

HLA Dana Suria (HLADS)

Feb 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 (25/2/2020)	:RM1.1712
Fund Size (25/2/2020)	:RM7.1mil
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

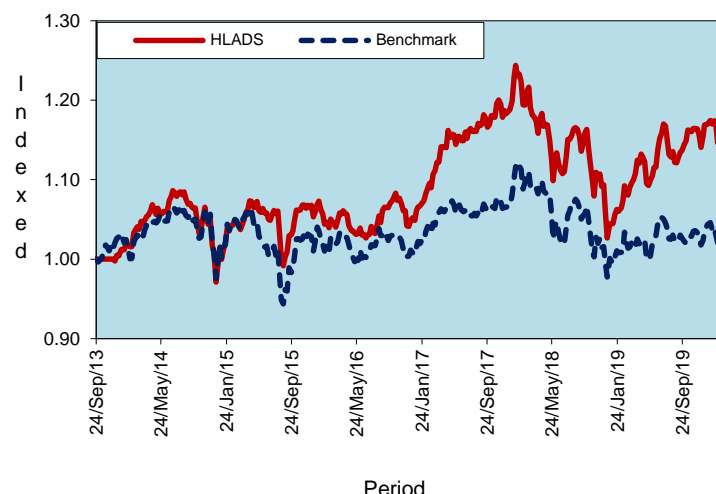
Fund management charge of underlying Collective Investment Scheme(s) is part of Fund Management Fee as stated in table above. There are no additional charges being charged to the Policy Owner. The Company reserves the right to change the Fund Management Fee (% p.a.) by giving the Policy Owner ninety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

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

Top 5 Holdings for HLADS as at 25 Feb 2020

		%
1.	Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA)	Sukuk 6.4
2.	TNB Western Energy Berhad	Sukuk 3.6
3.	YINSON	Equity 3.5
4.	TENAGA	Equity 3.2
5.	Grand Sepadu (NK) Sendirian Berhad	Sukuk 3.1
Total Top 5		19.7

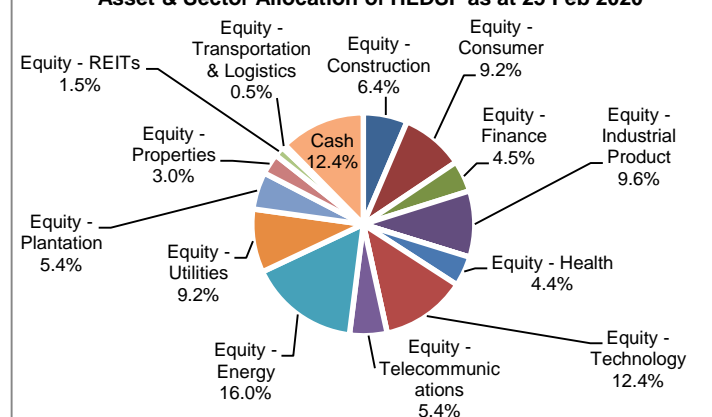
Historical Performance



	YTD	1 month	1 year	3 years	5 years	Since Inception
HLADS	0.15%	0.36%	7.92%	7.48%	11.57%	17.12%
Benchmark*	-3.22%	-1.88%	-1.47%	-2.15%	-3.81%	1.00%
Relative	3.37%	2.24%	9.40%	9.63%	15.38%	16.12%

*Source: Bloomberg

Asset & Sector Allocation of HLDSF as at 25 Feb 2020



Hong Leong Assurance Berhad 198201014849 (94613-X)

Level 3, Tower B, PJ City Development, No. 15A, Jalan 219, Seksyen 51A, 46100 Petaling Jaya, Selangor.

Telephone 03-7650 1818 Fascimile 03-7650 1991

Customer Service Hotline 03-7650 1288 Customer Service Hotfax 03-7650 1299

HLA Dana Suria (HLADS)

Market Review, Outlook & Strategy

Regionally, and eventually globally, sentiment was shattered due to fears that the Covid-19 virus was turning into a global pandemic. While the outbreak appeared to be contained in China with number of new confirmed cases declining gradually, the focus shifted to the sharp rise in reported cases internationally - notably in Japan, South Korea and Italy. Warnings by Apple and Microsoft that they might not meet their earlier guidance due to the disruptions to supply and demand from the Covid-19 outbreak in China further dampened investors' sentiment. The spread and economic impact of Covid-19 appeared to be more severe than most economists had anticipated leading to further cuts in 2020 global growth forecasts (recently OECD revised global growth for 2020 from 2.9% to 2.4%). China's central bank tried to shore up sentiment by announcing various supportive measures to ensure adequate liquidity in the banking system.

Domestically, aside from the health crisis posted by Covid-19, the political turmoil exacerbated the bearish mood. The news that the Pakatan Harapan coalition had split led to uncertainty over the administration of the country. The announcement of the RM20b mini stimulus package did little to excite the market. The Dec quarter earnings continued to be uninspiring with disappointments coming from the auto, aviation, petrochemical, utilities and oil & gas. However, on a more positive note we saw higher dividends being declared from selected big cap companies such as Tenaga, Maybank, Petronas Gas and Petronas Dagangan. Ringgit depreciated by close to 3% to 4.215/US\$. Oil price also fell below the US\$50 threshold to close at US\$45.26 (-12% mom).

For the month, the FBM KLCI declined by 3.2% mom to 1,482.64 pts. The broader markets also fell in tandem with FBM Emas, FBM Shariah and FBM Small Cap Indexes declining by 3.8%, 3.7% and 4.1% respectively. In February, Malaysia equities saw an outflow of US\$469m (~RM1.98b) with bulk of the outflows happening in the last week, following the government's collapse and the 4Q19 results season. Cumulatively, in Jan and Feb, Malaysia equities saw a net outflow of US\$503m (~RM2.12b).

Going into March, markets will continue to be volatile. Investors will be following closely Covid-19's pace of infection outside China as well as China's work resumption progress. Domestically investors will have to brace for short-term policy uncertainties following the unexpected change in federal government as well as potentially several state governments. The latest change in government could also bring about another round of changes to the various GLCs leadership. We will continue to be defensive - staying invested in dividend yielding stocks with resilient earnings as well as to reassess at some of the stocks which have retraced sharply.

Market Review, Outlook & Strategy - Fixed Income Market

The month of February was an extremely eventful month for bond markets in general. The U.S Treasuries ("UST") was trading at historical low levels since the global financial crisis. The 10-year and 30-year UST yields plunged 36 bps and 32bps respectively to close at 1.15% and 1.68% in February. The sharp plunge which came on the back of the coronavirus outbreak, has muddled the outlook for the global economy and rattled equity markets. With major U.S. stock indexes plunging into correction territory in the final week of February, money has crowded into sovereign papers and away from risky assets.

On top of the challenges surrounding economic pressures brought about by the widespread Covid-19, the local market was also caught off guard by the political turmoil that sparked worries about the possibility of prolonged political instability going forward. To counter the slowdown risk amid the Covid-19 outbreak, the government has announced an economic stimulus package that is worth about RM20 billion (about 1.3% of GDP). Nonetheless, given the country's relatively stretched fiscal position for its current ratings, the abovesaid impact on Malaysia's sovereign ratings came on the radar. This was reaffirmed by a statement released by S&P Global Ratings to warn of potential downward pressure to Malaysia's sovereign credit ratings should new political developments suggest a weakened commitment to fiscal consolidation. That said, the market quickly digested that the mild widening in fiscal deficit would unlikely be of significant concern. All in all, the risk-off mood in the local market continued to be dominated by headlines surrounding Covid-19 globally and saw yields on the Malaysian Government Securities ("MGS") lower across all tenures (ranging from 18 bps to 32 bps MoM). At close, the 5-, 10-, 15- and 30-year traded at 2.66%, 2.82%, 3.05% and 3.59%.

Corporate bond yields dropped further in February by 22bps-37bps across the curve in line with the general trend in the MGS market. Given the scarcity of local corporate bonds, strong investor interest was seen across the government guaranteed ("GG"), AAA-rated and AA-rated space. In the primary space, we have seen some issuers flocking the market to leverage on the opportunity to tap into cheap funding. Some of the prominent issuances include Lembaga Pembiayaan Perumahan Sektor Awam's RM2.25 billion GG papers with tenures ranging from 10 years-30 years at coupons ranging between 3.3%-4.0%, Prasarana's 7-30 years GG issuance at coupons ranging between 3.07%-3.42%. RM 2 billion 5 year and 15 year papers issued by AAA-rated Danum Capital Berhad and Top Glove's Perpetual Sukuk which closed 33 bps lower at 3.62% compared to its issued coupon of 3.95%.

After the sharp drop in global bond yields seen in the final week of February which was largely described as the best performing week since the global financial crisis, investors are now expecting that central banks will step in to try to mitigate the Covid-19 crisis that is threatening global economic growth. Based on the movements in Fed funds futures, investors now think it is almost certain that the Federal Reserve will cut interest rates when it meets later in March. Analysts are expecting policymakers across the globe to indicate that they are open to further cuts should the need for more economic stimulus arises. This is expected to put further pressure on yields moving forward.

On the local front, the market will continue to be clouded by uncertainties that can push the local yields in either direction. On the one hand, we are mindful of the potential risk of a downgrade to Malaysia's credit rating which will prompt a wave of outflows from MGS and Government Investment Issues ("GII"). On the other hand, the prevailing external uncertainties on the global pandemic outbreak may dominate local sentiment and push yields even lower. Though Tan Sri Muhiyiddin Yassin has already been sworn in as Malaysia's 8th Prime Minister, the path ahead remains highly uncertain as ex-Prime Minister Tun Mahathir claims that he has the support of the majority and even if the current political turmoil eventually settles down, investors still need to deal with policy uncertainties as the new government may have different set of policy priorities. Given the already rich valuations, local bond yields could sharply reverse should we see a downgrade in Malaysia's credit rating and fear of Covid-19 subsiding. As such, we are actively monitoring for opportunities with favourable risk-reward for investment.

HLA Dana Suria (HLADS)

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

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

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

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.