



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 at least 40% of its NAV 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.

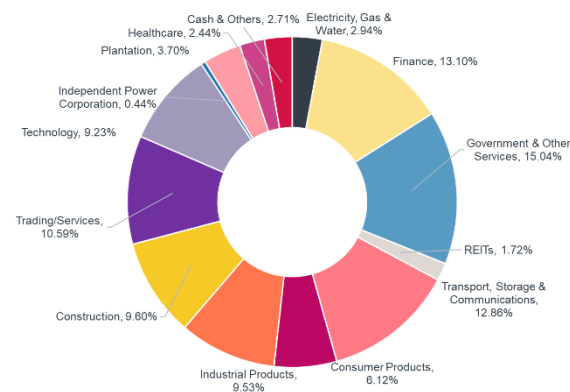
Fund Details

Unit NAV (31 May 2023)	: RM 1.1952
Fund Size (31 May 2023)	: RM 125.6 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

Rank	Company Name	Weight (%)	ISIN	Yield (%)
1.	DANAINFRA	4.850%	16.08.2052	5.17%
2.	SUSTAINABILITY GII 3/2022	4.662%	31.3.2038	5.15%
3.	GII MURABAHAH 2/2022	5.357%	15.05.2052	4.70%
4.	EKVE SDN BHD	5.25%	29.01.26	4.10%
5.	SPETCHEM IMTN	5.50%	27.07.2037	3.53%

Sector Allocation



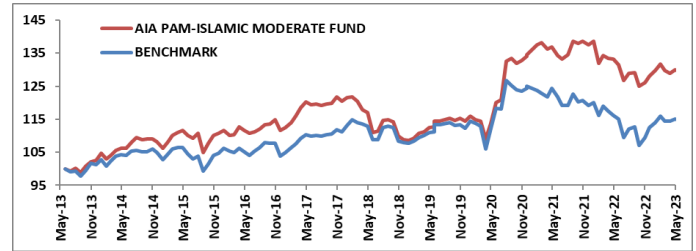
Risk

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	-0.54%	-1.71%	7.72%	16.44%	29.26%
Index	-0.47%	-0.44%	-3.18%	5.24%	14.59%
Excess	-0.07%	-1.28%	10.90%	11.19%	14.67%

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

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

Market Review

Government Investment Issues ("GII") traded with mixed sentiment in May 2023. Sentiment at the start of the month was supported by lower yields in the US after a slew of data releases towards the end of April 2023 which missed expectations. However, the sentiment quickly deteriorated throughout the month, as hawkish statements from Federal Reserve Open Market Committee ("FOMC") members and concerns on the US debt ceiling extension talks led to sharp rises in US Treasury yields and a stronger US Dollar ("USD"). MGS yields tracked and moved higher in response, but losses were capped by buying interest from local investors towards the end of the month due to attractive valuations and optimism on the eventual resolution of the debt ceiling extension.

Foreign funds remained net buyers for local bonds with MYR3.0 billion inflows in May 2023 (April 2023: +MYR1.5 billion), despite sharp weaker Ringgit and some selling of MGS.

Bank Negara Malaysia ("BNM") raised the Overnight Policy Rate ("OPR") by 25 bps to 3.00% at the May Monetary Policy Committee ("MPC") meeting, citing inflation concerns and robust growth led by strong domestic private consumption. Malaysia's 1Q23 real GDP growth moderated to 5.6% YoY (4Q2022: +7.1%), with the moderating growth momentum anchored by domestic demand and net exports. Malaysia's headline inflation declined to 2.8% YoY in May 2023 (April 2023: +3.3% YoY) due to a slower increase in the Food & Non-Alcoholic Beverages segment while Core Consumer Price Index ("CPI") decelerated to 3.5% YoY in May 2023 (April 2023: +3.6% YoY). Malaysia's industrial production grew by 3.1% YoY in March 2023, driven by a 4.1% expansion in the manufacturing sector and a 0.8% rebound in the mining sector.

The FBMS ("Index") fell by 1.21% Month-on-Month ("MoM") to close at 10,606.51 pts on 31 May 2023. The Index underperformed the MSCI Asia Ex Japan Index, which rose 1.25% MoM in Malaysia Ringgit ("MYR") terms over the same period. Foreign investors stayed net sellers of Malaysian equities amounting to MYR0.73 billion in May 2023 while local institutions remained net buyers with MYR0.71 billion.

Market Outlook

Recent US economic data releases are suggestive of a softening in economic activities and a moderation in inflation, though labour market conditions remain stubbornly strong. Although the US Federal Reserve ("Fed") continues to reiterate the need to maintain tighter monetary policy, the financial sector instability in the US may impede the Fed from further rate hikes. Locally, with still resilient domestic growth outlook and upside risk to inflation, BNM may keep the door opened for further rate increases. For 2023, we expect rates volatility to linger due to uncertainties surrounding central banks' future monetary policy moves on the back of differing and changing views as market conditions evolve. We are cautiously optimistic on the equity and fixed income market in the near term. We continue to favour corporate bonds for yield pickup.



Disclaimer

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