



Feb 2014

## AIA PAM – Conservative Fund

### Investment Objective

The Fund seeks to provide returns through income\* that is consistent with capital conservation\*\*.

\*Income will be reinvested in additional units in the Fund

\*\* The Fund is neither capital guaranteed nor capital protected.

### Investment Strategy

The Fund will also invest at least 80% of its NAV in local fixed income instruments and money market instruments, of which a minimum of 20% of the Fund's NAV will be invested in money market instruments. The remainder of the Fund's NAV will be invested in equities offering a dividend yield above the market average.

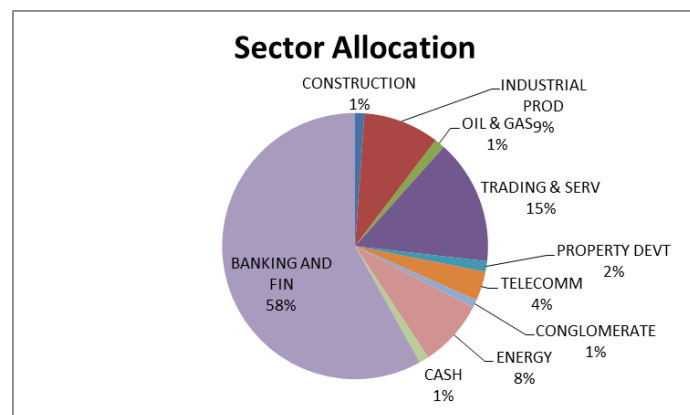
The Fund will only invest locally.

### Fund Details

Fund Size (28 Feb 2014)	: RM 10.16 million
Fund Currency	: Ringgit Malaysia
Fund Launch	: May 16, 2013
Fund Inception	: Jun 05, 2013
Fund Management Charge	: 1.50% p.a
Investment Manager	: AIA Pension and Asset Management Sdn Bhd
Basis of Unit Valuation	: Net Asset Value (NAV)
Frequency of Unit Valuation	: Daily
Benchmark	: 20% FTSE Bursa Malaysia Top 100 Index + 20% Maybank Berhad overnight rate + 60% Quant Shop MGS All Bond Index

### Top Holdings

1.	Golden Assets International 03/08/18	12.94%
2.	Public Bank Berhad 25/09/23	10.53%
3.	Sabah Dev Bank 13/02/14	9.81%
4.	Sabah Credit Corp 07/08/14	9.67%
5.	CIMB Bank Berhad 15/09/22	7.35%



### Risk

Investment risk involves the uncertainties relating to Malaysia's economic situation, political condition and also price volatility of stocks held as a result of company specific risk.

### Risk Management

The Investment Manager employs structured investment process to minimize market risk. Investment guidelines also prescribe limits in terms of single user limit and strict and frequent stock evaluation to minimize company specific risk.

### Historical Performance

Offer Price at Inception	: RM 1.0000
Unit NAV (28 Feb 2014)	: RM 1.0133
Benchmark (05 Jun 2013)	: 1.0000
Benchmark (28 Feb 2014)	: 1.0041

Source: AIA Pension and Asset Management Sdn Bhd, Bloomberg as at 28 Feb 2014

### Manager's Comments Market Review

There was more fixed income buying interest seen in February, both from onshore and offshore. Most of the action was in the belly of the curve. Meanwhile in the US, in her first monetary policy testimony as Fed Chair, Yellen did not provide any new direction and it appears that measured tapering is likely at coming meetings. The 3-year benchmark MGS yield fell 2 bps to 3.24%, the 5-year fell 11 bps to 3.57% and the 10-year fell 12bps to end the month at 4.11%. There were a few auctions during the month. The reopening of the 15-year MGS received a bid to cover of 2.288x at an average yield of 4.655% while the new RM2 bil 10-year SPK received a weaker bid to cover of 1.765x at an average yield of 4.731%. There was another RM2 bil of SPK that was privately placed. The 7-year GII was reopened, attracting a strong bid to cover of 2.522x and an average yield of 4.113%. Corporate bond yields were up to 9 bps higher and spreads widened, especially in the 5 and 7 year maturity bucket, in part due to the decline in MGS yields. Media Chinese International and AmlIslamic Bank tapped the primary market during the month.

On equity front, despite surging 1.75% to close at 1,836, the FBMKLCI still underperformed the regional market, where MSCI Asia ex-Japan Index rose 3.33% and S&P surged by 4.31%. Among the key drivers for the local market was the recovery in CPO spot prices to RM2,768/ tonne, surged 10% m-o-m on the back of concerns about soybean oil supply disruption in South America. In 4Q13, Malaysian economy expanded by 5.1%. However, domestic demand showed weaknesses due to subsidy rationalization in Sep 13. The Federal and Selangor state governments have signed a MoU on the restructuring of the state's water supply. Bank Negara has also required all banks to set aside a minimum collective assessment (CA) ratio of 1.2% effective 31 Dec 2015. On the corporate updates, Gamuda has announced that it will acquire Amcorp Properties 20% stake in Keras for RM280m, giving it 50% control in the highway concession. SapuraKencana has completed the US\$895.9m acquisition of NewField International Holdings Inc' Malaysia O&G assets. Kulim has acquired 40,645 of plantation land in Central Kalimantan for RM141.87m. UMW Oil & Gas signed a vessel construction agreement with Keppel FELS worth RM723.26m which is expected to be delivered by end Sep 2015.

### Market Outlook

For fixed income, our duration strategy will remain underweight amidst negative market sentiment. In terms of asset allocation, we prefer short to medium-term corporate bonds.

For equity, we remain optimistic on equities in the long run given the expectations of a synchronized global growth coupled with Malaysia government effort to address macroeconomic issues. We remain focus on growth related sectors in oil & gas, property, construction and transportation.