



Mar 2014

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 Mar 2014)	: RM 6.71 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	6.45%
2.	First Resources Ltd 05/06/20	6.45%
3.	Gamuda Berhad 21/03/18	6.38%
4.	Sarawak Power Generation Bhd 23/06/21	6.33%
5.	Tenaga Nasional Berhad	5.26%

Historical Performance

Offer Price at Inception	: RM 1.0000
Unit NAV (31 Mar 2014)	: RM 1.0565

Benchmark (05 Jun 2013)	: 1.0000
Benchmark (31 Mar 2014)	: 1.0377

Source: AIA Pension and Asset Management Sdn Bhd, Bloomberg as at 31 Mar 2014

Manager's Comments

Market Review

Islamic Government Securities ended the month mixed. Short-tenored GII rose as Bank Negara in its 2013 Annual Report, said it expected inflation to average 3.0-4.0% in 2014-15 against 2.1% in 2013. The 3-year GII rose 5 bps to 3.43%, the 5-year fell 3 bps to 3.86% and the 7-year rose 1 bp to 4.12%. The reopening of the 10-year GII was well received, with a bid to cover of 2.511x at an average yield of 4.236%. It ended the month at 4.27%. Corporate sukuk yields were generally higher and spreads at the mid-to longer-end widened in March.

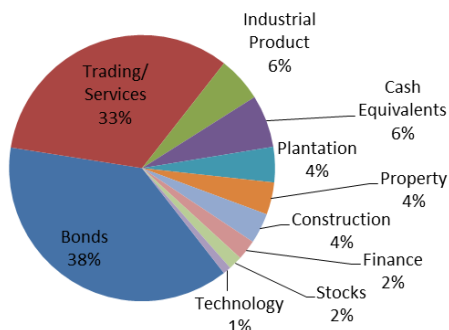
On equity front, despite the negative sentiments from Russian-Ukraine crisis, economic data pointed to slowdown in China and the missing flight MH370, FTSE Shariah Index gained 1.94% to close at 13,146.2. Major local news include: 1) Malaysia Development Authority (Mida) projected that investment in RAPID in Pengerang, Johor, could top US\$50bn by 2020, 150% more than the initial target of US\$20bn. 2) BNM will implement the new base lending rate framework on 2 January 2015. 3) Federal government has approved the MRT Line 2 and is now waiting for official announcement to begin work. 4) Medini, Johor will continue to enjoy special tax holidays and other incentives packages currently reserved for investments for another 10 years. 3) TM is proposing to inject RM350m in cash into P1, the largest wireless broadband carrier, for a 57% stake; subscribe to RM210m exchangeable bonds to be issued by P1's major shareholder Green Packet; and invest 60% in RM1.65bn convertible bonds to fund P1's LTE rollout over the next 5 years.

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 sukuk.

Despite the geopolitical uncertainty and quantitative easing tapering, investment team remains optimistic on Malaysia equities in the long run back government effort to address macroeconomic issues, sustainable economy growth from export recovery and moderate domestic consumption as well as recovery in CPO prices. We will focus on stocks that are beneficiary to economic recovery at reasonable valuations.

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.