



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.

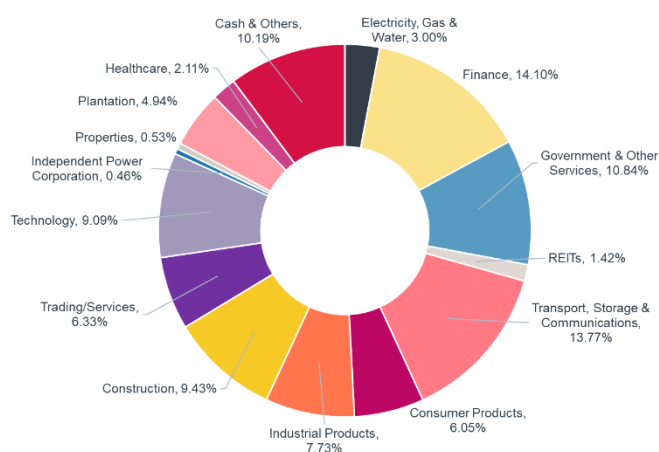
Fund Details

Unit NAV (29 December 2023)	: RM 1.2292
Fund Size (29 December 2023)	: RM 125.8 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.	DANAINFRA IMTN 4.850%	16.08.2052	5.13%
2.	EKVE SDN BHD 5.25%	29.01.26	4.08%
3.	SPETCHEM IMTN 5.50%	27.07.2037	3.56%
4.	GII MURABAH 2/2023 4.291%	14.08.2043	3.51%
5.	SUSTAINABILITY GII 3/2022 4.662%	31.3.2038	3.43%

Sector Allocation



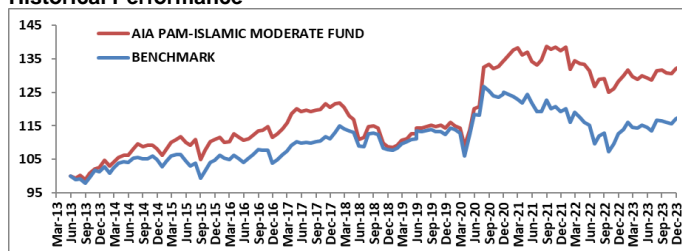
Risk

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	^5-Year	^10-Year	^Since Inception
Fund	0.63%	2.36%	22.53%	27.02%	32.94%
Index	0.79%	3.55%	9.66%	14.92%	18.05%
Excess	-0.16%	-1.19%	12.87%	12.10%	14.89%

Source: AIA Pension and Asset Management Sdn. Bhd., Bloomberg at 29 December 2023.

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

Market Review

Government Investment Issues (“GII”) yield curve bull flattened in December following a strong rally in US Treasuries (“UST”) after the US Federal Open Market Committee (“FOMC”) kept the federal funds target range unchanged at 5.25% to 5.50%. US Federal Reserve (“Fed”) chairman Jerome Powell’s speech leaned towards a dovish tilt and discussion has started on the appropriate timing for rate cut. On the currency front, Malaysian ringgit (“MYR”) strengthened against the United States dollar (“USD”) by 1.47% to end the year at 4.5940, as compared to 4.6625 in November.

Foreign funds turned net sellers for local bonds in December 2023 with MYR2.1 billion outflows (November: +MYR5.4billion) despite expectations of Fed pivot that supported risk sentiment. Full year inflows totalled at RM23.6billion in 2023, noticeable improvement from RM9.8billion outflows in 2022.

Malaysia’s headline inflation moderated to 1.5% YoY in November 2023 (October 2023: +1.8% YoY). Food & Non-alcoholic Beverages and Restaurants and Hotels saw deceleration in the price increase. Core CPI also eased to 2.0% YoY in November 2023 (October 2023: 2.4%). Meanwhile, Malaysia’s industrial production index rebounded to 2.7% YoY in October 2023 (September 2023: -0.5% YoY), mainly contributed by Manufacturing, Electricity and Mining sectors.

The FBMS (“Index”) rose 0.54% Month-on-Month (“MoM”) to close at 10,988.71 pts in December 2023. The Index underperformed the MSCI Asia Ex Japan Index, which rose 1.73% MoM in Malaysian Ringgit (“MYR”) terms over the same period. Foreign investors stayed net buyers of Malaysian equities amounting to MYR0.3 billion in December 2023 while local institutions stayed net sellers with net sell flow of MYR56.2 million.

Market Outlook

The recent US economic data releases are suggestive of a softening in economic activities and moderation in inflation. As such, the aggressive hiking cycle could be in its final phase. Domestically, Bank Negara Malaysia (“BNM”) may keep its Overnight Policy Rate (“OPR”) unchanged in the coming meetings as it observes domestic inflation trend. We expect a brighter outlook in Malaysia given the lower political risk premium amidst a more stable unity government coupled with stronger corporate earnings upside arising from the implementation of the government’s pump priming initiatives as well as launching of mega energy renewal and infrastructure projects. We are cautiously optimistic on the equity and fixed income market in the near term. Downside risks to the market could stem from a hard landing US recession, worsening geopolitical tension, and weak China economy.



Disclaimer

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