



## 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.

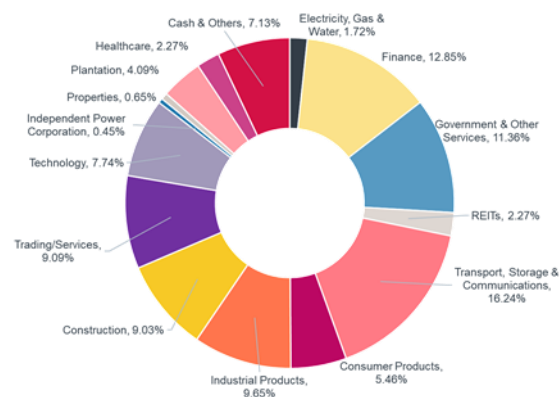
### Fund Details

Unit NAV (31 January 2023)	: RM 1.2172
Fund Size (31 January 2023)	: RM 130.0 million
Fund Currency	: Ringgit Malaysia
Fund Launch	: May 16, 2013
Fund Inception	: June 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% FBM EMAS Shariah Index + 50% Quant Shop GII All Index

### Top Five Holding

1.	GII MURABAH 1/2022 4.193% 07.10.2032	5.88%
2.	DANAINFRA 4.850% 16.08.2052	4.87%
3.	EKVE SDN BHD 5.25% 29.01.26	3.97%
4.	SPETCHEM IMTN 5.50% 27.07.2037	3.35%
5.	DIALOG GROUP	2.60%

### Sector Allocation



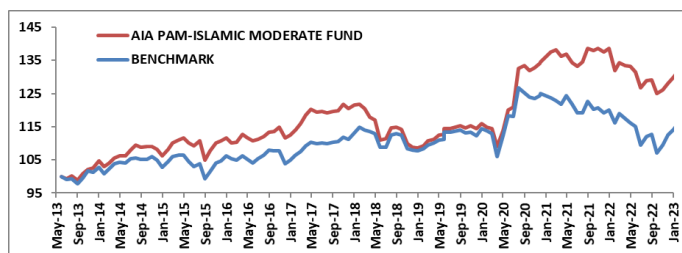
### Risk

General investment risks involve market risk, fund manager risk, inflation risk and liquidity risk. Specific risks of the Fund involve credit/default risk, interest rate risk, particular security risk and reclassification of shariah status risk.

### Risk Management

Investment Manager aims to reduce investment risks through structured and disciplined investment process, rigorous and disciplined credit research and analysis, portfolio diversification and strict and frequent stock evaluation to minimize company specific risk.

### Historical Performance



%	1 Mth	1-Year	^3-Year	^5-Year	^Since Inception
Fund	1.36%	-0.17%	14.56%	8.08%	31.64%
Index	1.71%	-0.10%	1.83%	0.92%	15.95%
Excess	-0.36%	-0.07%	12.73%	7.16%	15.69%

Source: AIA Pension and Asset Management Sdn. Bhd., Bloomberg at 31 January 2023.

^ Cumulative returns. The performance is calculated on NAV-to-NAV basis.

### Market Review

Government Investment Issues (“GII”) rallied in January 2023, with yields shifting lower across the curve. The US Federal Reserve (“Fed”) raised rates by a narrower 25 bps following its Federal Open Market Committee (“FOMC”) meeting during the month. While the 25 bps rate hike was widely expected, investors took a dovish cue from the remarks by Fed Chair Jerome Powell as he made references to the start of the disinflationary process. On the local front, local investment sentiment was also supported by Bank Negara Malaysia’s (“BNM”) move to maintain its overnight policy rate (“OPR”) at 2.75%, against consensus expectations of another 25 bps rate increase. BNM indicated that the pause was to allow it to assess the cumulative impact of previous OPR hikes. BNM views that both headline and core inflation will moderate this year but will remain elevated, while growth should moderate amid a slower global economy.

Foreign funds turned net buyers for local bonds with MYR0.5 billion inflows in January 2023 (December 2022: net seller MYR0.9 billion), putting a halt to a 4 months outflow from September 2022 to December 2022, amid positive sentiment in regional rates and FX markets prior to the unexpectedly strong US jobs report.

The FBMS (“Index”) rallied 1.26% Month-on-Month (“MoM”) to close at 11,076.20 pts on 31 January 2023. The Index underperformed the MSCI Asia Ex Japan Index, which rose 4.68% MoM in Malaysia Ringgit (“MYR”) terms over the same period. Foreign investors stayed net sellers of Malaysian equities amounting to MYR0.35 billion in January 2023, which local institutions stayed net buyers with MYR0.75 billion. Sector wise, Energy (+6.1%), Consumer Products & Services (+1.9%), and Industrial Products & Services (+0.8%) were the key performers while Plantation (-5.8%), Health Care (-4.8%) and Transportation & Logistics (-2.5%) were the key detractors.

### Market Outlook

We are cautiously optimistic on the equity market in the near term. We are of the view that we have already seen the peak of Fed’s hawkishness and equities valuation has been partially adjusted downwards accordingly. Investors are now watching the macro data closely to gauge the extent of the recession in the US from the aggressive rate hikes. On the other hand, China has signalled towards a gradual reopening of its economy which will mitigate the impact of the US recession. Domestically, corporate earnings are expected to improve in 2023 with the expiry of the one-off prosperity tax. Downside risks to the market could stem from a prolonged deep US recession, worsening geopolitical tension, domestic politics and policy direction.



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**Disclaimer**

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