



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.

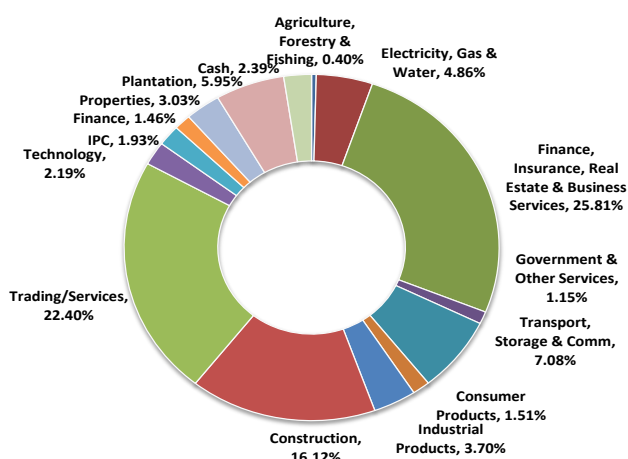
Fund Details

| | |
|-----------------------------|---|
| Unit NAV (31 Oct 2016) | : RM 1.1487 |
| Fund Size (31 Oct 2016) | : RM 108.10 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. | Northport Malaysia Berhad 19/12/24 | 7.24% |
| 2. | Malaysia Airports Hldg Bhd Perpetual | 4.94% |
| 3. | EKVE Sdn Bhd 29/01/26 | 4.93% |
| 4. | Malakoff Power Bhd 17/12/19 | 4.73% |
| 5. | Tenaga Nasional Bhd | 4.29% |

Sector Allocation



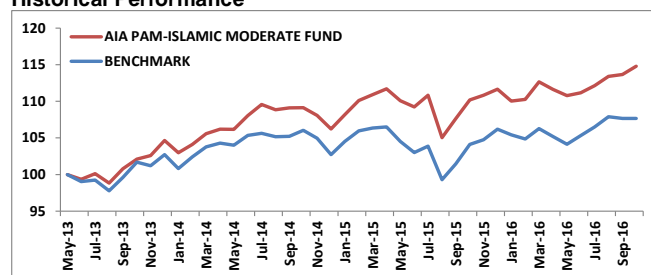
Risk

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 | | 0.98% | 2.84% | 4.17% | 3.98% | |
| Index | | 0.01% | 2.36% | 3.43% | 1.92% | |
| Excess | | 0.97% | 0.47% | 0.75% | 2.05% | |

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

^ Annualised return

Market Review

For fixed income, the Government Islamic Issue ("GII") yield curve was lifted on selling pressure from investors due to unfavorable sentiment towards MYR. MYR weakened by 1.3% month-on-month to MYR4.19 against USD as of end-October 2016, owing to falling crude oil prices. Foreign holdings in GII was little changed at 11.5%, supported by the inclusion of GII investments to JP Morgan's GBI-EM index effective end-October. Notable corporate bond primary issues during the month were Danainfra Nasional Berhad (MYR4.5 billion), Cagamas Berhad (MYR930 million), and UMW Holdings Berhad (MYR700 million).

For equity, October was a recovery month for the Malaysian market, with the FBM Shariah Index up by 0.3% to end the month at 12,384 points, outperforming MSCI Asia ex-Japan, which increased by 0.1% in MYR terms. The market had a mild pre-Budget run-up before falling towards the end of the month, taking the cue from regional markets. The 2017 Budget focused on fiscal consolidation and private consumption, particularly for the bottom 40% of households. The government will also be introducing a research scheme to conduct research on 300 small and medium-cap stocks, and government-linked investment companies will be allocating up to MYR3 billion into a special fund to invest in such stocks with potential.

Market Outlook

For fixed income, the local government sukuk market is expected to remain volatile with policy uncertainty under the incoming US President Donald Trump, US interest rate hike expectation, as well as concerns over the policy action by Japan and Europe.

For equity, we expect market volatility to persist given uncertainties over global economic growth and policy directions under the incoming US President Donald Trump. News about US interest rate hike, Brexit and the movement in oil price and USD will also continue to dominate headlines. On the local front, apart from global events, the market will be watching the third quarter results season closely to see whether there will be a turnaround in corporate earnings.