



Aug 2014

AIA PAM – Islamic Moderate Fund

Investment Objective

The Fund seeks to provide returns through a combination of income* and capital growth.

**Income will be reinvested in additional units in the Fund*

Investment Strategy

The Fund will invest in equities that are trading below their fair value and equities offering a dividend yield above the market average. The Fund will invest in local and foreign markets.

The Fund will also invest at least 40% of its NAV in local fixed income instruments with a minimum credit rating of "BBB3" or "P2" by RAM or equivalent rating by MARC.

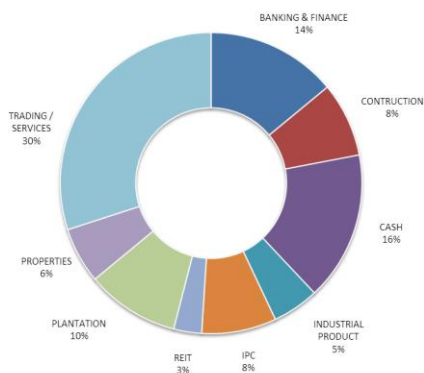
Fund Details

Fund Size (31 Aug 2014)	: RM 9.10 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	5.68%
2.	CIMB Berhad 15/09/22	4.90%
3.	Gamuda Berhad 21/03/18	4.87%
4.	First Resources Ltd 05/06/20	4.84%
5.	Tenaga Nasional Berhad	4.83%

Sector Allocation



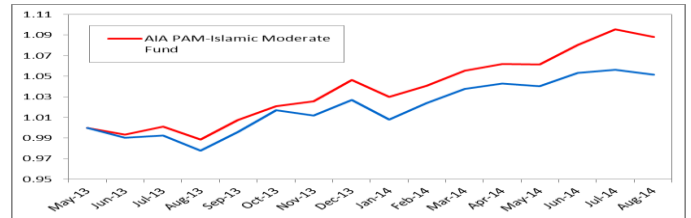
Risk

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



%	1 Mth	6 Mths	1-Year	*3-Year	*5-Year
Fund	-0.66%	2.53%	10.12%		
Index	-0.43%	1.10%	7.56%		
Excess	-0.23%	1.43%	2.56%		

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

Market Review

The Government Investment Issue (GII) yield curve bear flattened a bit in August, driven by rate hike expectation in September following the better-than-expected print of 1H 2014 real GDP growth and financial imbalances. The benchmark 3-year and 5-year GII rose 1 bps each to end the month at 3.61% and 3.79% respectively, while the benchmark 7-year and 10-year remained unchanged at 4.0% and 4.14% respectively. There was a re-opening of the 10-year GII in August, which garnered good demand with bid-to-cover ratio of 2.598 times at average yield of 4.140%.

As for economic data releases, real GDP growth accelerated further to +6.4% in 2Q 2014 (1Q 2014: +6.2%), spearheaded by a hefty jump in net exports with additional support from more moderate growth in domestic demand. Industrial production rose by 7% in June (May: +6.0%), driven by manufacturing, electricity and mining sectors. Inflation moderated in July to 3.2% (Jun: +3.3%), mainly due to slight tapering in the food and beverages index. Exports growth in June moderated to 7.9% (May: +16.2%) mainly due to the softening of demand for petroleum products and liquefied natural gas (LNG) from China and Japan.

On equity front, FBM Syariah Index ended at 13,219(-1.2% m-o-m), underperforming MSCI Asia Pacific ex Japan Index by 0.2%. Among the headlines were Malaysia Airline has received offer by Khazanah Nasional to be taken private with Khazanah set to invest RM 6b in the company. Kulim announced that it intends to sell its entire controlling stake of 48.97% in NBPOL to Sime Darby. Gamuda plans to acquire entire stake in Salak Land Development Sdn Bhd for RM 784.3m cash as it hopes to own the 619 hectare of land located right next to Elite Highway. WCT holdings has secured a RM 314.9m road project for Petronas's Rapid Project.

Market Outlook

Cautious trading will prevail in the run up to the next MPC meeting on 18 September amidst divided opinion on the rate decision. That said, trading sentiment will continue to be driven by volatile offshore flows as US Treasury continue edging lower on expectation that European Central Bank may embark on Quantitative Easing (QE). With upward movement in MGS yields coupled with already-tight credit spreads, more corporate bond offers will be seen.

Despite the disappointing 2Q results and Petronas planned to cut down on 2015 Capex, market should see stability after permanent ceasefire between Russia and Ukraine was announced. We remain focus on stocks that beneficiary to economic recovery at reasonable valuation.