AIA Pension and Asset Management Sdn. Bhd. (1011637-P)

Feb 2015

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 equivalent rating by MARC. The Fund will only invest locally.

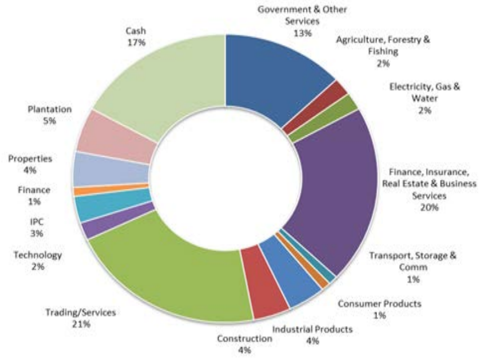
Fund Details

Fund Size (28 Feb 2015)	: RM 22.05 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 15/07/22	14.07%
2.	MGII 27/08/20	7.60%
3.	Northport Malaysia Berhad 19/12/24	6.83%
4.	Malaysia Airport Holding Berhad 29/12/49	4.47%
5.	Tenaga Nasional Berhad	4.86%

Sector Allocation



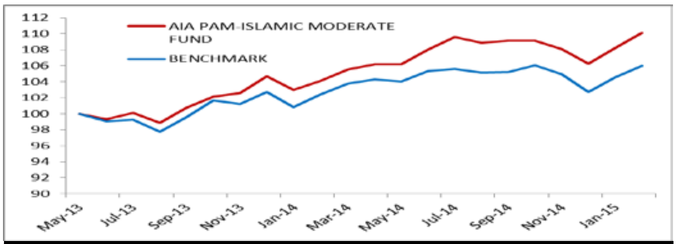
Risk

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	1.78%	1.17%	5.78%		
Index	1.38%	0.76%	3.49%		
Excess	0.40%	0.40%	2.29%		

Source: AIA Pension and Asset Management Sdn Bhd, Bloomberg as at 28 February 2015

Market Review

On fixed income, The Malaysian Government Securities (MGS) curve bearish steepened due to buying in the front end and selling in the long end. The shorter end posted gains as players priced in the speculation of rate cut by Bank Negara Malaysia (BNM) in March, while the sell-off of the long end could be due to the relatively larger supply of long dated bonds in the coming month. BNM’s Monetary Policy Committee left the Overnight Policy Rate (OPR) unchanged at 3.25% for the meeting on 5 March, considering Malaysia’s growth to remain steady and inflation contained.

During the month, the FBM Emas Shariah Index rose 2.1% to end the month at 13,120.6 points. The Ringgit initially rebounded by appreciating 2.5% but closed largely unchanged at RM3.61/US$, possibly on the back of 1MDB solvency concerns. Energy stocks including petrochemicals outperformed on oil price rebound. Telecommunication sector and utilities sector underperformed as risk aversion fell while Tenaga was hit by an unexpected tariff reduction of 5.8%.

On the corporate front, 1) Petronas has named Wan Zulkiflee as its new president and CEO effective Apr 1. Separately, Petronas expects to cut capex by 10%-15% in 2015/16, while opex will be cut by 30% this year. 2) MISC and Petronas have agreed to build new LNG carriers worth RM4b, to be delivered from 2016 onwards. 3) P Chem has teamed up with BASF SE to build a new production plant with a total capacity of 30,000 tonnes p.a. 4) IJM Corp has secured RM1.19b contract from Kuantan Port to construct a new deepwater terminal.

Market Outlook

On fixed income, In the near term, Ringgit bonds are likely to steepen with belly to long end of the curve will see some weaknesses, taking cue from higher US Treasury yields. However, buying interest will be seen in the short end of the curve due to the short supply of bills. Market players will continue tracking economic data out from the US for sign of early hiking of rates by the Fed which remains as one of the most influential external drivers for Malaysian bond market.

For equity, in the short run, the sentiment on local equities is expected to be weighed down by the falling oil prices and the Ringgit. Over the long run, we expect market to rebound led by recovery in oil prices, government’s effort to reduce fiscal deficit, improvement in exports aided by improving prospects of developed economies as a result of lower oil prices and attractive valuations.