



Dec 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.

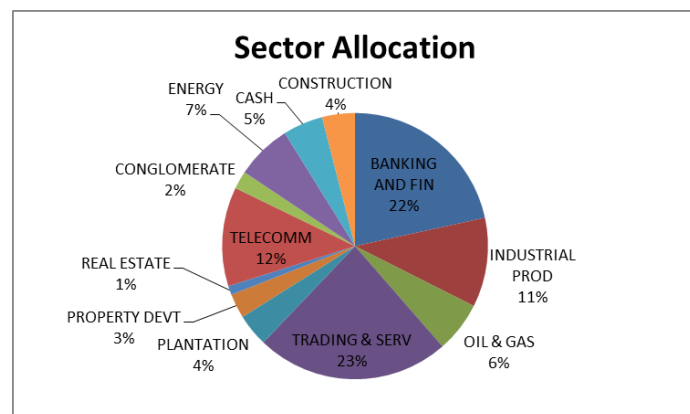
The Fund will only invest locally.

Fund Details

Fund Size (31 Dec 2013)	: RM 6.22 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	7.68%
2.	First Resources Ltd 05/06/20	6.95%
3.	Gamuda Berhad 21/03/18	6.91%
4.	Sarawak Power Generation Bhd 23/06/21	6.90%
5.	Tenaga Nasional Berhad	6.76%



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 (31 Dec 2013)	: RM 1.0474
Benchmark (05 Jun 2013)	: 1.0000
Benchmark (31 Dec 2013)	: 1.0272

Source: AIA Pension and Asset Management Sdn Bhd, Bloomberg as at 31 Dec 2013

Manager's Comments Market Review

The US Federal Reserve announced at its December FOMC meeting that it will reduce the pace of its monthly asset purchases (Quantitative Easing) by US\$10 bil, to US\$75 bil, in January 2014. This, together with positive economic releases both here and abroad, caused the yields at the short to medium end of the curve to rise. The 3 and 5 GII yields rose 7 bps and 8 bps to end the month at 3.44% and 3.96% respectively. Meanwhile the 10-year GII fell 1 bps to 4.40%.

During the month, there was a new 15-year GII auction. Demand was strong, with a bid-to-cover of 2.87x at an average yield of 4.943%. Bank Negara released the MGS and GII auction calendar for 2014. There will be twelve GII and four Sukuk Perumahan Kerajaan auctions next year.

The FTSE Syariah Index gained 2.49% m-o-m to close at 13,052, outperforming MSCI Asia Ex Japan index which registered a marginal gains of 0.54% m-o-m in Ringgit terms. Malaysia had registered a positive performance for the fifth consecutive year since 2009. Inflation edged higher to 2.9% y-o-y in November, hitting a 23-month high, given the spillover effect from the removals of collective subsidy.

On the corporate front, major news include: i) Announcement of an average 14.89% electricity tariff hike for Tenaga effective 1 January 2014; ii) PETRONAS and its partner awarded RM10bn worth of transport and installation contracts to SapuraKencana, Puncak and Barakah; iii) Perisai has entered into a rig construction contract with PPL Shipyard, a subsidiary of Sembcorp Marine for US\$211.5 million and expected to deliver in 3Q16; and iv) Gamuda raised its offer to acquire the remaining 70% stake it does not own in KESAS Highway by 12% to RM980m from RM875m while it has received acceptance from PNB (in principal until 30 December 2013) and Amcorp earlier on.

Market Outlook

In the near term for fixed income, we believe that market sentiment will likely be affected by the continued speculation about the US QE tapering timeline. While in the longer term, we believe the yield curve will steepen with rising inflation expectation as more subsidy rationalization measures are expected to be announced.

For equity, we remain optimistic on equities in the long run, backed by Malaysian government effort to address fiscal deficit as well as accelerating global economic growth. We remain focused on growth related sectors in oil & gas, property and construction.