



Aug 2013

AIA PAM – Islamic Moderate Fund

Investment Objective

The Fund seeks to provide returns through a combination of income* and capital growth from a portfolio that is consistent with Shariah principles.

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

Investment Strategy

The Fund will invest in a Shariah-compliant portfolio comprising equities with potential for growth and equities that are trading below their fair value.

The Fund will also invest at least 40% of its NAV in Sukuk and Islamic money market instruments with a minimum credit rating of "BBB3" or "P2" by RAM or an equivalent rating by MARC.

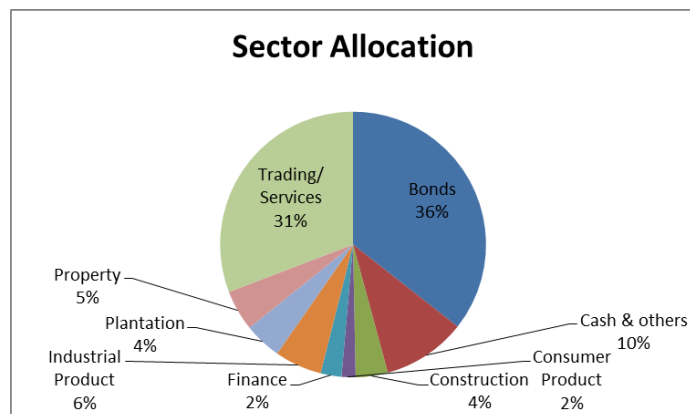
The Fund will only invest locally.

Fund Details

Fund Size (30 Aug 2013)	: RM 5.39 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	: 60% FTSE Bursa Malaysia EMAS Shariah Index + 40% Quant Shop GII All Index

Top Holdings

1.	CIMB Bank Berhad	15/09/22	8.26%
2.	Gamuda Berhad	21/03/18	8.25%
3.	First Resources Ltd	05/06/20	8.20%
4.	Sarawak Power Generation Bhd	23/06/21	7.68%
5.	Tenaga Nasional Berhad		4.62%



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 Aug 2013)	: RM 0.9892
Benchmark (05 Jun 2013)	: 1.0000
Benchmark (30 Aug 2013)	: 0.9777

Source: AIA Pension and Asset Management Sdn Bhd, Bloomberg as at 30 Aug 2013

Manager's Comments Market Review

The GII curve bear steepened in August. The 3, 5 and 10-year benchmark GII yields rose 11 bps, 12 bps and 30 bps to 3.42%, 3.70% and 4.10% respectively. Sentiment was affected by the weak inaugural 20-year GII auction at the end of the month, which garnered a bid-to-cover of 1.63x at an average yield of 4.582%. Post auction, the 20-Year GII closed higher at 4.65%.

On equity front, the FBM Shariah Index fell 2.64% to end at 12,046. This was due to 1) steep fall in regional stock markets and currencies led by Indonesia, India and Thailand; 2) concern over high levels of foreign bond ownership unwinding; 3) dwindling current account surplus and its implications on the fiscal position; 4) lower than expected Malaysia's 2Q13 GDP; as well as 5) fear about possible US military intervention in Syria. The recent concluded 2QCY13 earnings season remained mixed with more misses than positive surprises, but the earnings revision ratio managed to creep up slightly from 0.42x in 1QCY13 to 0.46x in 2QCY13. Plantations and aviation sectors were disappointed from poor-than-expected CPO prices and low yield respectively. Thus the overall market EPS growth for 2013 has been trimmed to about 5-7% from 8-9% in early 2013. FY14 EPS growth is estimated at 8-10%.

Market Outlook

For fixed income, we have an underweight duration positioning given the uncertainties arising from direction of the Fed's QE programme and prefer short term sukuk and government securities as well as cash.

For equity, we have reduced our equities exposure to slight underweight in the short run as market is expected to remain volatile from renewed fear of Federal Reserve tapering and new geopolitical twist in Syria. However, we remain optimistic on equities in the long run, backed by Malaysian government effort to address macroeconomic issues as well as stabilization of the regional market. We remain focus on growth related sectors in oil & gas, property and construction.