



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.

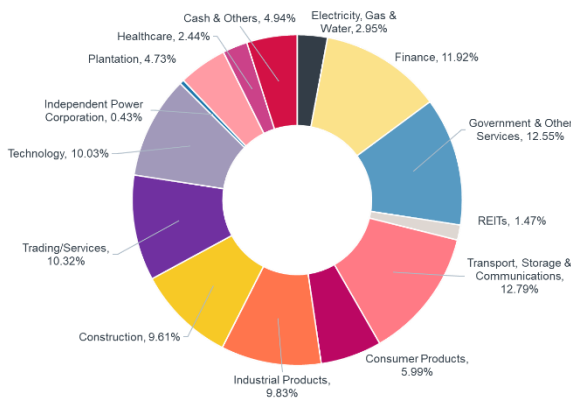
Fund Details

Unit NAV (30 June 2023)	: RM 1.1896
Fund Size (30 June 2023)	: RM 124.6 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

1.	SUSTAINABILITY GII 3/2022	4.662%	31.3.2038	5.19%
2.	DANAINFRA IMTN	4.850%	16.08.2052	5.18%
3.	EKVE SDN BHD	5.25%	29.01.26	4.13%
4.	SPETCHEM IMTN	5.50%	27.07.2037	3.55%
5.	DIALOG GROUP			2.81%

Sector Allocation



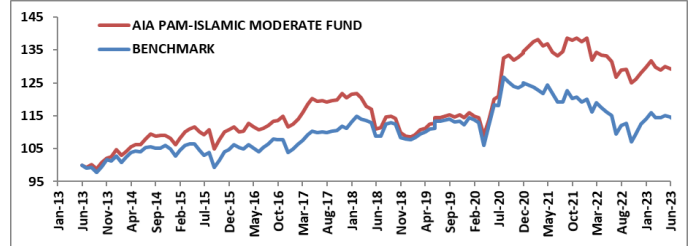
Risk

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	-0.47%	1.58%	6.47%	15.44%	28.65%
Index	-0.98%	3.58%	-3.90%	4.35%	13.47%
Excess	0.51%	-2.00%	10.37%	11.09%	15.18%

Source: AIA Pension and Asset Management Sdn. Bhd., Bloomberg at 30 June 2023. ^ Cumulative returns. The performance is calculated on NAV-to-NAV basis.

Market Review

Government Investment Issues (“GII”) weakened across the curve in a bear flattening manner as local sentiment was largely driven by higher global rates following the unexpected rate hikes by the Reserve Bank of Australia and Bank of Canada earlier in the month, which raised concerns that central banks may not be done with their fight against inflation. Trading stayed cautious leading into a few other key rate decisions by the US Federal Open Market Committee (“FOMC”), the European Central Bank (“ECB”) and Bank of Japan (“BoJ”) mid-month. While the FOMC ultimately held Fed Funds rate unchanged in its June’s meeting, hawkish guidance from Fed chair Jerome Powell for potentially another two more hikes this year offered no reprieve. Month-end and quarter-end buying flows across selected GII benchmark securities provided a lift to the local Sukuk market towards the end of the month, but this was insufficient to reverse the earlier losses.

Foreign funds remained net buyers of local bonds with MYR5.2 billion inflows in June 2023 (May 2023: +MYR3.0 billion), despite continued weakness in Ringgit and hawkish repricing in US rates.

Malaysia’s headline inflation declined to 2.4% YoY in June 2023 (May 2023: +2.8% YoY), was mainly due to lower inflation for core CPI components and fuel mainly on base effect. Food and non-alcoholic beverages price increase moderated to +4.7% yoy (May 2023: +5.9% yoy) while non-food inflation decelerated further to +1.2% yoy (May 2023: +1.3% yoy). Malaysia’s industrial production index rebounded to 4.7% in May 2023 against negative 3.3% in April, driven by positive momentum in all sectors.

The FBMS (“Index”) fell by 1.8% Month-on-Month (“MoM”) to close at 10,414.87 pts on 30 June 2023. The Index underperformed the MSCI Asia Ex Japan Index, which rose 3.3% MoM in Malaysia Ringgit (“MYR”) terms over the same period. Foreign investors stayed net sellers of Malaysian equities amounting to MYR1.3 billion in June 2023 while local institutions remained net buyers with MYR0.63 billion.

Market Outlook

Recent inflation readings and economic data from the US have shown signs of moderation. Although the US Federal Reserve (“Fed”) continues to reiterate the need to maintain tighter monetary policy amidst robust labour market data, stresses in the US banking sector have called into question the ability of financial institutions to absorb further tightening in financial conditions. Domestically, BNM has kept the overnight policy rate (“OPR”) unchanged at its recent monetary policy committee (“MPC”) meeting. Against the backdrop of moderating inflation expectations as well as growth outlook in 2H23, the possibility of further OPR hikes for the rest of the year may be remote at this juncture, barring the uncertain timing of subsidy rationalization. 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 market in the near term.



Disclaimer

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