



AIA PRS Market Outlook

AIA Pension and Asset Management Sdn. Bhd.



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State of the Market: What Has Happened So Far

What's happening?



Escalation between Iran-US/Israel creating short-term global risk off sentiment.

US and Israel launched major strikes on Iranian military targets. Iran subsequently retaliated – conflicts has now spread across the Gulf region.



Oil price volatility.

Tensions around the Strait of Hormuz - world's most critical energy chokepoints as approximately 20% of global oil supply passes through the route.



Primarily a geopolitical shock, not a macroeconomic deterioration.

Historically such shocks cause temporary volatility.



The extent of the impact now depending on the scale of further retaliation and the duration of the Strait's closure.



Malaysia's first day reaction: FBMKLCI down -0.96% (2 March 2026).

Source: AIA Investment as at 4 March 2026

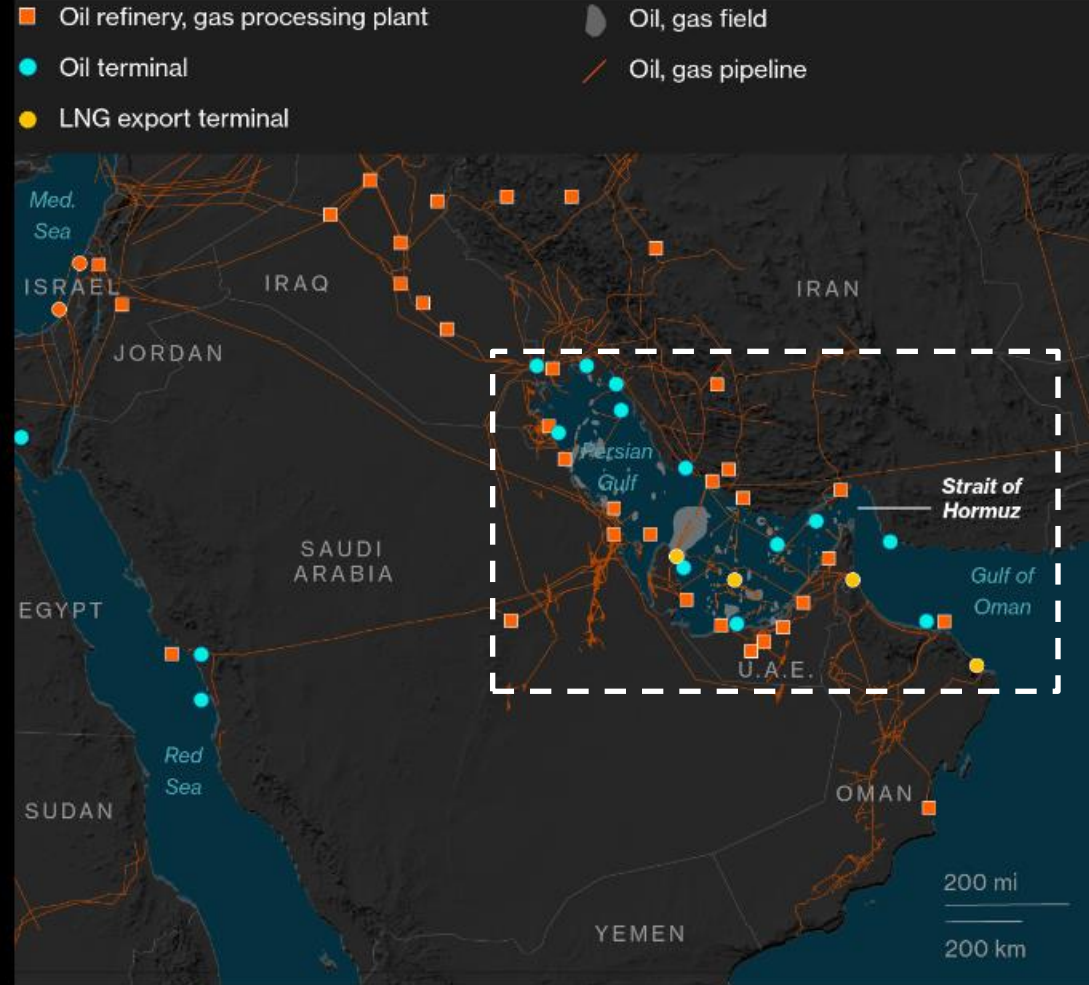
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The Straits of Hormuz - 30% of Seaborne oil trade and 20% of global LNG trade

Oil Refineries and Terminals in the Middle East

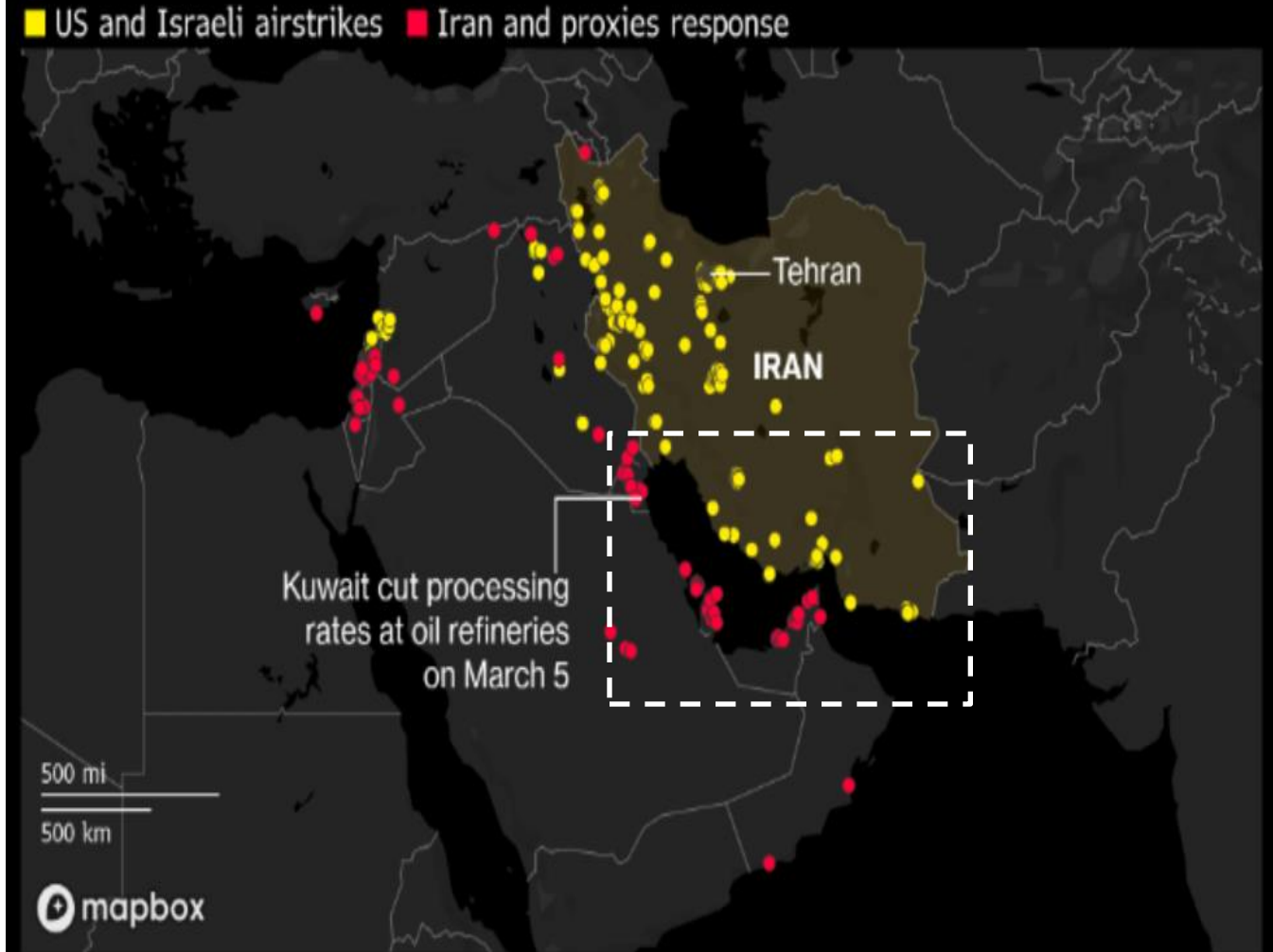
About a fifth of the world's oil passes through the Strait of Hormuz



Source: US Central Intelligence Agency, US Department of Energy

Bloomberg

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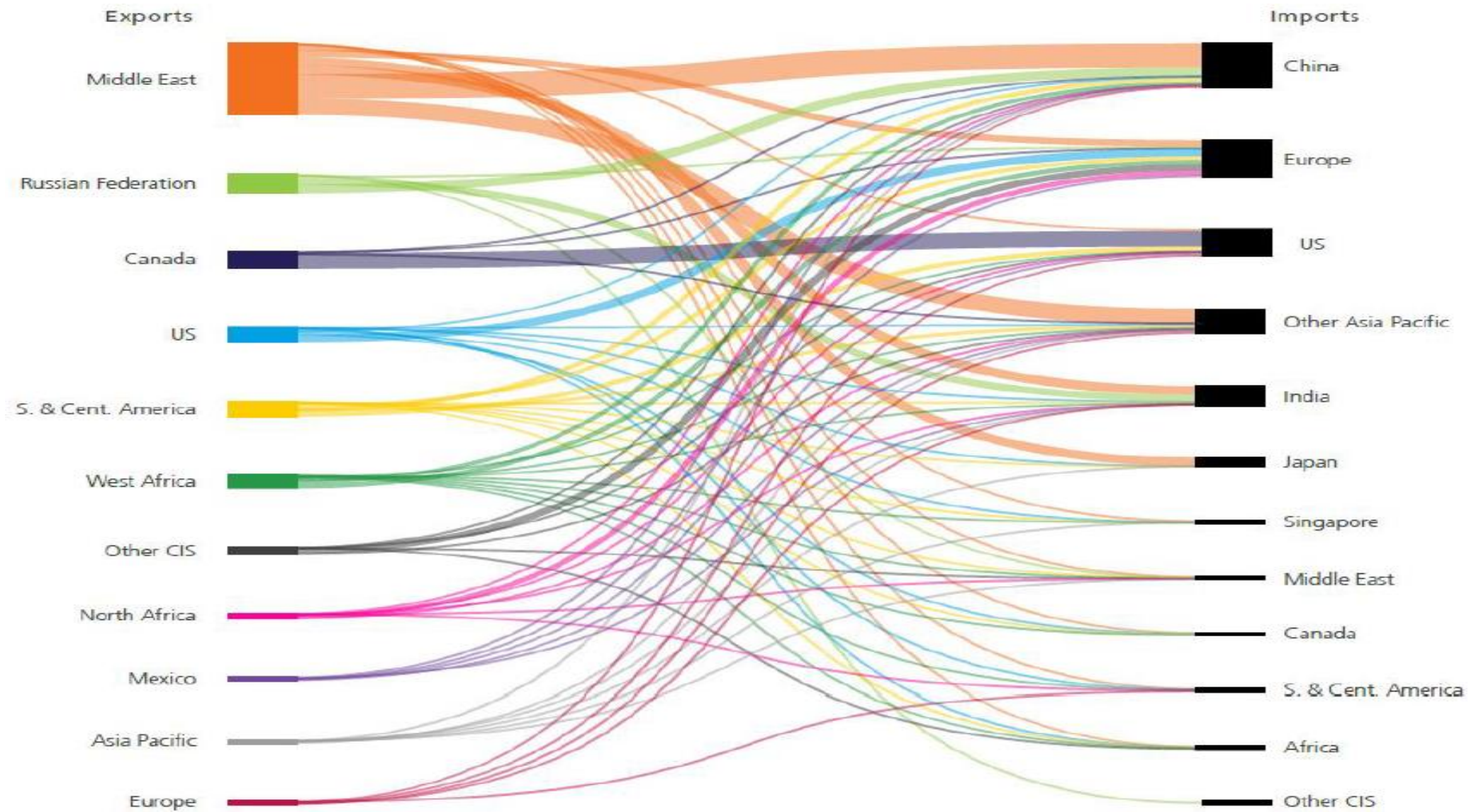


Sources: Institute for the Study of War and AEI's Critical Threats Project as of March 6 evening Middle East time

Bloomberg

Source: Bloomberg, 6 March 2026

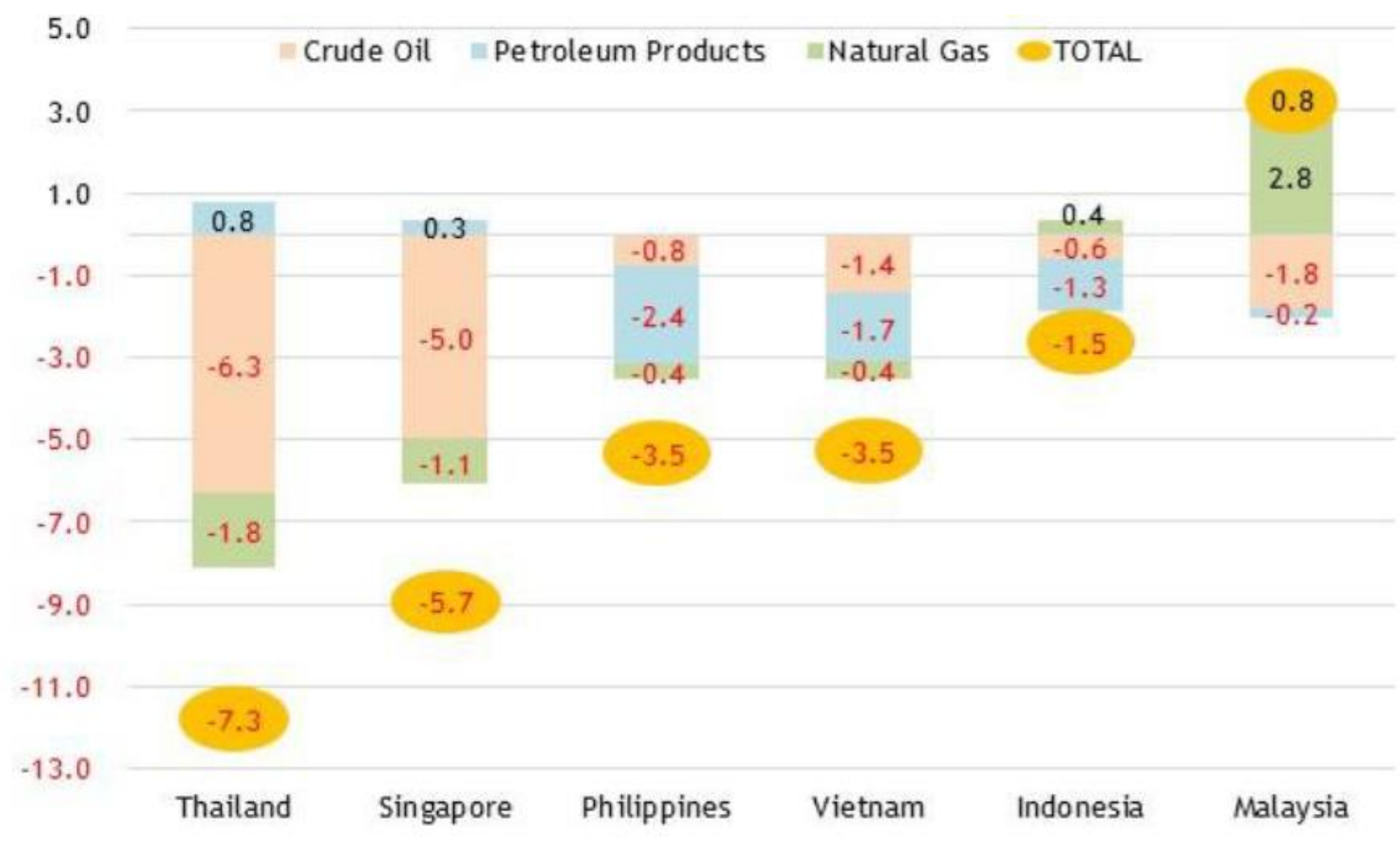
Crude Oil Flows between key Exporters and Importers, 2024 (bil tonnes)



Source: The Energy Institute's Statistical Review of World Energy, 2025



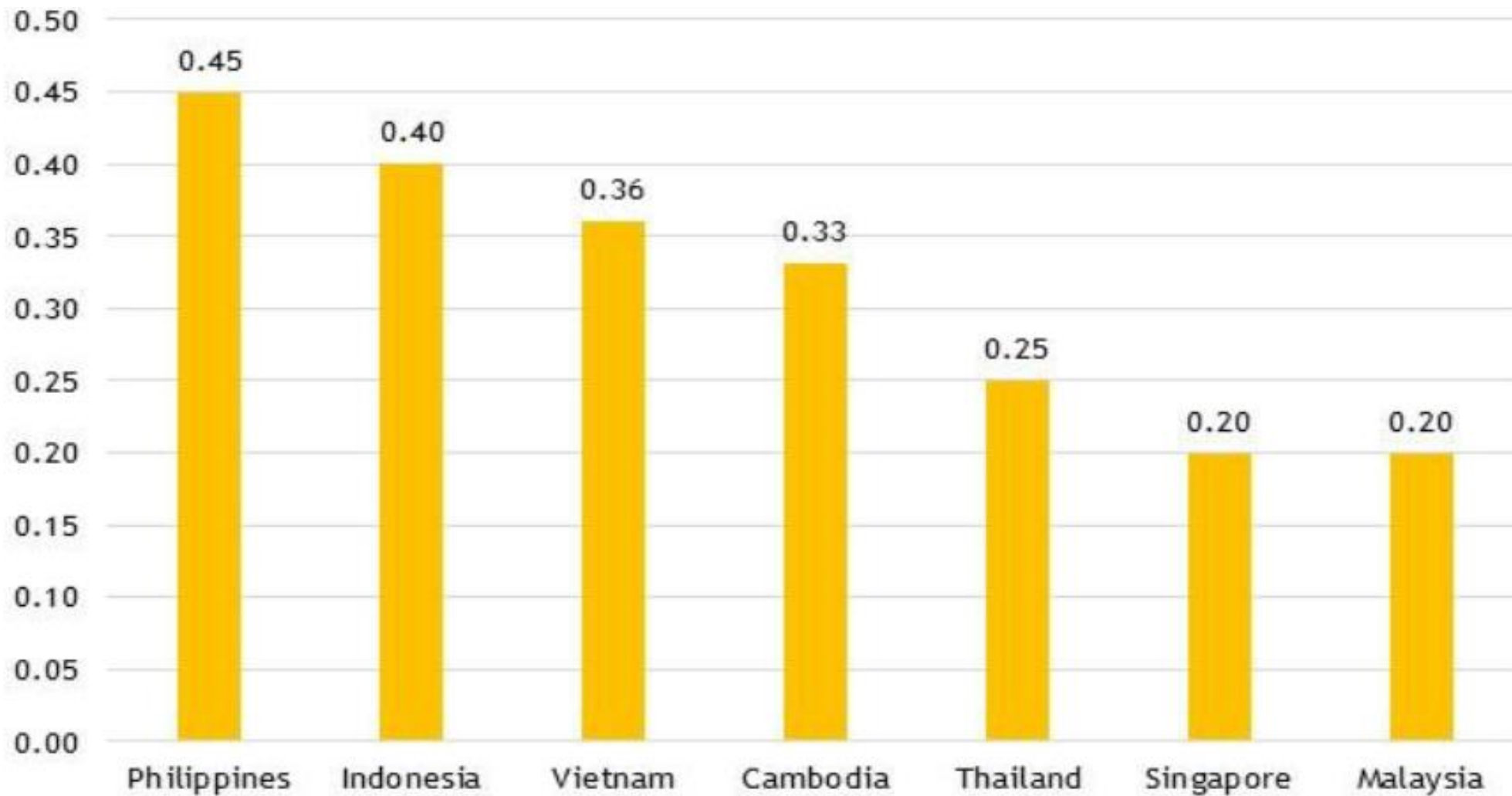
ASEAN economies which are larger net importers of oil and gas are more “sensitive” to inflation shocks



Note: Positive = Net Exporter; Negative = Net Importer



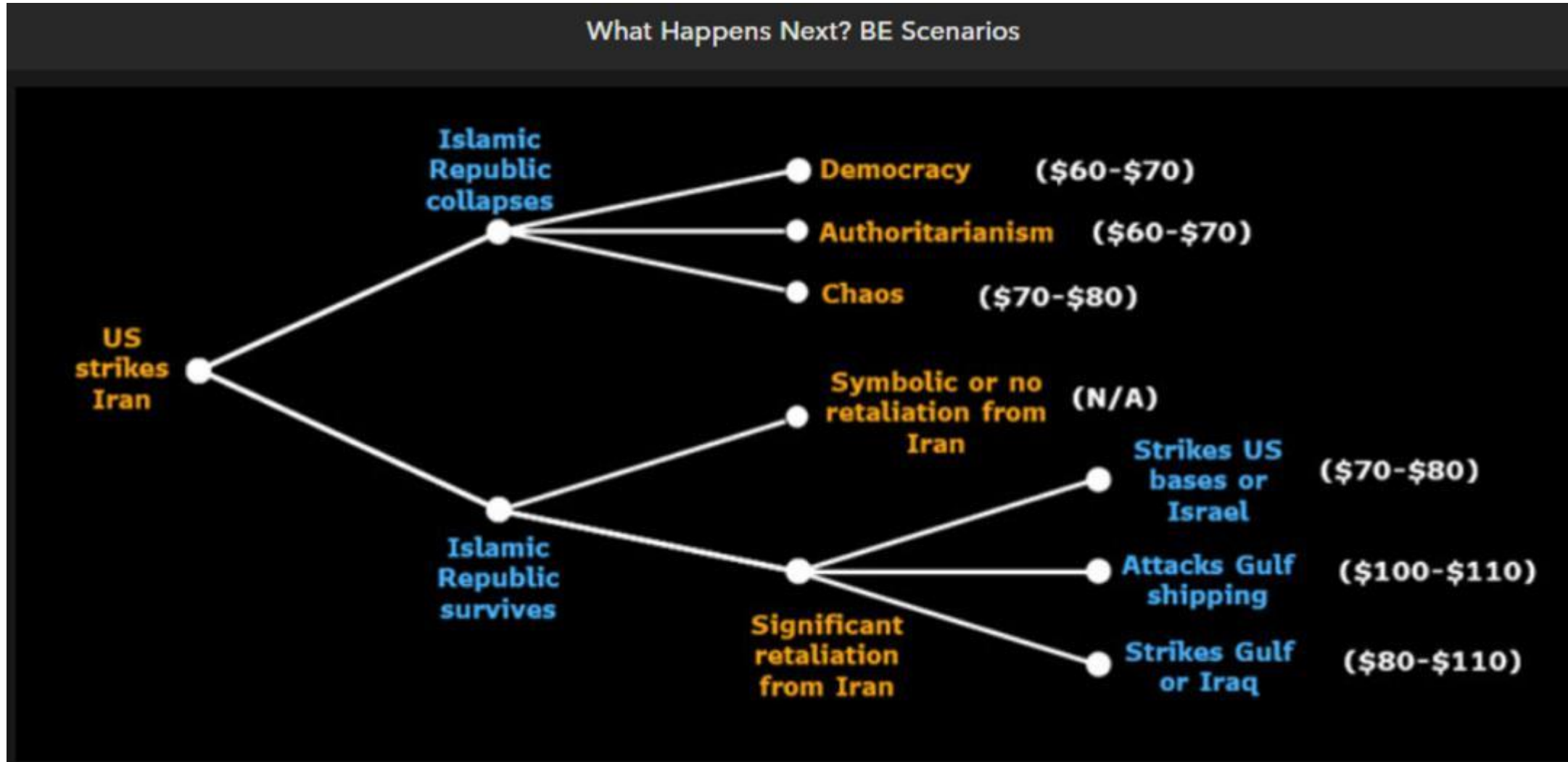
ASEAN – impact of 10% increase in Crude oil price on inflation rate (percentage point)



Source: CEIC, Maybank Research, 6 March 2026



Oil price scenario analysis



Source: Bloomberg Economics, 5 March 2026



Four Futures for the Middle East War

Scenario	Likelihood	Resulting oil price (per barrel)	Economic impact
War - intensified attacks on energy	Low to medium	\$108	Significant boost to inflation, blow to growth, central banks' reaction depends on inflation expectations
War - limited attacks on energy	Medium to high	\$80	Modest boost to inflation and blow to growth, limited central bank reaction
Ceasefire	Medium to high	\$65	Limited
Islamic Republic collapses	Low	\$65	Limited

Source: Bloomberg Economics

Bloomberg Economics

Market expectations on the War in Iran

Upside Case *15% probability*

- Iran ceasefire, resumes negotiation < 2 weeks
- US operations ends earlier than expected
- Peaceful internal transition, reopening of straits of Hormuz

Base Case *50% probability*

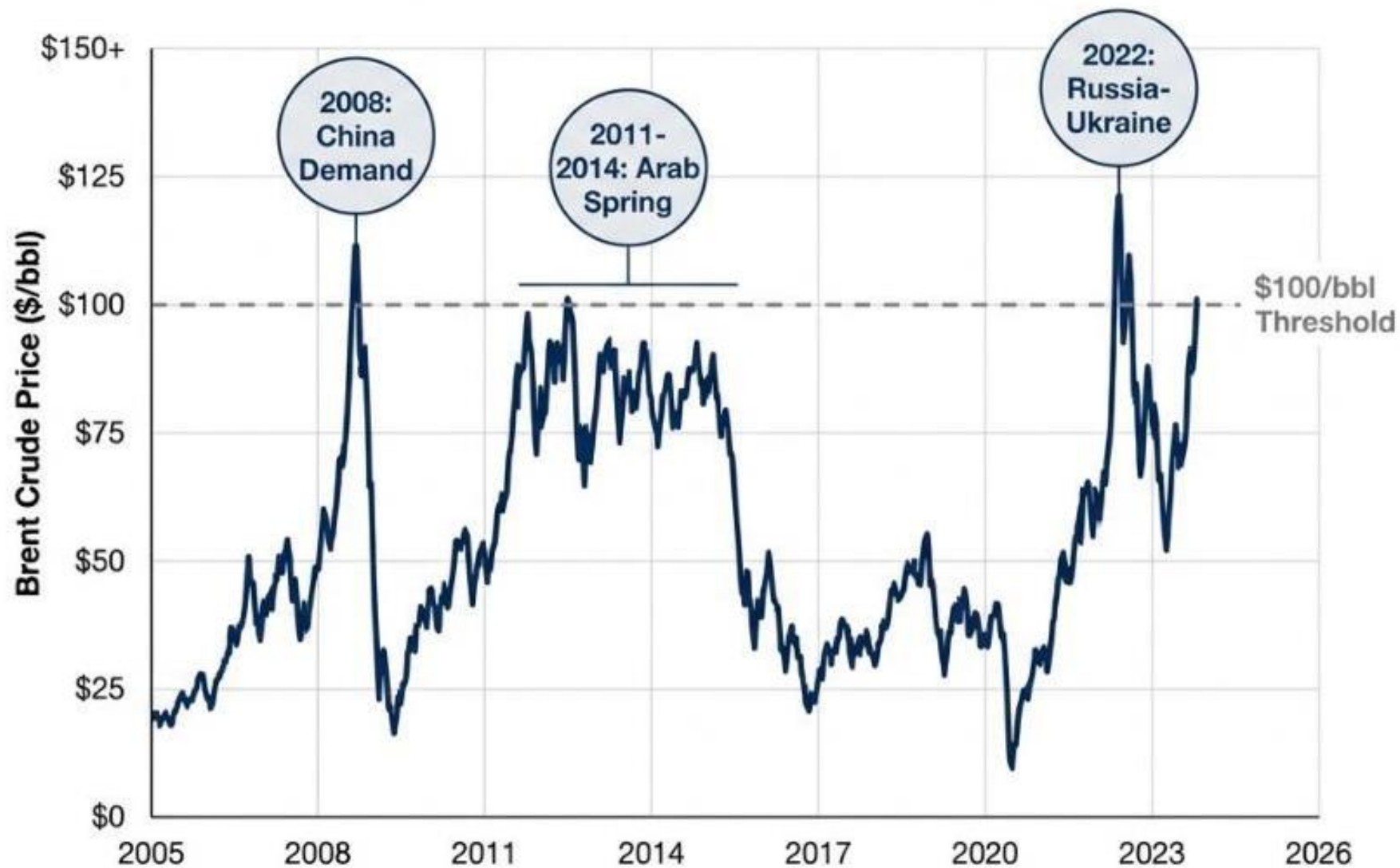
- Volatility persists for 1-4 weeks
- Market stabilizes once scope and duration of conflict becomes clear
- Temporarily elevated oil prices at >USD80/barrel

Downside Case *35% probability*

- Prolonged war (>1 month)
- Supply chain disruptions (oil >USD100/barrel)
- Inflation spikes, macro economic conditions deteriorate



Historical oil price movements over the past 20 years



- In 2008, the duration of the oil price spike was 6 months
- During the 2011-2014 Arab spring, oil remained elevated but below USD100/barrel
- The latest Russia Ukraine War saw oil spiking to USD125/barrel, but it only lasted a month



Previous conflicts and KLCI performance

FBMKLCI	Events	1 day	3 day	5 day	7 day	1 month	3 month
		after					
24-Feb-22	Russia vs Ukraine war	1.1%	2.2%	1.5%	1.9%	1.9%	(2.1%)
7-Oct-23	Israel vs Hamas war	0.0%	1.3%	1.9%	1.9%	3.4%	5.0%
19-Oct-23	Red sea Crisis	(0.1%)	(0.3%)	(0.0%)	(0.1%)	1.2%	2.5%
1-Apr-24	Iran vs Israel (12-Day war)	0.3%	0.6%	0.7%	1.0%	2.1%	3.5%
13-Jun-25	US-Israel vs Iran	0.1%	(0.4%)	(1.0%)	(1.0%)	1.2%	5.4%
28-Feb-26	US-Israel vs Iran	(1.0%)	(0.5%)	0.1%	na	na	na
Average		0.1%	0.5%	0.6%	0.8%	1.9%	2.9%
Median		0.1%	0.1%	0.7%	1.0%	1.9%	3.5%

Malaysia's defensive characteristics:

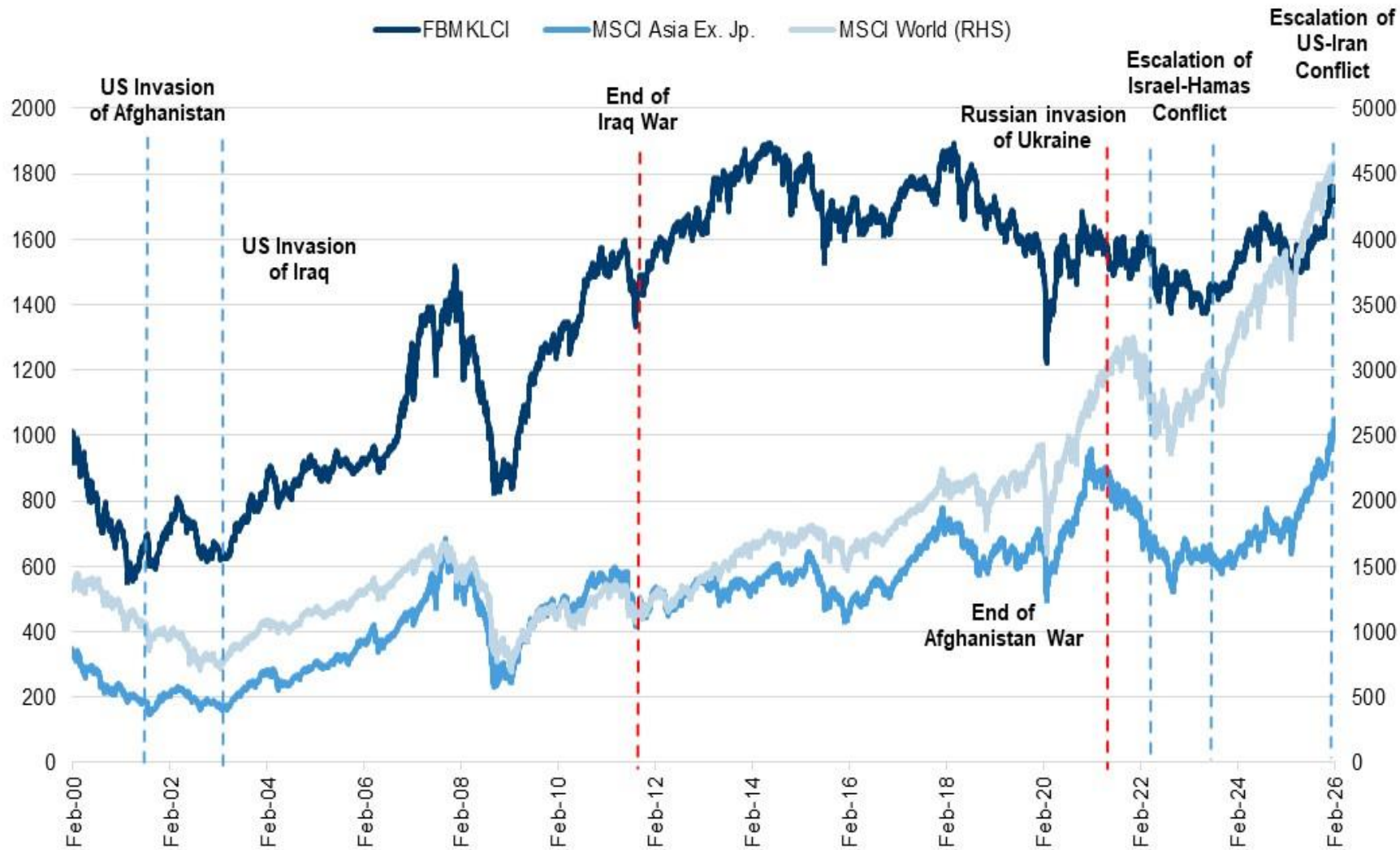
- Lower **market beta ~0.5x**, less sensitive to external shocks vs MSCI Asia Ex Japan (0.6x) and MSCI World (0.9x)
- Net beneficiary of higher crude oil prices (being a net exporter), but fiscally offset by ongoing fuel subsidies
- Still supported by resilient local domestic consumption and potential pre-market rally on elections

Source: CIMB Securities, Bloomberg, 5 March 2026

Historically, after knee jerk sell-offs on negative headlines, markets do recover 1 month after the start of regional conflicts.



Historically, the KLCI experiences short-term dips during conflict periods but consistently recovers



- US invasion of Afghanistan (2001–2002),
- Iraq War (2003),
- Russia–Ukraine invasion (2022),
- Israel– Hamas escalation (2023),
- US–Iran conflict escalation (2025–2026)

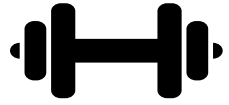
Dips are expected but the market always trends up on the longer term

Source: Affin Hwang, Bloomberg 2 March 2026



2026 Portfolio Strategy

Overweight on Equities vs Fixed Income



Barbell approach – balancing risk with opportunities. Maintain a bottoms-up stock selection approach.



Remained anchored in defensive sectors, followed by structural growth sectors, and lastly cyclical sectors



Market dips are expected and present buying opportunities for the mid to longer term.

PRS – Fund Performances

AIA PRS FUNDS	2026 (YTD Feb)	2025	3-Year Annualised Returns
AIA PAM – Growth Fund	0.79%	5.02%	8.52%
AIA PAM – Moderate Fund	0.82%	5.79%	7.59%
AIA PAM – Conservative Fund	0.87%	4.81%	5.70%
AIA PAM - Islamic Moderate Fund	0.81%	0.14%	4.09%
AIA PAM - Global Islamic Growth Fund*	4.89%	6.50%	6.93%
AIA PAM - Dynamic Asia Ex-Japan Fund**	3.89%	9.67%	N/A
AIA PAM – Dividend Income Fund***	4.36%	5.74%	N/A

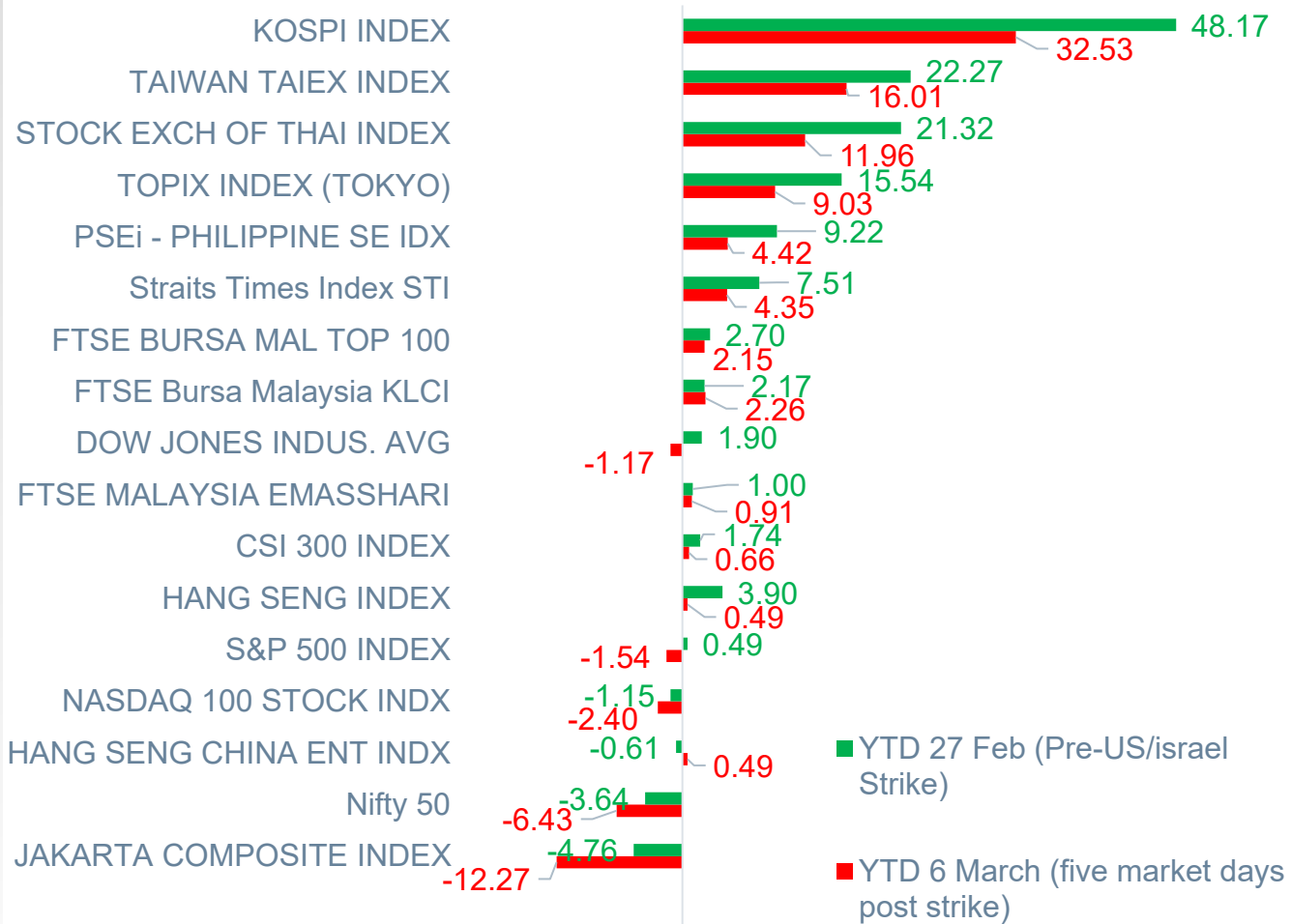
- '3 Year' period defined as from 31 December 2022 to 31 Dec 2025.
- Source: Bloomberg as at 27 Feb 2026.
- The performance is calculated on a total return basis, nett of fees.
- Past performance should not be seen as an indication of future returns.
- * Launch date 8 Sept 2020
- ** Launch Date 9 June 2023
- ***Launch Date 15 July 2025



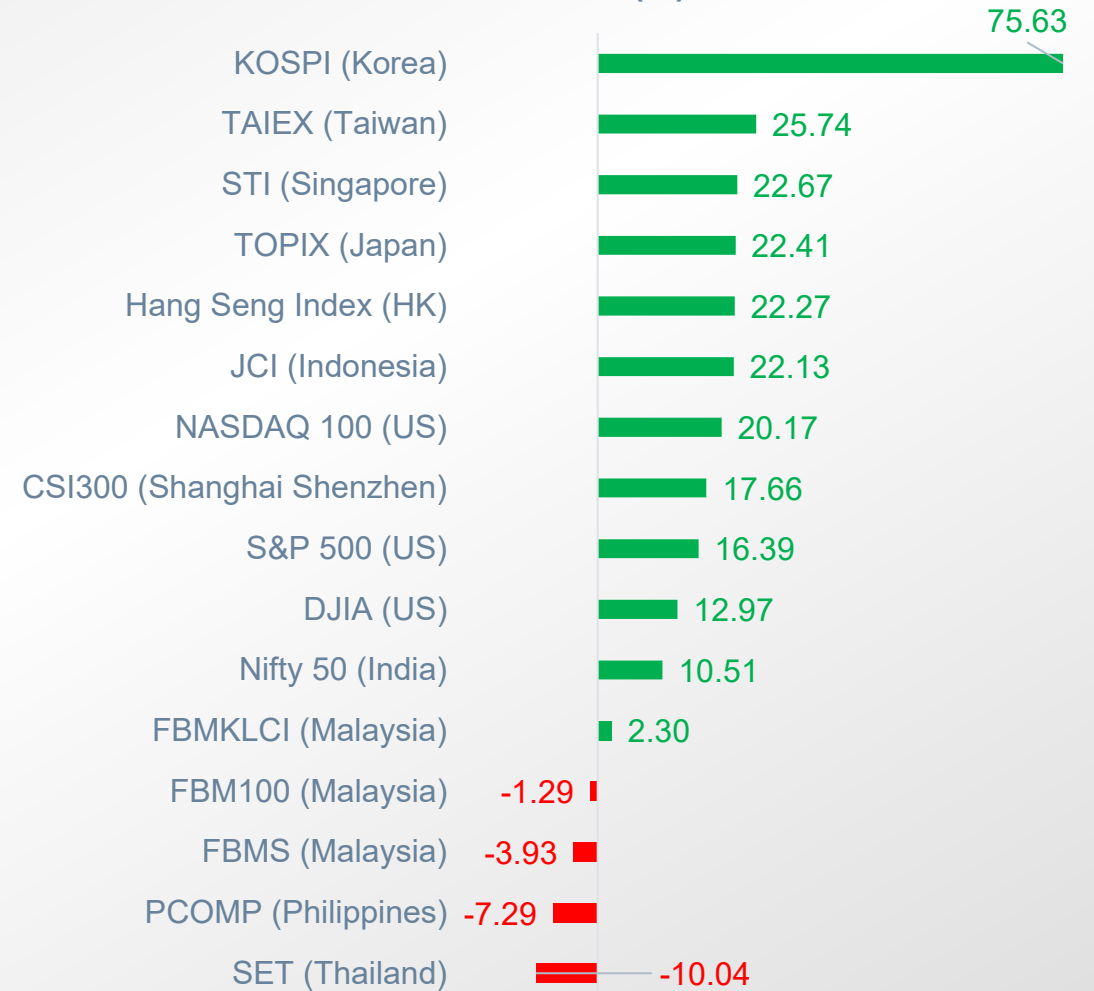
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Index returns

2026 returns



2025 return (%)



AIA PRS Growth Fund – Weathering through the storms

SHOWING

9-Mar-2016 - 5-Mar-2026

Zoom 1M 3M 6M 1Y 5Y All



Source: AIA PRS website





Thank You