Jan 2016

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.

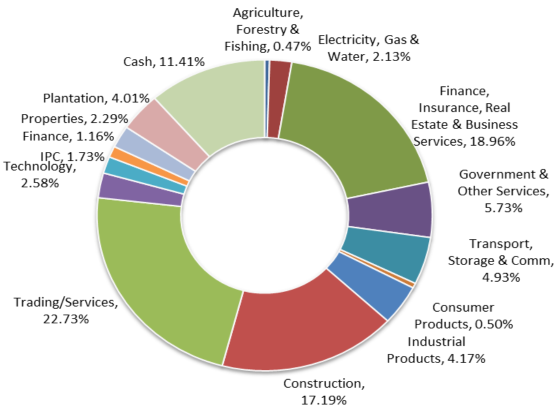
Fund Details

Unit NAV (31 Jan 2016)	: RM 1.1012
Fund Size (31 Jan 2016)	: RM 91.21 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.	EKVE Sdn Bhd 29/01/26	5.56%
2.	Malakoff Power Bhd 17/12/19	5.54%
3.	BGSM Mgt Sdn Bhd 27/12/23	4.75%
4.	Jimah East Power Sdn Bhd 04/06/21	4.21%
5.	Tenaga Nasional Berhad	3.97%

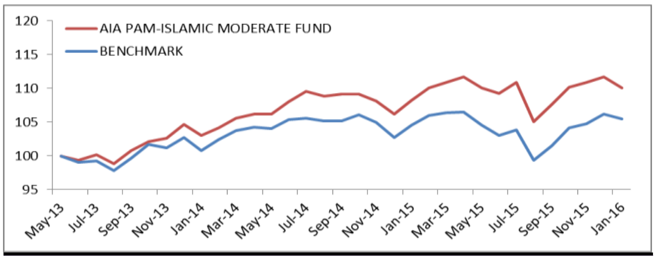
Sector Allocation



Risk
Investment risk involves the uncertainties relating to the country’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	-1.46%	-0.73%	1.70%		
Index	-0.73%	1.49%	0.86%		
Excess	-0.73%	-2.22%	0.84%		

Source: AIA Pension and Asset Management Sdn. Bhd. Bloomberg as at 31 Jan 2016.

Market Review
Malaysian government sukuk market enjoyed a good rally in January following the Prime Minister’s presentation of the revised budget 2016, guiding a lower GDP growth whilst maintaining the fiscal deficit at 3.1%. Weaker regional economic data and central bank policy actions, including the introduction of negative interest rates by Bank of Japan and 50bps statutory reserve rate cut by BNM sent dovish signals on the macroeconomic outlook. Corporate sukuk primary issuance was rather muted during the month with total issuance of RM2.1bil.

During the month, FBM Shariah Index fell 2.97% to end the month at 12,421 points, outperforming MSCI Asia ex-Japan, which declined by 11.03% in MYR term. The local market fell sharply earlier in the month, in line with the sharp selloff in the global market driven by further weakening crude oil prices and economic slowdown. The recovery in the later of the month was helped by the revised Budget 2016 as well as the rebound in crude oil prices and a stronger Ringgit. Ringgit appreciated 3.5% to reach MYR4.15/USD while Brent oil prices dropped from US$37/barrel to the low US$28/barrel before ending at US$35/barrel. Despite the lower Brent oil price assumption at US$30~35/barrel from US$48/barrel, revised Budget 2016 still maintained fiscal deficit target at 3.1% of GDP backed by higher GST collections as well as RM9bil cuts in Government development and operating spending, but trimmed 2016 GDP outlook to 4.0%~4.5% from 4%~5%.

Market Outlook
For fixed income, with the improved foreign sentiment on domestic markets, we increasingly see resilience of MYR against the volatility of crude oil price. Slower global economic outlook, including Malaysia, will be supportive of the local sukuk market.

For local equity, in the short run, we expect market to trade within a tight range from here. The market is expected to be supported by RM20bil ValueCap fund to be deployed in stages as well as the monetary easing policy undertaken by both BOJ and ECB to stimulate economy. In addition, investors’ sentiment turned slightly positive as first US Fed rate hike of 25bps was concluded in December and further rate hike will likely be on gradual basis. However, the market upside could be capped by given the less attractive valuation, still-lingering political issues and external headwinds arising from the China’s economy slowdown.