Sep 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.

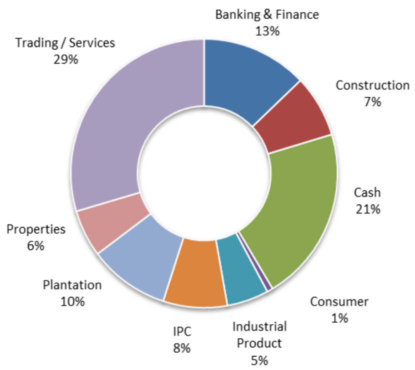
Fund Details

Fund Size (30 Sep 2014)	: RM 9.43 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	5.41%
2.	First Resources Ltd 05/06/20	4.62%
3.	Tenaga Nasional Berhad	4.59%
4.	CIMB Berhad 15/09/22	4.58%
5.	Gamuda Berhad 21/03/18	4.56%

Sector Allocation



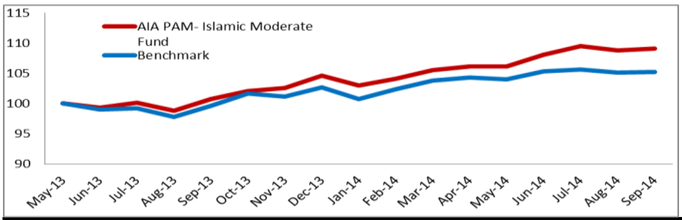
Risk

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	0.24%	3.35%	8.26%		
Index	0.04%	1.39%	5.62%		
Excess	0.20%	1.96%	2.64%		

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

Market Review

In September, FBM Emas Shariah index ended lower 0.26% mom to close at 13,185. The Ringgit weakened 4.1% against the US$ to close at RM3.28:1USD, given the combination of Bank Negara Malaysia interest rate hike paused in September MPC meeting as well as renewal expectation of US Fed rate hikes. Malaysia government has exempted CPO from 4.5% export taxes for September and October to help Malaysia companies cope with rising inventory and falling CPO prices. On the corporate front, Sunway Berhad has proposed the listing of Sunway Construction by 2Q 2015. Tenaga and 1MDB will be involved in an IPP with Bangladesh Power Development after Malaysia and Bangladesh signed a Memorandum of Understanding (MoU) for a RM6bn power plant. Perodua, which launched its first energy efficient vehicle (EEV), has secured 13,000 booking. IJM Corporation's 51%-owned Kuantan Port has signed a MoU with Qinzhou Port in China to establish a sister port relationship to increase trade between Malaysia and China.

As for Fixed Income, in Bank Negara's Monetary Policy Committee meeting this month, the bank maintained the Overnight Policy Rate at 3.25% citing expectations for relatively stable inflation and steady economic growth for the nation. However, the market remained wary of the possibility of rate hikes in the future and yield on Islamic Government Securities (GII) rose marginally. The 3-year, 5-year and 10-year benchmark GII rose by 2 bps, 1 bp and 1 bp respectively to end the month at 3.63%, 3.80% and 4.15% respectively. The reopening of the 5-year GII was well received, with a bid-to-cover ratio of 2.36x and an average yield of 3.793%. On the corporate side, yield movements were mixed. Credit spreads for AAA and AA1-rated names widened whereas spreads were mostly stable in the AA2 and AA3 rating category. Bank Pembangunan and Bumitama Agri issued during the month.

Market Outlook

In the near term, Malaysia market sentiment and direction will continue to be dictated by the external events, as there are lack of earnings growth and possible catalyst in the upcoming 2015 Budget to be announced on 10 October 2014. Having said that, Malaysia equities are supported by high domestic liquidity and being under-owned by foreign investors. Malaysia will remain a stock picking market and we will continue to focus on growth stocks relative to defensive and high dividend play as economic growth is gaining momentum.

For fixed income, we think 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). We are neutral on duration and will selectively move down the credit spectrum.