



Jun 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.

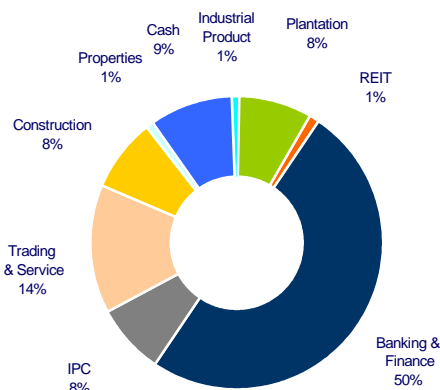
Fund Details

Fund Size (30 Jun 2014)	: RM 9.93 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	13.33%
2.	Public Bank Berhad 25/09/23	10.70%
3.	Sabah Dev Bank 07/08/14	10.02%
4.	CIMB Bank Berhad 15/09/22	7.44%
5.	First Resources Ltd 05/06/20	7.39%

Sector Allocation



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 (30 Jun 2014)	: RM 1.0273
Benchmark (05 Jun 2013)	: 1.0000
Benchmark (30 Jun 2014)	: 1.0203

Source: AIA Pension and Asset Management Sdn Bhd, Bloomberg as at 30 Jun 2014

Market Review

The MGS market started the month on a rather quiet note and market players were sidelined amid higher US treasury yields and weaker Ringgit. However, buying momentum picked up with some buying interest in the longer end. Sentiment took a turn after the results of the 3 year MGS reopening, where the results were weaker than expected and yields of the security rose post-auction as market players positioned themselves for the upcoming Monetary Policy Committee ("MPC") meeting. Month-on-month the yield curve flattened. The benchmark 3-year and 5-year MGS yields increased by 6 bps to 3.51% and 1 bp to 3.72% respectively. The 7-year fell 2 bps to 3.92% while the 10-year was unchanged at 4.03%. The 20-year fell 18 bps to 4.40%, partly helped by the strong 20-year GII auction. There were three auctions in June. The RM3 bil re-opening of the 7-year GII recorded a bid to cover of 2.345x at an average yield of 4.112% while the RM3 bil reopening of the 3-Year MGS garnered a weaker bid to cover of 1.389x at an average yield of 3.486%. Finally, the RM1.5 bil re-opening of the 20 year GII attracted a strong bid to cover of 3.277x at an average yield of 4.675%. Credit spreads were largely stable, although we noticed some weakness in the belly of the curve. Otherwise, corporate yield movements were mostly reflective of MGS. In terms of rating action, RAM reaffirmed Eversendai's sukuk ratings but revised the outlook to negative. This month, Public Islamic Bank, Hong Leong Islamic Bank, Hong Leong Bank and TF Varlik (a Turkish entity) issued.

In June 2014, the FBM100 Index was relatively flat despite reaching another all-time-high of 12,727 on 24 June 2014, slightly underperforming the MSCI Asia Pacific ex Japan index which increased 0.8% mom. Major local news included: (1) IJM has proposed privatization of IJM Land to be funded by the issuance of 0.5 IJM shares and RM0.20 per share cash. (2) Kulim's potential divestment of its 49% stake in New Britain Palm Oil Limited for RM3.36bn has attracted 7 parties. (3) Gamuda has bought additional 20% stake in Kesas Highway from PNB for RM290m. (4) Dialog and its partners might spend additional RM16bn in the next 15 years to develop the Pengerang Tank Terminal.

Market Outlook

As bonds have mostly priced in a higher domestic interest rate environment and tapering by the Fed while the European Central Bank is taking a more accommodative stance, we will gradually lengthen the fund's duration. In terms of asset allocation, we still prefer corporate bonds.

Despite the escalating tension in Iran as well as expectations on timing and speed of US rate-hike cycle, equities market globally continues to be supported by the strength in global economic recovery in US and Europe; and still accommodative policy in major countries. Investment team remains optimistic on Malaysia equities in the long run back by government continued effort to address macroeconomic issues and export-led recovery despite moderating domestic consumption. We will focus on stocks that are beneficiary as the economic growth gaining momentum at reasonable valuations.