



May 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.

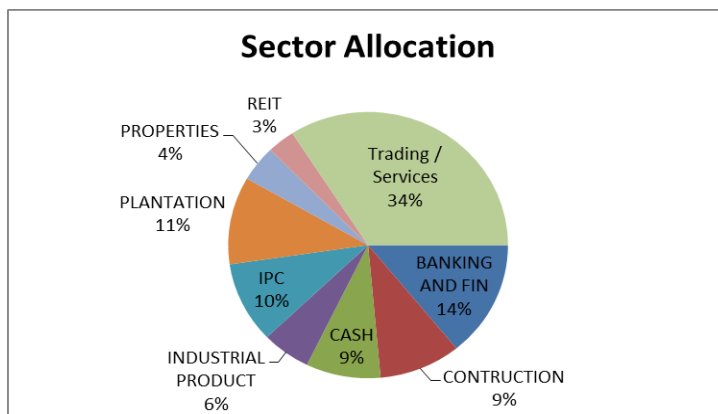
The Fund will only invest locally.

Fund Details

Fund Size (31 May 2014)	: RM 7.19 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.	First Resources Ltd	05/06/20	6.08%
2.	CIMB Berhad	15/09/22	6.05%
3.	Gamuda Berhad	21/03/18	5.99%
4.	Sarawak Power Generation Bhd	23/06/21	5.95%
5.	Tenaga Nasional Berhad		5.56%



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 May 2014)	: RM 1.0624

Benchmark (05 Jun 2013)	: 1.0000
Benchmark (31 May 2014)	: 1.0402

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

Manager's Comments Market Review

The GII yield curve flattened this month as Bank Negara's hawkish tone at its Monetary Policy Committee meeting and the stronger than expected GDP print drove up yields at the short end. Although the central bank maintained the Overnight Policy Rate at 3.00%, it ended its statement by saying that 'the degree of monetary accommodation may need to be adjusted' as it saw signs of financial imbalances building up. The market read this as precursor to higher rates in the near term or at a bigger quantum than initially thought. During the month, the RM4 bil auction of the new 3 Year GII garnered a bid to cover of 2.47x at an average yield of 3.678%. The issue closed lower at 3.66% by the end of the month. The 5-year benchmark yield rose 2 bps to 3.86% while the 7-year was unchanged at 4.09%. The 10-year however, fell 1 bp to 4.23%. As May drew to a close, the market was relatively quiet due to the absence of fresh cues. Trading volume in corporate bonds was lower compared to April as the primary pipeline looked busy. Credit spreads were largely unchanged. This month, RHB Islamic Bank and Equita Takaful issued.

On equity front, FBM Syariah Index dropped up by 0.59% to close at 13,136, underperforming MSCI ex-Japan, which rose 3.7%. On the local news flow, Prasarana Negara has completed the feasibility study on the third LRT line covering 36km at an estimated value of RM9bil, PNB has called for pre-qualification tender for the construction of the 118-storey tower and IJM Corp (IJM MK) has proposed to acquire the 37km Silk Highway for RM398mil. Separately, the new shariah compliant list has been released, notable removals were AirAsia X, YTL Corp and Padini while new inclusions were Titijaya Land, Uchi Technologies and IOI Properties.

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.

Amid 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.