

HLA Dana Suria (HLADS)

Feb 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.

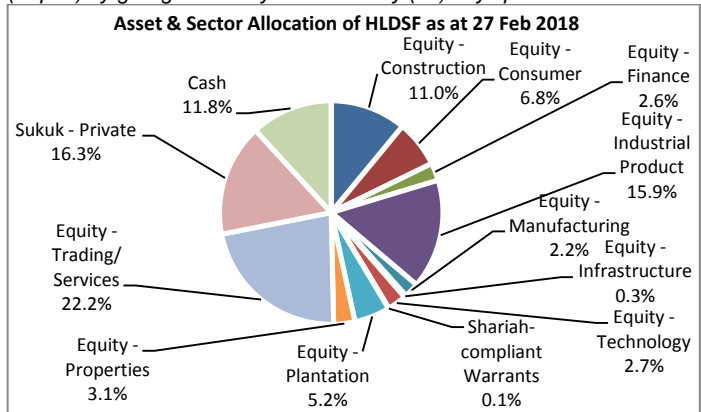
4. Target Market

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 (27/2/2018)	:RM1.2162
Fund Size (27/2/2018)	:RM6.73mil
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

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 10 Holdings for HLADS as at 27 Feb 2018

		%
1. TENAGA NASIONAL BERHAD	Sukuk	6.6
2. TENAGA	Equity	4.7
3. LEMBAGA PEMBIAYAAN PERUMAHAN SEKTOR AWAM	Sukuk	4.6
4. KESAS SDN BHD IMTN 2020	Sukuk	2.4
5. SEPANGAR BAY POWER CORP 2022	Sukuk	2.4
6. SARAWAK HIDRO SDN BHD	Sukuk	2.3
7. VS	Equity	2.2
8. INARI	Equity	2.2
9. QL	Equity	2.2
10. KERJAYA	Equity	2.0
Total Top 10		31.6

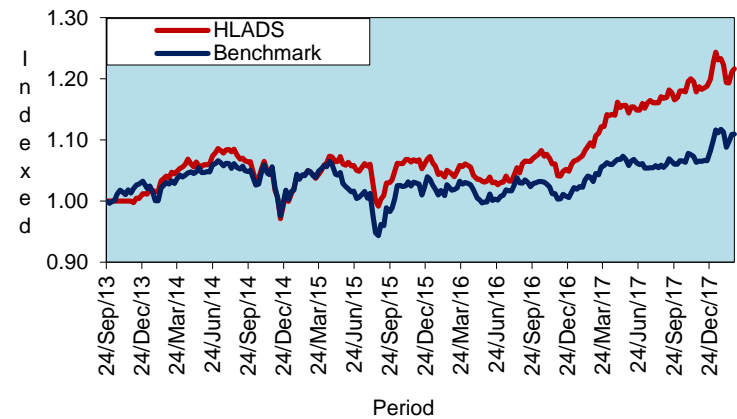
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Historical Performance



	YTD	1 month	1 Year	3 Years	Since Inception
HLADS	1.43%	-0.60%	11.61%	15.86%	21.62%
Benchmark*	2.60%	-0.29%	7.52%	5.69%	10.98%
Relative	-1.17%	-0.31%	4.09%	10.17%	10.64%

*Source: Bloomberg

Market Review, Outlook & Strategy

Regional markets corrected in February triggered by a US payroll report which saw wages rising, leading to expectations of higher inflation and more Fed hikes than anticipated. As such, there was a sell-off in US bonds over fears of rising rates which also caused the Dow Jones Industrial Average to follow suit, losing nearly 1,900 points over a two day period. This fear was compounded by the optimistic view of the newly appointed Fed Chairman Jerome Powell on the economy, which has left market participants anticipating a faster pace of rate hikes in the US. Market participants are now weighing the possibility of 4 rate hikes in 2018 and a possible rise of the 10-year Treasury yield to 3.25%. In China, investors will be watching for the outcome of the Chinese People's Political Consultative Conference which starts on 3rd March and also the National People's Congress which will open on 5th March. Media reports have been speculating on the combining or reshuffling of various government organisations to form super regulators in finance, environment, public security, intellectual property and healthcare.

Meanwhile, the Malaysian market was not spared the volatility in regional markets. While the start of the year saw strong net foreign inflows, it quickly reversed in February on the back of rising interest rate expectations in the US. The recently concluded 4Q2017 earnings reporting season showed that it was finally a year of earnings recovery. Banks and plantation sectors were the main drivers contributing to the recovery; other notable sectors which posted stronger earnings included technology, gloves, construction, petrochemical and gaming. Meanwhile, Ringgit weakened slightly to RM3.917/US\$ on the back of slightly lower crude oil price of US\$61.55/barrel. Interestingly there were a few measures announced by the government to stimulate the vibrancy in the equity market. Key measures include allowing intraday short selling for all investors, liberalising the margin financing rules and establishing Malaysia-Singapore connect.

During the month, the KLCI fell -0.7% mom to close at 1,856.20pts. The broader market underperformed, with the FBM Emas falling by -1.1% mom to 13,218pts and FBM Shariah Index falling by 1.7% mom to 13,427.51pts. Small cap performance was much weaker as the FBM Small cap index fell by -2.1% mom to 16,720pts, indicating declining risk appetite which was also apparent for the ACE market which tumbled -4.4%. Average daily value traded on Bursa fell 17% mom but rose 14% yoy to RM2.87b.

As we move into March, two macro events for Malaysia are the upcoming Monetary Policy Committee meeting and the release of Bank Negara Malaysia's 2017 annual report. In addition, there are rising expectations that Parliament could be dissolved soon to pave the way for general elections. As a result there could be more volatility ahead. Nonetheless, we continue to favour quality stocks on pullbacks and will remain invested in the following themes which include 1) Banks, 2) Construction, 3) Beneficiaries of consumer recovery and 4) Beneficiaries of a stronger Ringgit.

Market Review, Outlook & Strategy - Fixed Income Market

Generally, February is quiet for the local bond market with thin liquidity prior to and after the festive season. However, this February bucked the trend when US Treasury (UST) yields hit a high of 2.95% after the FOMC minutes from the latest meeting indicated that Fed officials are expecting inflation to rise in 2018. Markets also grew concerned over the heavy debt issuances in the US to finance the widening budget deficit. As such, the volatile sharp rise in UST triggered uneasiness in this region and among EM investors. With that, MGS yields rose by 2-8bps month on month across the curve with the exception of 5 years and 30 years MGS.

On the economic front, Malaysia's 4Q2017 GDP was reported at 5.9% yoy versus consensus of 5.8%. With further bolstered domestic economic optimism, pundits are not ruling out another Overnight Policy Rate (OPR) hike in 2018. Meanwhile, foreign MGS holdings rose further to 45.1% in January 2018 versus 44.3% in December 2017.

As for the government guaranteed and private debt bond space, there were several primary issuances like Danainfra, MKD Kencana, Ambank Group and Cagamas during the month which spooked the market. While on the secondary market, interest was skewed towards AAA and AA papers especially in the power and finance sectors as investors looked for liquidity and yield requirement.

Moving forward, we expect the bond market to be volatile. There may be correction in the near term but it will be temporary as economic data in the US will continue to drive sentiment. The key event to watch for is the March FOMC meeting where the reading of the tone of the Fed chairman is critical as it will indicate the pace of Fed hikes for the remainder of 2018. This will inevitably spillover to emerging market sentiment and yield movement.

In the corporate bonds space, primary pipeline will continue to be dominated by the GG segment, financial/banking and infrastructure/utilities. With 4 Malaysia govies to be tendered in March, it will be interesting to observe where the yield will close at as this may potentially affect the primary levels of the GG issuances later especially since one is a 30 year GII.

Thus, we will continue to take advantage of all the primary issuances that meet our investment criteria and pace our purchases at every level to average up the portfolio yield should yields continue to rise. Meanwhile, we will take profit on short tenure bonds with the plan to reinvest higher in the longer tenure issues.

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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 a Balanced 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

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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.