

# HLA Dana Suria (HLADS)

Jul 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.

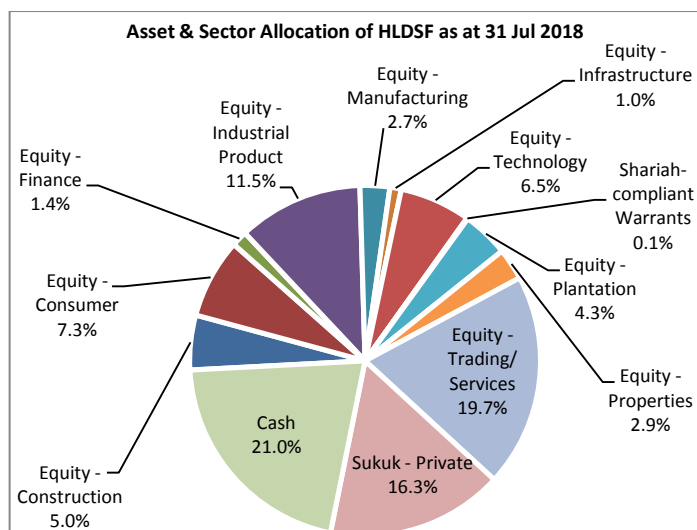
### 4. Target Market

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

<b>Unit Price (31/7/2018)</b>	:RM1.1507
<b>Fund Size (31/7/2018)</b>	:RM6.45mil
<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

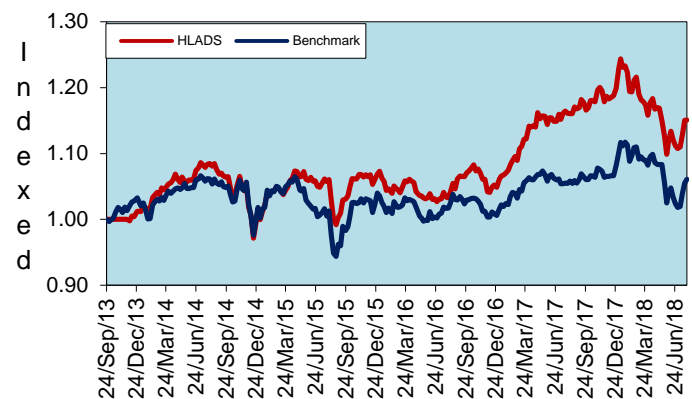
Fund management charge of underlying Collective Investment Scheme(s) is part of Fund Management Fee as stated in table above. There are no additional charges being charged to the Policy Owner. The Company reserves the right to change the Fund Management Fee (% p.a.) by giving the Policy Owner ninety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



## Top 10 Holdings for HLADS as at 31 Jul 2018

		%
1.	TENAGA	Equity 5.8
2.	Tenaga Nasional Berhad	Sukuk 4.7
3.	Lembaga Pembiayaan Perumahan Sektor Awam	Sukuk 4.6
4.	QL	Equity 2.7
5.	INARI	Equity 2.7
6.	DIALOG	Equity 2.4
7.	Kesas Sdn Bhd	Sukuk 2.3
8.	Sarawak Hidro Sdn Bhd	Sukuk 2.3
9.	Sepangar Bay Power Corporation Sdn Bhd	Sukuk 2.3
10.	Gamuda Berhad	Equity 2.2
<b>Total Top 10</b>		<b>32.0</b>

## Historical Performance



Period

	YTD	1 month	1 Year	3 Years	Since Inception
HLADS	-4.03%	3.48%	-1.19%	8.82%	15.07%
Benchmark*	-1.91%	3.64%	0.58%	5.60%	6.10%
Relative	-2.12%	-0.16%	-1.77%	3.22%	8.97%

\*Source: Bloomberg

## HLA Dana Suria (HLADS)

### Market Review, Outlook & Strategy

July was another volatile month with US President Donald Trump on one hand trying to resolve trade battles with the European Union by agreeing to suspend new tariffs amidst ongoing trade negotiations with President of the European Commission Jean-Claude Juncker. On the other hand, he stepped up pressure on China by announcing 10% tariffs on another US\$200b of Chinese imports. Meanwhile, China tried to shore up investor confidence by announcing its intent during the State Council meeting to pursue a more proactive fiscal policy whilst introducing various monetary and fiscal measures to arrest the pace of deleveraging. US technology stocks (FAANGS) also saw severe month end weakness following disappointing guidance by Facebook, followed by Intel and Twitter. However, in general the earnings season continued to show underlying strength of these companies. Finally, crude oil prices softened by 8% to US\$68.43/barrel due to concerns that the rising trade war tension could potentially dampen demand.

Domestically, Malaysia is still undergoing a period of adjustment under the new government. Since the transition of power, there has been the departure of several heads at major local government-linked companies (GLC) like Telekom, Malaysia Airports and MRCB. At end July, there was a shake-up at Khazanah Nasional where the entire board of directors offered their resignations. Prime Minister Tun Mahathir was quick to announce the appointment of the new Board of Directors. However, as and when these announcements are made, markets remain uncertain over the leadership and future direction of the affected GLC's.

During the month, the KLCI gained 5.5% mom to close at 1,784.25pts on the back of a recovery in the telco and bank sectors as well as selected energy stocks. Similarly, broader markets also recovered in tandem. FTSE Emas was up by 5.6% mom in July and FTSE Emas Shariah improved by 5.9% mom. FTSE Bursa Small Cap index also posted an increase of 5.4% mom in July. The Ringgit depreciated by 0.7% mom against the US\$ to RM4.0652.

Both regional markets and the FBM KLCI are expected to continue to experience volatility due to short term uncertainties. Domestically, the 100 day anniversary for Pakatan Harapan's win at the 14<sup>th</sup> General Election will be on 18 August 18. As such, we can expect more newsflow on restructuring like the takeover of Syarikat Pengeluaran Air Selangor Sdn Bhd (SPLASH) and also the review on mega projects such as the KL-Singapore High Speed Rail and East Coast Rail Link. As for global issues, the continued strength of the US Dollar on the back of trade wars and the Fed rate policy will continue to drive outflows from emerging markets. Therefore we remain defensive – preferring to hold and buy blue chips that exhibit sustainable earnings with steady dividend yield. We will also re-look some of the sectors that have intrinsic value that have de-rated substantially post the outcome of the general election.

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

For the month of July, a bear-steepening yield curve was the dominating theme for US Treasuries (UST). This was as investors were wary over the potential of a full-blown trade war, weak corporate earnings as in the case of Facebook as well as China's ability to trigger capital flight via a UST selloff as they remain the largest holders of UST's. Key central banks presented hawkish statements with the Fed reaffirming another two rate hikes for 2018 at the recent FOMC and European Central Bank's President Draghi reiterating his commitment to end its quantitative easing programme despite lingering global trade threats. However, before the month end, global bond yields spiked over speculation that the Bank of Japan (BoJ) intended to alter its yield curve control policy causing the biggest jump in Japanese government bond yields in 2 years. The impact reverberated in other markets which saw soaring yields. UST then eased after the Trump-Juncker meeting where they both agreed to work towards "zero-tariffs". The month closed with global bond markets rallying post BoJ's guidance that killed the speculation over Japan heading towards sooner-than-expected tightening in its monetary stance.

Despite the tumultuous global landscape, Malaysian Government Securities (MGS) saw better interest during the month after a relatively heavy foreign sell-off in the previous month. Compared to June, there was a downward shift in the MGS yield curve in July, predominantly supported by strong buying activity among local institutional players due to ample domestic liquidity and the compression of the government guaranteed bond spread against MGS. Market interest in the corporate bond space also saw active trading especially on the Government Guaranteed and AAA segment due to short supply in the Private Debt Security (PDS) primary market. The prominent new issuances during the month were Chellam Plantations (Sabah), UOB Bank (Malaysia) Tier 2 Subordinated Medium Term Note and Affin Banks' Perpetual AT1 CS.

We are keeping a close watch on key market-moving events globally. In the US and Europe, the central bank meetings and the release of labour and price indicators are expected to be highly scrutinized for guidance of inflation expectations. As the markets digest a series of data releases in August, we expect some volatility. Major downside risk continues to be anchored on the unresolved trade tensions between US and China as investors shy away from emerging markets.

Over the next month, we are of the view that local yields should be relatively stable, supported by ample liquidity amidst strong domestic institutional participation. Nonetheless, over the medium term, the global macro setting and policy developments by the newly-elected government are key factors that will dictate the direction of local bond yields. On the monetary front, we do not expect any interest rate hike by Bank Negara Malaysia for the rest of 2018 as growth is expected to moderate. Doubts over Pakatan Government's ability to meet the fiscal deficit target of 2.8% in 2018 would be another major factor that may lead to further fund reversals from local govtries, albeit at a lower magnitude barring any negative surprises in the global financial markets.

We will continue to focus on primary issuances for yield enhancement and better allocation. Meanwhile, we will also consider taking profit on some shorter corporate bonds and replacing them with longer primary papers.

## HLA Dana Suria (HLADS)

### 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.

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

For the underlying Target Fund, past performance is calculated after adjusting for distribution and/or additional units, if any.

## HLA Dana Suria (HLADS)

### **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.