



Jul 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.

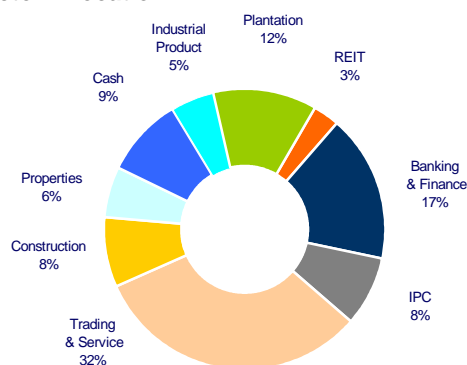
Fund Details

Fund Size (31 Jul 2014)	: RM 8.84 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.	Sabah Credit Corp 23/07/21	5.75%
2.	CIMB Berhad 15/09/22	5.02%
3.	Tenaga Nasional Berhad	4.98%
4.	Gamuda Berhad 21/03/18	4.98%
5.	First Resources Ltd 05/06/20	4.95%

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 (31 Jul 2014)	: RM 1.0956

Benchmark (05 Jun 2013)	: 1.0000
Benchmark (31 Jul 2014)	: 1.0562

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

Market Review

On fixed income, during MPC meeting in July, Bank Negara decided to raise the Overnight Policy Rate by 25 bps to 3.25%. The central bank cited "firm growth prospects" and above long-run average inflation as reasons for the hike. The OPR hike was already priced in and some market players pared back their expectations for another rate hike for the rest of the year. The reach for yield resulted in more interest in the longer end of the curve. The curve bull-flattened as a result. The benchmark 3-year, 5-year, 7-year and 10-year GII fell by 4 bps, 8 bps, 10 bps and 11 bps respectively to end the month at 3.61%, 3.80%, 4.00% and 4.14% respectively. There was a RM1.5 bil reopening of the 15-year GII, which garnered a strong bid to cover of 3.81x at an average yield of 4.393%. As for economic data releases, exports growth in May moderated to 16.3% (April: +18.9%) due to a slowdown in shipments of E&E products and non-E&E goods. May Industrial Production was up 6.0% (April: +4.2%), driven by manufacturing and electricity but was offset partially by a slowdown in the mining sector. Inflation inched up to 3.3% yoy in June (May: +3.2%), possibly due to the festivities. On the corporate side, yields fell by 3 to 15 bps while credit spreads were largely stable with the exception of the 10-year tenor which experienced some widening due to the rally in the 10-year GII. This month, Aquasar (a special-purpose-vehicle of Sarawak) issued.

On equity front, FBM Syariah Index was almost flat to end at 13,384, underperforming MSCI Asia Pacific ex Japan Index which rose sharply by 3.3%. Among the headlines was the loss of MH17, reported to have been shot down by a missile, few months after MH370 incident. On the corporate front IJM Land entered into a sale and purchase agreement with SP Setia to acquire 40% of Kuantan Pahang Holdings which holds a 51% stake in Malaysia-China Kuantan Industrial Park. Tenaga signed a HOA with SIPP Energy to build, own and operate the RM3bn Track 4Q power plant in Pasir Gudang. Titijaya plans to develop a mixed integrated project with GDV of RM2.5bn in Jalan Eaton, which it holds a 70% stake.

Market Outlook

On fixed income, 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.

On equity, despite the escalating tension in Iran and Ukraine 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. We remain 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 focus on stocks that are beneficiary as the economic growth gaining momentum at reasonable valuations.