



Mar 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.

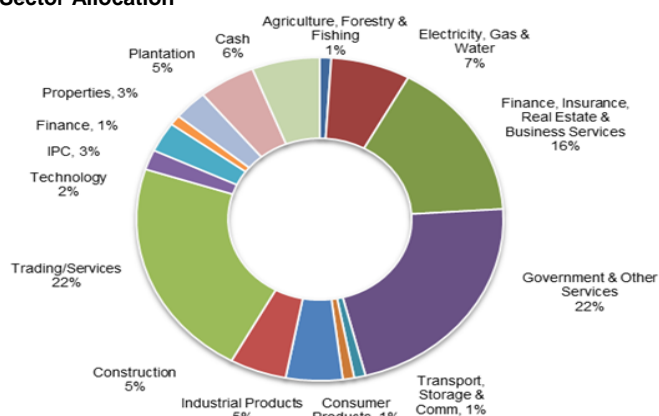
Fund Details

Fund Size (31 Mar 2015)	: RM 29.00 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 Five Holding

1.	MGII 15/07/22	12.34%
2.	MGII 27/08/20	10.74%
3.	Sarawak Energy Berhad	5.59%
4.	Northport Malaysia Berhad 19/12/24	5.22%
5.	Tenaga Nasional Berhad	4.59%

Sector Allocation



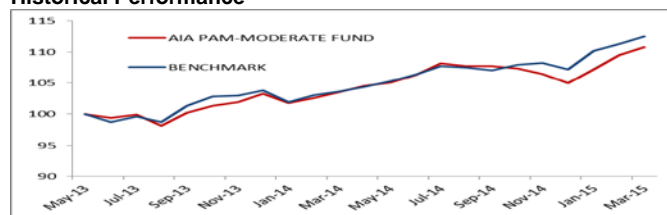
Risk

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	0.73%	1.66%	5.06%		
Index	0.35%	1.07%	2.48%		
Excess	0.38%	0.58%	2.59%		

Source: AIA Pension and Asset Management Sdn. Bhd. Bloomberg as at 31 Mar 2015.

Market Review

On fixed income, Government Investment Issue ("GII") yield curve steepened in the month of March, driven by the rally in US Treasuries post dovish-sounding FOMC statement and the inclusion of GIIs in Barclays' bond indices which further attracts overseas investors. The benchmark 2-year, 5-year, 7-year and 20-year fell by 24 bps, 9 bps, 3 bps and 26 bps respectively to close at 3.39%, 3.70%, 3.90% and 4.29%, while 10-year remained unchanged at 4.06%. Bank Negara Malaysia ("BNM") maintained the Overnight Policy Rate ("OPR") at 3.25% at its March Monetary Policy Committee ("MPC"). According to BNM 2014 Annual Report, the central bank expects the economy to remain on steady growth path, ranging 4.5-5.5% in 2015, sustained by expansion in domestic demand and strong domestic fundamentals. Headline inflation is expected to average at 2-3% in 2015 amid volatility in global crude oil prices and GST implementation. During the month, FBM Syariah Index stayed almost flat to end the month at 13,122 underperforming MSCI Asia ex-Japan (+2.70%) in MYR term. During the month, crude oil prices declined by 12.7% while MYR continued to depreciate 2.80% against USD on the back of weak crude oil prices. The government will impose GST with effect 1 April 2015 at the rate of 6%. Petronas CEO expects to cut capex by 10% and 15% for 2015 and 2016 respectively, while opex will be cut by 30% this year. If oil price stays below US\$80/ barrel, Petronas will not be awarding new RSC contracts. On the corporate front, 4 local companies including Gamuda, IJM and WCT and two foreign companies have submitted bids for the PDP role in the RM27bn Penang Transport Master Plan. On the RM9bn Klang Valley LRT Line 3, Syarikat Prasarana Negara has shortlisted 6 parties for the PDP role. Sime Darby has completed the acquisition of NBPOL, adding 135k ha to bring the total landbank to almost 1m ha. IOI Properties has aborted its plan to acquire stake in the Taipei 101.

Market Outlook

On fixed income, benign inflation, risks of global growth disappointment and higher levels of liquidity following the ECB and Japan's Quantitative Easing programmes seem to be the dominant themes in the fixed income market. Nevertheless, volatile Ringgit and the focus on the nation's fiscal position are clouding the outlook somewhat. Hence, the fund will maintain its neutral duration positioning.

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.