



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

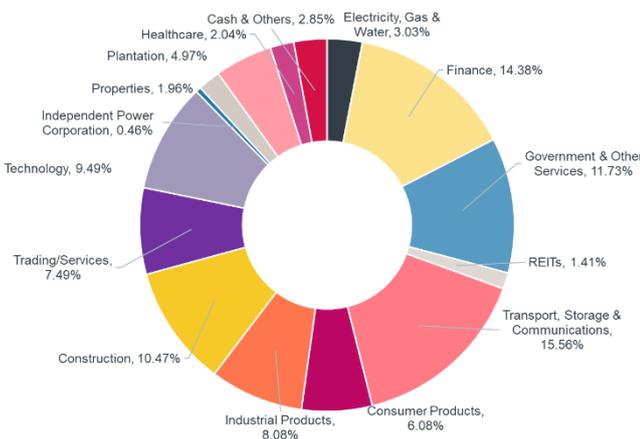
Unit NAV (31 January 2024) : RM 1.2384
 Fund Size (31 January 2024) : RM 126.2 million
 Fund Currency : Ringgit Malaysia
 Fund Launch : May 16, 2013
 Fund Inception : June 05, 2013
 Fund Management Charge : up to 1.50% p.a.
 Investment Manager : AIA Pension and Asset Management Sdn. Bhd.

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	5.18%
2.	EKVE SDN BHD 5.25% 29.01.26	4.06%
3.	SPETCHEM IMTN 5.50% 27.07.2037	3.57%
4.	SUSTAINABILITY GII 3/2022 4.662% 31.3.2038	3.42%
5.	GII MURABAHAH 2/2023 4.291% 14.08.2043	3.36%

Sector Allocation



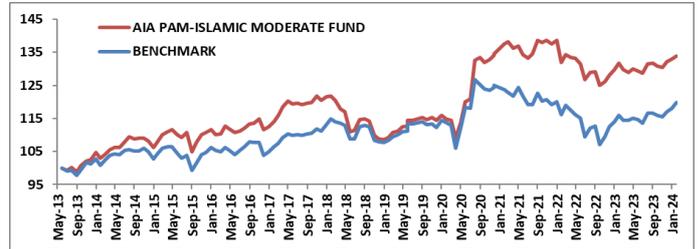
Risk

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	0.75%	1.74%	22.71%	30.05%	33.93%
Index	1.48%	3.32%	10.58%	18.85%	19.80%
Excess	-0.73%	-1.58%	12.13%	11.20%	14.13%

Source: AIA Pension and Asset Management Sdn. Bhd., Bloomberg at 31 January 2024.

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

Market Review

The local bond market started the year on a weaker footing in tandem with weaker US treasuries (“UST”) as market participants reassessed assumptions of an early US Federal Funds Rate cut amid the slew of economics and labour market data releases. However, local market eventually gained ground on the back of strong onshore buying interests as funds put cash to work. Longer end of the curves were supported by investor’s demand for duration.

Foreign funds maintained net sellers for local bonds in January 2024 with MYR5.1 billion outflows (December: -MYR2.1billion), mainly driven by short-term debts where T-bills (-RM2.5 billion) accounted for nearly half of the outflow.

Malaysia’s headline CPI for December 2023 grew 1.5% YoY (Nov: 1.5% YoY), bringing full-year inflation to 2.5% YoY (2022: 3.3% YoY). Core inflation eased to 1.9% in December 2023 (November: 2.0% YoY). Meanwhile, Bank Negara Malaysia (BNM) held its first monetary policy committee meeting for the year where the overnight policy rate (“OPR”) was kept unchanged at 3.0%. In its monetary policy statement, BNM stated that overall growth in 2023 was within expectations and that it expects economic growth to improve in 2024.

The FBMS (“Index”) rose 2.64% Month-on-Month (“MoM”) to close at 11,278.09 pts in January 2024. The Index outperformed the MSCI Asia Ex Japan Index, which corrected 2.61% MoM in Malaysian Ringgit (“MYR”) terms over the same period. Foreign investors stayed net buyers of Malaysian equities amounting to MYR679 million while local institutions turned net buyers of MYR112 million during the month.

Market Outlook

Moving into 2024, all eyes will be on the Fed’s potential pivot to interest rate cuts amid sign of a slower economic growth and easing inflation. Although inflation continues to moderate, recent US economic data releases are suggestive of a resilient US economy and labour market. As such, we think the US Federal Reserve (“Fed”) will likely proceed carefully to avoid any premature rate cuts which could fuel reflation risks. Domestically, BNM may keep its OPR unchanged in the coming meetings as it observes the domestic inflation trend. These factors are supportive of the domestic sukuk market while the market observes developments on global central banks’ monetary policy decisions, geopolitical risks, and the US presidential elections. We are cautiously optimistic on the equity and fixed income market in the near term.



Disclaimer

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