



Dec 2013

## AIA PAM – Moderate Fund

### Investment Objective

The Fund seeks to provide returns through a combination of income\* and capital growth.

*\*Income will be reinvested in additional units in the Fund*

### Investment Strategy

The Fund will invest in equities that are trading below their fair value and equities offering a dividend yield above the market average. The Fund will invest in local and foreign markets.

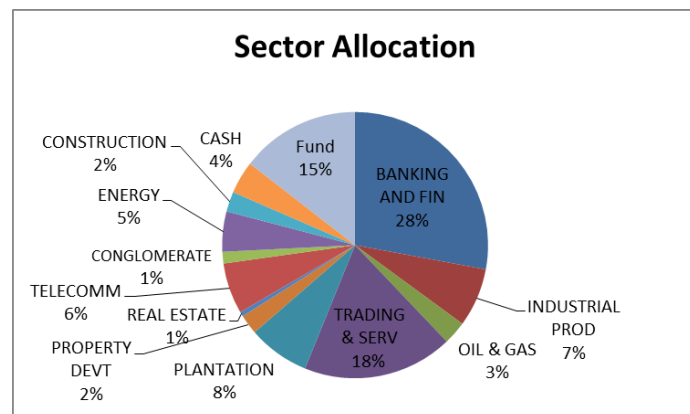
The Fund will also invest at least 40% of its NAV in local fixed income instruments with a minimum credit rating of "BBB3" or "P2" by RAM or equivalent rating by MARC.

### Fund Details

Fund Size (31 Dec 2013)	: RM 9.13 million
Fund Currency	: Ringgit Malaysia
Fund Launch	: May 16, 2013
Fund Inception	: Jun 05, 2013
Fund Management Charge	: 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	: 30% FTSE Bursa Malaysia Top 100 Index + 30% MSCI AC Asia ex Japan Index + 40% Quant Shop MGS All Bond Index

### Top Holdings

1.	DB X-Trackers MSCI Asia X-Japan	14.52 %
2.	Golden Assets International 03/08/18	6.78 %
3.	CIMB Bank Berhad 15/09/22	5.02%
4.	First Resources Ltd 05/06/20	4.99%
5.	Gamuda Berhad 21/03/18	4.99%



### Risk

Investment risk involves the uncertainties relating to Malaysia's economic situation, political condition and also price volatility of stocks held as a result of company specific risk.

### Risk Management

The Investment Manager employs structured investment process to minimize market risk. Investment guidelines also prescribe limits in terms of single user limit and strict and frequent stock evaluation to minimize company specific risk.

### Historical Performance

Offer Price at Inception	: RM 1.0000
Unit NAV (31 Dec 2013)	: RM 1.0333

Benchmark (05 Jun 2013)	: 1.0000
Benchmark (31 Dec 2013)	: 1.0381

Source: AIA Pension and Asset Management Sdn Bhd, Bloomberg as at 31 Dec 2013

### Manager's Comments Market Review

The US Federal Reserve announced at its December FOMC meeting that it will reduce the pace of its monthly asset purchases (Quantitative Easing) by US\$10 bil, to US\$75 bil, in January 2014. This, together with positive economic releases both here and abroad, caused the MGS yields to rise. The 3, 5 and 10 year benchmark MGS yields rose 26 bps, 7 bps and 4 bps to end the month at 3.35%, 3.68% and 4.11% respectively. During the month, there was a new 15-year GII auction. Demand was strong, with a bid-to-cover of 2.87x at an average yield of 4.943%. This was followed by the re-opening of the 3-year MGS auction which received muted response, recording a bid-to-cover of 1.57x at an average yield of 3.286%. Bank Negara released the MGS and GII auction calendar for 2014. There will be a total of 32 auctions next year. Trading volume in private debt securities was lower at RM6.6 bil which can be attributed to the decline in trading of quasi-government bonds in December. On average, we saw yields rising about 5 bps. The primary market was lively at the end of the year. Issuers that came to the market include BGS Management, Malakoff Power, Kesturi and AmBank.

On equity front, the FBMKLCI Index touched an intra-day high of 1,882 on 31 December before profit taking emerged towards the last trading hours to closed at 1,867. For December, FBMKLCI registered +2.99% return, outperforming MSCI Asia Ex Japan Index, which gained 0.54% m-o-m in Ringgit terms. Malaysia had registered a positive performance for the fifth consecutive year since 2009. Inflation edged higher to 2.9% y-o-y in November, hitting a 23-month high, given the spillover effect from the removals of collective subsidy. On the corporate front, major news include: i) Announcement of an average 14.89% electricity tariff hike for Tenaga effective 1 January 2014; ii) PETRONAS and its partner awarded RM10bn worth of transport and installation contracts to SapuraKencana, Puncak and Barakah; iii) Perisai has entered into a rig construction contract with PPL Shipyard, a subsidiary of Sembcorp Marine for US\$211.5 million and expected to deliver in 3Q16; and iv) Gamuda raised its offer to acquire the remaining 70% stake it does not own in KESAS Highway by 12% to RM980m from RM875m while it has received acceptance from PNB (in principal until 30 December 2013) and Amcorp earlier on. The MSCI Asia ex Japan Index rose 0.53% in MYR terms in December. The only markets with positive return for the month were Taiwan, Malaysia and India while the worst performing markets were China, Thailand and Philippines. Overall, market and newsflow were relatively quiet as most investors wound down and were away for the year end.

### Market Outlook

For fixed income, our duration strategy will remain underweight amidst negative market sentiment. In terms of asset allocation, we prefer short to medium-term corporate bonds.

For equity, we remain optimistic on equities in the long run given the expectations of a synchronized global growth coupled with Malaysia government effort to address macroeconomic issues. We remain focus on growth related sectors in oil & gas, property, construction and transportation. We continue to prefer North Asia vs ASEAN as valuations of North Asian markets are still inexpensive particularly China and Korea.