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.

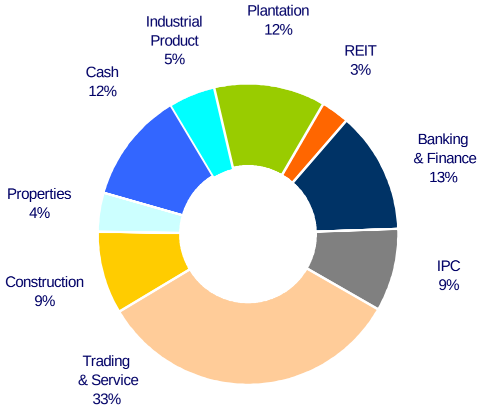
Fund Details

Fund Size (30 Jun 2014)	: RM 7.90 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 Berhad 15/09/22	5.63%
2.	Gamuda Berhad 21/03/18	5.58%
3.	First Resources Ltd 05/06/20	5.54%
4.	Sarawak Power Generation Bhd 23/06/21	5.40%
5.	Tenaga Nasional Berhad	5.30%

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 1.0813
Benchmark (05 Jun 2013)	: 1.0000
Benchmark (30 Jun 2014)	: 1.0533

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

Market Review

The GII 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. The yields on the 3-year GII fell by 1 bp to 3.65% and the yields on the 5-year and 10-year GII both rose by 2 bps to 3.88% and 4.25% respectively. The 20-year however, fell by 13 bps to 4.69% following a successful auction. 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%. During the month, there was also a RM3 bil re-opening of the 7-year GII which recorded a bid to cover of 2.345x at an average yield of 4.112%. Credit spreads were largely stable, although we noticed some weakness in the belly of the curve. Otherwise, corporate yield movements were mostly reflective of GII. 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 and TF Varlik (a Turkish entity) issued.

On equity front, FBM Syariah Index rose by 1.9% to close at 13,387, outperforming MSCI Asia Pacific ex-Japan, which rose 0.8%. 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

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.

As sukuk have mostly priced in a higher domestic 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 sukuk.