



June 2017

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.

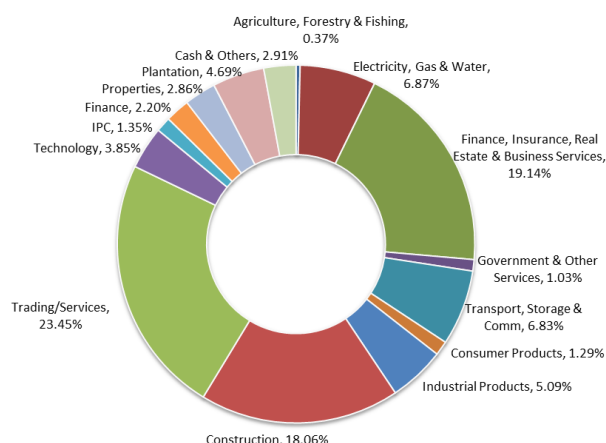
Fund Details

| | |
|-----------------------------|---|
| Unit NAV (30 June 2017) | : RM 1.1763 |
| Fund Size (30 June 2017) | : RM 118.13 million |
| Fund Currency | : Ringgit Malaysia |
| Fund Launch | : May 16, 2013 |
| Fund Inception | : Jun 05, 2013 |
| Fund Management Charge | : up to 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 | 6.57% |
| 2. | EKVE Sdn Bhd 29/01/26 | 4.45% |
| 3. | Tenaga Nasional Bhd | 4.32% |
| 4. | Malakoff Power Bhd 17/12/19 | 4.29% |
| 5. | BGSM Management Bhd 27/12/23 | 3.71% |

Sector Allocation



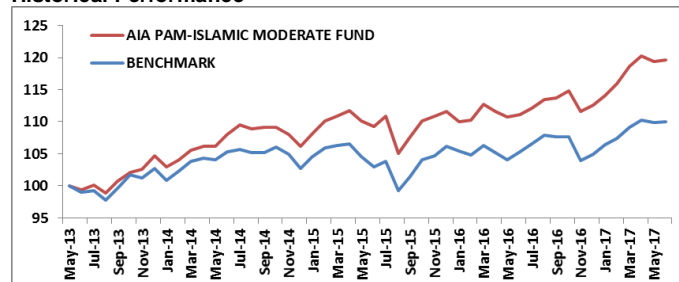
Risk

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 | 0.25% | 6.29% | 7.63% | 3.46% | - |
| Index | 0.10% | 4.81% | 4.48% | 1.47% | - |
| Excess | 0.15% | 1.47% | 3.15% | 1.99% | - |

Source: AIA Pension and Asset Management Sdn. Bhd., Bloomberg as at 30 June 2017. ^ Annualised return

Market Review

Malaysian government bond yields started the month of June at a lower range as it tracked firmer US Treasuries. However, profit-taking emerged mid-way with yields ending the month higher compared to May. For May, foreign holdings of Malaysian government bonds recorded an increase of RM9.0bn compared to +RM6.0bn in April. This translated into an increase of foreign holdings from 26.5% in April to 27.5% in May. The relaxation of onshore FX hedging has evidently encouraged the return of foreign flows. On the economic front, Malaysia's inflation rate decelerated in May to 3.9% YoY from 4.1% YoY in the prior month while exports grew by 20.6% YoY in April versus the 24.1% YoY recorded in March.

For equity, the Malaysian market started the month strongly but gave back the gains mid-way due to concerns over valuations. As a result, the FBM Emas Shariah Index ended the month up marginally by 0.1%. Sentiment in the market was impacted by the sell-down of technology stocks in the US and the lower oil price, which fell below US\$45 at one point and dragged down oil and gas stocks together with it. The glove sector outperformed on expectation of stronger earnings ahead supported by lower raw material prices and a more balanced supply-demand situation. Net foreign inflow was smaller in the month at RM0.3bn versus the RM2.0bn registered in May.

Market Outlook

For fixed income, the sizeable upcoming Malaysian Government Securities maturities in 2H17 and the heavy supply of long-duration government bonds could assert steepening pressure on the yield curve. We are also cautious against externally driven volatility, particularly US Federal Reserve's interest rate normalisation plans and quantitative easing tapering as well as potential reversal in European Central Bank's quantitative easing programme which could sway market sentiment and lead to a further steepening of yield curve.

For equity, sentiment in the Malaysian market could be cautious given that valuations are at above average levels and the uncertainty in commodities price trend. In addition, some central banks in developed markets have started to sound out the period of low interest rates and unprecedented bond-buying will be coming to an end soon. We will be vigilant and continue to focus on stocks which are undervalued with strong balance sheet, cash flow and growth potential.

Replacement Disclosure Document dated 9 December 2016 of the AIA Private Retirement Scheme has been registered with the Securities Commission Malaysia, who takes no responsibility for their contents. Copies of the Replacement Disclosure Document and Product Highlights Sheet (known as "PHS") are available from our office and all authorised agents/distributors of AIA Pension and Asset Management Sdn Bhd and you have the right to request for the Replacement Disclosure Document and PHS. Please read and understand the contents of the Replacement Disclosure Document and PHS before making any investment decision. Units are issued upon our receipt and satisfactory processing of a duly completed application form referred to in and accompanying the Replacement Disclosure Document. In the event of discrepancy between the fact sheet and the Replacement Disclosure Document, the information in the Replacement Disclosure Document shall prevail.