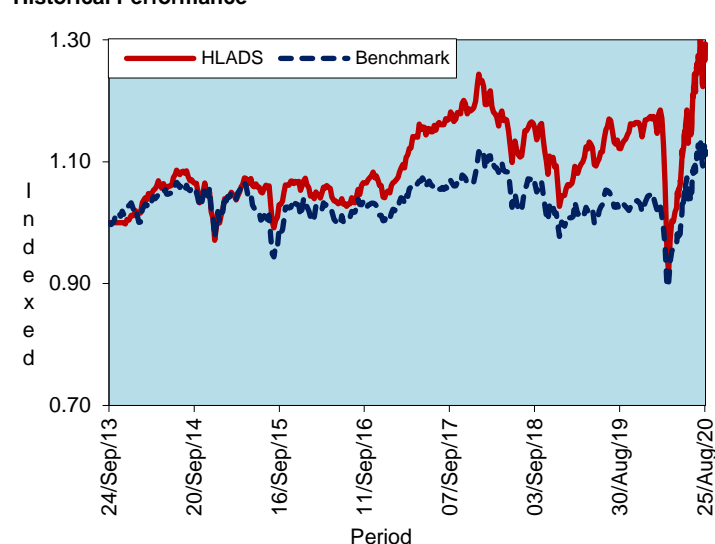
With effect 27 April 2020, the frequency of unit valuation will be changed from weekly to daily.



## Top 5 Holdings for HLADS as at 28 Aug 2020

		%
1.	Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA)	Sukuk 5.4
2.	Supermax	Equity 5.1
3.	Topglove	Equity 4.8
4.	TNB Western Energy Berhad	Sukuk 3.0
5.	Tenaga	Equity 2.8
<b>Total Top 5</b>		<b>21.1</b>

## Historical Performance



	YTD	1 month	1 year	3 years	5 years	Since Inception
HLADS	10.54%	2.08%	15.25%	10.68%	30.36%	29.28%
Benchmark*	6.50%	-1.32%	8.69%	5.35%	17.79%	11.15%
Relative	4.05%	3.40%	6.56%	5.33%	12.57%	18.13%

\*Source: Bloomberg

## HLA Dana Suria (HLADS)

### Market Review, Outlook & Strategy

Regionally, it was a stronger month aided by robust results and guidance from the US technology companies and better broad-based economic data, suggesting demand recovery associated with the re-opening of the major economies. The US-China trade relations remain mixed - the US Trade Representative issued a statement to reinforce that the two countries are committed to taking steps necessary to ensure the success of the Phase One agreement which was positive but sanctions on Huawei, export controls and the South China disputes were clear negatives. However, during the month the US dollar weakened as the unattractive carry trade and twin deficits continue to weigh on the dollar. The US Fed Chairman also announced that the Fed would shift its policy-setting framework to an average inflation-targeting regime. The Fed will allow inflation to overshoot its 2% target following periods of inflation below the target in pursuit of maximum employment. This implies that US monetary conditions will remain accommodative in 2021. Oil prices continued to trend higher with WTI posting a 6% mom gain to US\$42.82/ barrel on the back of an expected pick-up in demand as economic activities normalize with the weak dollar providing support to the price.

Domestically it was the results reporting season. Sectors that were most impacted by the MCO in 2Q20 were airlines, auto, construction, property, media and gaming. Malaysia's 2Q20 GDP also came in weaker than expected at -17.1%. As a result, Bank Negara Malaysia revised its growth projection to a range of -3.5% to -5.5%. A combination of weaker-than-expected GDP, low inflation and high household indebtedness indicated there could potentially be further monetary easing later this month. During the month, the Parliament also approved the government's plan to raise its debt ceiling to 60% of GDP to mitigate the effects of Covid-19.

For the month of August, FBMSC was the outperformer with a +5% mom return. FBM KLCI was down by 5%, FBM Emas Shariah -2% and FBM Emas -3%. Foreign selling on Malaysian equities continued but tapered to around RM1.5b in Aug vs the average of RM2.8b in the previous 4 months. Retailers continued to be net buyers at RM1.7b.

Going forward, regional key events that investors will be looking out for would include the severity of the second wave of Covid-19 as well as the success of the vaccines development during the final stages of the trials and the upcoming US presidential elections. Domestically, investors will track the end of the blanket loan moratorium to check if the liquidity-driven rally will sustain with the same vigour come October. In addition, investors will also continue to watch for the roll-out of the medium-to-long-term policy measures by the government in October, Budget 2021 in November and also 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.

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

In the month of August, the closely-followed 10-year US Treasury ("UST") yield rebounded off its support at around 0.50% and started off on a gradual uptrend before it closed at 0.70%. One of the biggest developments in the month of August is the Fed's renewed monetary policy stance during the virtual gathering of Jackson Hole where Jerome Powell iterated that the institution intends to target average inflation of 2% in the long run which also means that the authority is allowing for flexibility for inflation to overshoot 2% moderately to make up for periods of undershooting. Following the said announcement, the UST curve steepened and was 2-31 bps up across the curve as market turned risk-on following the said announcement and a series of stronger-than-expected economic data. The 30- and 5-year Treasury spread widened to 119bps, the largest range in three months, thanks to a sizeable selloff in longer-dated Treasuries.

Similar to the moves in the UST, the bullish run in Ringgit government bonds stalled in August after a strong rally in July, albeit to a smaller extent. Selling pressure was more prominent at the back-end while the front-end remained supported as investors lightened duration alongside the weak auction results for govies. One of the major developments for the month of August was the virtual event titled "Malaysia Financial Markets: Resilience Amidst Global Uncertainties" which was held on 25 August 2020 where Bank Negara Malaysia ("BNM") made a public remark that it expects a recovery in the second half of the year given the reopening of the economy followed by an even sharper recovery potentially in 2021. Following BNM's remark, we saw some profit taking and some market players unwinding their dovish pricing for Ringgit bonds where it previously priced in an expectation of a rate cut in September 2020 as the probability of the said expectation materializing is somewhat diminishing.

Movements in the Malaysian corporate bond market somewhat mirror that of the sovereign market, albeit less vibrant. Interest was spread out across the various sectors and across a range of government-guaranteed names as well as the usual rating curve. Prominent new issuances for the month were TNB's AAA-rated on tenors ranging from 10-20 years and coupons ranging between 2.90%-3.55% totaling RM3.0 billion, UOB Malaysia's AA1-rated 10NC5 bonds totally RM750 million and Gamuda Land's AA3-rated 5-10 year bonds amounting to RM600 million.

While the recent economic releases are starting to look promising for a recovery stance, we opine that it is unlikely to move the needle and the Fed's conviction for zero-bound rate through 2022. The recent Jackson Hole virtual conference has flagged concerns about the persistent undershooting of inflation below its 2% long-run goal and therefore justifies its preference for having the flexibility with "average inflation targeting" – a move which caught the market by surprise. All in all, the key messages by Jerome Powell point towards a higher bar for rate tightening which signals that the authority will remain accommodative for longer.

On the local front, the market will be closely watching the upcoming MPC meeting as it is pivotal in anchoring the market's view in the direction of rates going forward. Given the more upbeat economic outlook conveyed by BNM in the recent briefing where the authority thinks that 2Q2020 economic contraction is likely a trough, we are of the view that the urgency for another rate cut in the next MPC meeting has dimmed significantly. That said, investors will be scrutinizing the upcoming press release by BNM following its planned MPC meeting and market players will be watching for clues on how soon will BNM turn hawkish again as well as its policy guidance going forward. Besides, the other event that investors will be watching closely is the annual review by FTSE Russell and we expect market players to play a defensive stance going into the announcement. Given the dynamics in the local sovereign and the potential opportunities following the upcoming events, we are positioning the portfolio to take advantage of temporary sell-offs to lock in attractive yields and strategically take profit when the sovereign market turns bullish.

### Actual Annual Investment Returns for the Past Seven (7) Calendar Years

Year	2013	2014	2015	2016	2017	2018	2019
<b>Benchmark</b>	3.3%	-1.4%	2.2%	0.4%	7.5%	-7.5%	4.3%
<b>HLADS - Gross</b>	2.7%	1.5%	7.4%	-0.6%	17.0%	-12.6%	14.5%
<b>HLADS - Net</b>	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.

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### 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

### 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.**

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**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.