



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.

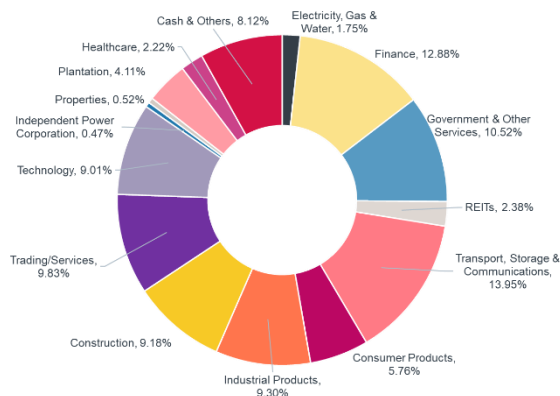
Fund Details

| | |
|------------------------------|---|
| Unit NAV (28 February 2023) | : RM 1.1992 |
| Fund Size (28 February 2023) | : RM 127.1 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. | SUSTAINABILITY GII 3/2022 4.662% | 31.3.2038 | 7.46% |
| 2. | DANAINFRA 4.850% | 16.08.2052 | 4.87% |
| 3. | EKVE SDN BHD 5.25% | 29.01.26 | 4.05% |
| 4. | SPETCHEM IMTN 5.50% | 27.07.2037 | 3.43% |
| 5. | PRESS METAL ALUMINIUM | | 2.64% |

Sector Allocation



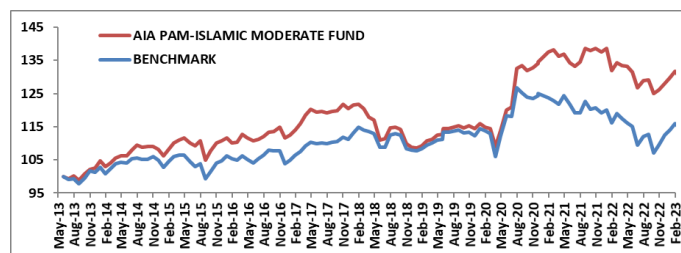
Risk

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 | -1.48% | -3.50% | 13.41% | 7.58% | 29.69% |
| Index | -1.28% | -3.80% | 1.35% | 0.39% | 14.46% |
| Excess | -0.20% | 0.30% | 12.05% | 7.19% | 15.23% |

Source: AIA Pension and Asset Management Sdn. Bhd., Bloomberg at 28 February 2023.

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

Market Review

Government Investment Issues (“GII”) weakened in February 2023, with yields shifting higher across the curve in a bear-steepening move after selling off towards the end of the month. The US Federal Reserve (“Fed”) raised rates by a narrower 25 bps following its Federal Open Market Committee (“FOMC”) meeting. 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. Global bonds rallied in response. However, the positive sentiment was short-lived, as economic data released in the US during the month indicated that inflation and economic activities were stronger than expected. This led to an upward repricing in investor expectations for terminal Fed Funds Rate which saw US Treasury yields spike. This damaged sentiment in the local sukuk market, prompting GII yields to move higher gradually throughout the month. Despite the rise in yields, Malaysian sovereign sukuk still performed relatively better compared to US Treasuries as robust onshore demand supported the market.

Foreign funds remained net buyers for local bonds with MYR4.3 billion inflows in February 2023 (January 2023: +MYR0.5 billion), despite weak global bond sentiment. Inflows were concentrated in front / mid tenors given a better visibility to BNM peak rate as compared to the Fed.

The FBMS (“Index”) declined 2.51% Month-on-Month (“MoM”) to close at 10,797.67 pts on 28 February 2023. The Index underperformed the MSCI Asia Ex Japan Index, which fell 2.0% MoM in Malaysia Ringgit (“MYR”) terms over the same period. Foreign investors stayed net sellers of Malaysian equities amounting to MYR0.1 billion in February 2023 while local institutions turned net sellers with MYR0.6 billion.

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 arising from the aggressive rate hikes. On the other hand, China has reopened its economy which would potentially mitigate the impact of the US recession. Domestically, corporate earnings should 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.



Disclaimer

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