

# HLA Dana Suria (HLADS)

Jun 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

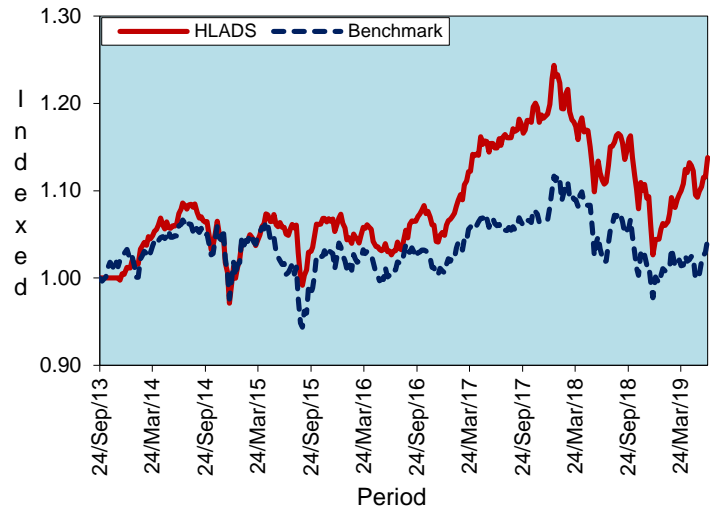
Unit Price (25/6/2019)	:RM1.1380
Fund Size (25/6/2019)	:RM6.7mil
Fund Management Fee	:1.30% p.a.
Fund Manager	:Hong Leong Assurance Berhad
Fund Category	:Managed
Fund Inception	:24 Sept 2013
Benchmark	:(70% x FTSE Bursa Malaysia EmasShariah Index) + (30% x 3-month Klibor)
Frequency of Unit Valuation	: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 25 Jun 2019

		%
1.	TENAGA	Equity 6.9
2.	Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA)	Sukuk 6.2
3.	Sepangar Bay Power Corporation Sdn Bhd	Sukuk 3.1
4.	Kesas Sdn Bhd	Sukuk 3.0
5.	HSBC Amanah Malaysia Berhad	Sukuk 3.0
Total Top 5		22.2

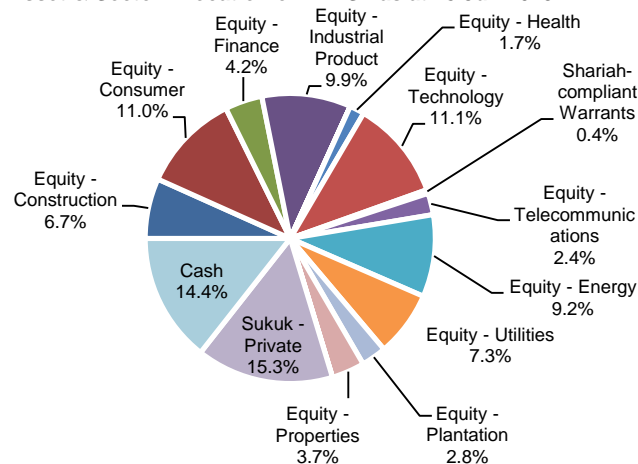
## Historical Performance



	YTD	1 month	1 year	3 years	5 years	Since Inception
HLADS	8.98%	3.50%	2.34%	10.84%	5.98%	13.80%
Benchmark*	4.34%	4.04%	2.03%	4.25%	-1.44%	4.45%
Relative	4.64%	-0.53%	0.31%	6.59%	7.42%	9.35%

\*Source: Bloomberg

## Asset & Sector Allocation of HLDSF as at 25 Jun 2019



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## HLA Dana Suria (HLADS)

### Market Review, Outlook & Strategy

Regionally, markets moved up as investors started to price in lower cost of capital with central banks globally turning more dovish in their interest rate posture especially with the Fed removing its 'patient' stance. Economic numbers have shown signs of stabilisation with solid consumption data coming out of the US. However, the central banks' dovish outlook was premised on cushioning the downside risks stemming from geopolitical factors and the trade war. For the month, all eyes were on the Xi-Trump meeting at the G20 summit where the meeting ended with a trade truce and trade negotiations back on the table.

The easing cycle in the US has ushered in a new capital inflow cycle to emerging markets including Malaysia, as investors return to the game of yield hunting. Hence, Malaysia rallied in June as foreigners return to the market with a net inflow of 0.1 bil after 4 consecutive months of net outflows averaging RM1.5 bil per month bringing the YTD net outflow to RM4.8 bil. The higher market was driven by defensive sectors such as utilities and telecommunications whilst more cyclical sectors (Oil & Gas and Financials) underperformed. In the month, we also saw more news-flow from the government on the purchase of four toll highways from Gamuda for RM2.36 billion and the release of Mavcom's second consultation paper proposing a WACC of 10.88% for MAHB.

The FBM KLCI underperformed the broader market in June; up by 1.3% mom to close at 1,672.13 pts. FBM Emas was up by 1.7% mom to 11,781.58 pts and FBM Shariah up by 2.9% mom to 12,132.94 pts. FBM Small Cap was the best performing index recording an increase of 3.6% mom to close at 12,996.06 pts in June.

Going forward, the market will continue to be volatile, predominately driven by news-flow from the US-China trade war. The outlook for the local bourse is also uninspiring due to external uncertainties and the subdued domestic environment as well as prolonged weakness in commodity prices. We will continue to stick to quality names with resilient earnings and dividend yield. Among the other themes that we like are beneficiaries of government pump-priming.

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

The month of June was rather eventful but markets are evidently seeing signs of confusion. Yields on the 10-year Treasuries continued to trend lower and made several attempts to break the psychological 2% mark. This is deemed significant because the last time the 10-year Treasuries yielded less than 2% was in November 2016, primarily weighed down by market players pricing in the possibility of multiple rate cuts by end of 2019. The persistent downtrend also came on the back of tensions between the United States and Iran after the latter shot down a US drone in the international air space. On top of that, the ongoing global trade war as well as worries about the interaction between the two economic giants ahead of the G20 meeting weighed on investors' sentiment and economies around the world. Lower yields are not unique to the United States as the said tensions and monetary policy shift globally have sparked a sharp rally in almost all Asian sovereign bonds in tandem with their global peers.

At home, local govies or the Malaysian government securities ("MGS") also benefited from the bullish run in the global sovereign bond market. The MGS curve shifted 11-25bps lower across the various tenors as markets position themselves for a rate cut by the Fed in September after the dovish tilt by global central banks.

Secondary trading activity in the corporate bond space was decent for the month of June with strong interest across the government-guaranteed papers followed by the AAA and AA space as yields trended lower on strong demand. The prominent new issuances during the month include Pengurusan Air SPV Berhad's RM1.1b of AAA-rated bonds between 5-10Y tenures with coupon of 4.00-4.15% and HLFG issued RM1.1 b Tier 2 subdebt at 4.30%. In the credit space, it is worth highlighting that Bright Focus Berhad's RM1.35 billion Sukuk Musharakah (2014/2031) saw a multi-notch downgrade to BB1 from A1 and the rating has been put on Rating Watch, with a negative outlook. The downgrade was initiated on the back of severe impairment in Bright Focus' debt-servicing metrics following further unanticipated advance by its 96.8%-held subsidiary – Maju Expressway Sdn Bhd – to the ultimate parent company (Maju Holdings Sdn Bhd), in addition to a deterioration in the highway's projected annual cashflow.

As the leaders of the two economic powerhouses attempt to commence fresh trade negotiations, we foresee UST yields to trade sideways to mildly up as market is expected to regain some confidence. While market sentiment is expected to improve, we still believe that the fixed income market remains a relatively attractive option for the rest of the year even with the recent trade truce as core issues of the trade war – dispute over intellectual property and transfer of technology have not been resolved. We continue to expect market players to maintain their overweight stance on bonds until further clarity surfaces from the trade negotiation between the two global superpowers. While the Fed decided to keep rates unchanged in June, its language has noticeably turned more dovish as key economic indicators exhibited significantly poorer showing. The recent development in trade is likely to have only slightly tempered the expectations of imminent Fed cuts as the truce that maintains current level of tariffs will likely be insufficient to turn the rapidly deteriorating economic outlook.

On the local front, while domestic liquidity remains supportive, we opine that the risk-reward for MGS is turning less favourable. With risk events ahead such as FTSE Russell's decision and uncertain outcome from US-China's renewed trade negotiation; we think that the outlook for MGS is mildly bearish. While BNM's liberalisation measures have mitigated some of the concerns of MGS being excluded from the FTSE Russell World Government Bond Index, we still think that the probability of exclusion should not be underestimated and the announcement may come in as early as in August 2019. In the event that MGS is excluded from the index, we foresee an additional RM15-20 billion of foreign outflows from MGS, largely due to selling by passive funds. That said, the exclusion, if it happens, is unlikely to threaten domestic macro-stability as domestic liquidity remains ample.

Our strategy is to constantly deploy the available cash in primary corporate bond issuances that are fundamentally strong for yield pick-up and trade on govies as and when the opportunity arises. We would continue to be proactive in making adjustments to our trading and investment strategies to take advantage of the ever-changing market dynamics and developments.

## HLA Dana Suria (HLADS)

### Actual Annual Investment Returns for the Past Six (6) Calendar Years

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

## HLA Dana Suria (HLADS)

### **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.