



Nov 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.

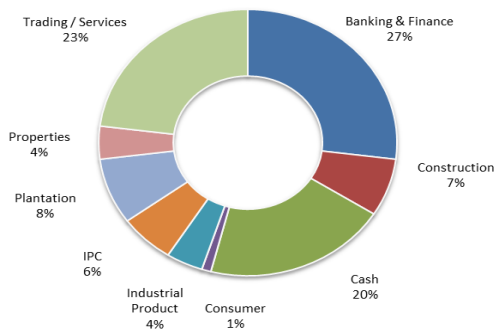
Fund Details

| | |
|-----------------------------|---|
| Fund Size (30 Nov 2014) | : RM 11.75 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 | : 50% FTSE Bursa Malaysia EMAS Shariah Index + 50% Quant Shop GII All Index |

Top Holdings

| | | |
|----|------------------------------|-------|
| 1. | MGII 22/05/24 | 9.85% |
| 2. | Sabah Credit Corp 08/10/19 | 7.75% |
| 3. | Sabah Credit Corp 23/07/21 | 4.96% |
| 4. | Tenaga Nasional Berhad | 4.78% |
| 5. | First Resources Ltd 05/06/20 | 4.22% |

Sector Allocation



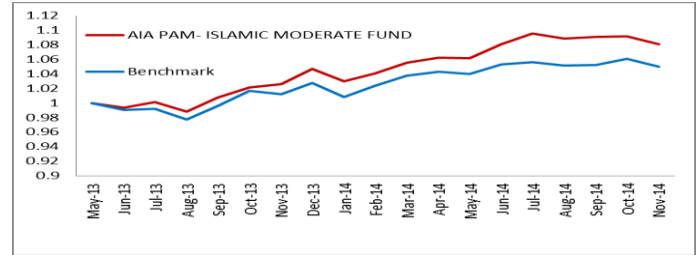
Risk

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 | -0.97% | 1.81% | 5.35% | | |
| Index | -1.01% | 0.91% | 3.73% | | |
| Excess | 0.04% | 0.89% | 1.61% | | |

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

Market Review

On fixed income, Government Islamic Securities traded rangebound in November. Even though Bank Negara kept the Overnight Policy Rate at 3.25% in view of the uneven growth seen in advanced economies and more moderate demand conditions domestically, the benchmark 3-year and 5-year GII yields rose by 2 bps and 1 bp to 3.68% and 3.82% respectively. Meanwhile, the 7 and 10-year GII were unchanged at 4.00% and 4.12% at month end. Overall sentiment is cautious as we head to the year-end.

During the month, FBM Syariah Index plunged by 2.3% m-o-m, to end at 13,036. Ringgit Malaysia was down by 3% to RM3.38:1USD from RM3.28:1USD in previous month. Further dampening the market sentiment was Petronas would review its Capex allocation of RM300bn. On a positive note, the government has abolished subsidies for RON95 and diesel effective Dec 1 and to replace it with a managed float system. This indicates fiscal reforms are progressing in the right path. Malaysia real GDP growth moderated from 6.5% y-o-y in 2Q14 to 5.6% y-o-y in 3Q14. However, the moderation was within expectation. On the local 3Q corporate results, it was a disappointment as the revision ratio has been in negative territory since 2010. The revision ratio stayed at its lowest point since 2Q11 at 0.36x. The weak performance was across the board but mainly from banking, plantations and telecommunications sectors. However, construction and transport services did better than expected. On the corporate front, Tenaga will receive fuel-cost recovery of RM848m via PPA renegotiation savings while governments announced that the electricity tariffs remain unchanged till June 2015. IJM and Silk Holdings have mutually aborted the RM395m acquisition of 100% equity interest in SILK.

Market Outlook

For fixed income, uneven global economic growth and stable inflation are supportive factors for the Malaysian fixed income market. Nevertheless, this will be balanced by how foreign investors in the Malaysian market react to changes in the Fed's monetary policy. We expect Malaysian fixed income to continue to be influenced by the Ringgit and US Treasury yields. This underpins our strategy to be duration neutral. We will invest primarily in corporate sukuk that offer good relative values against a backdrop of a stable credit conditions. For equity, we are slightly positive on the equity markets unless oil prices fall further. The current sell down is due to foreign selling on worries of the impact of lower oil prices and Petronas capex cut on the economy, current account and fiscal target, interest rates and Ringgit. We continue to focus in the sectors that are beneficiary to the rollout of infrastructure project and low crude oil prices and with resilient earnings growth.