



Apr 2014

## 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.

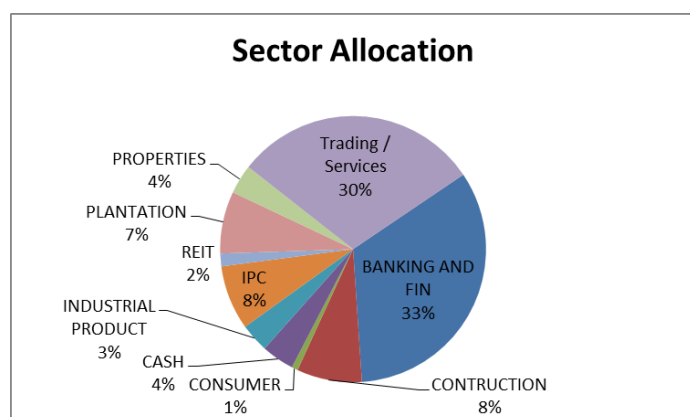
The Fund will also invest at least 40% of its NAV in local fixed income instruments with a minimum credit rating of "BBB3" or "P2" by RAM or equivalent rating by MARC.

### Fund Details

Fund Size (30 Apr 2014)	: RM 9.38 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	14.03 %
2.	Golden Assets International 03/08/18	6.65 %
3.	First Resources Ltd 05/06/20	4.90%
4.	CIMB Bank Berhad 15/09/22	4.89%
5.	Gamuda Berhad 21/03/18	4.85%



### 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 (30 Apr 2014)	: RM 1.0457

Benchmark (05 Jun 2013)	: 1.0000
Benchmark (30 Apr 2014)	: 1.0442

Source: AIA Pension and Asset Management Sdn Bhd, Bloomberg as at 30 Apr 2014

### Manager's Comments

#### Market Review

Buying interest from both onshore and offshore returned, helped by the stronger MYR and the decline in UST yields. The Bank Negara Governor commented that inflation was not caused by strong demand, noting that wage growth was moderating and that she has not seen second-round effects from the government's price adjustments. Over in the US, economic data and Fed communication seem to indicate that normalization of QE will continue. The MGS yield curve shifted lower this month, with the 3-year, 7-year and 10-year benchmark falling by 2 bps, 10 bps and 3 bps respectively to end the month at 3.38%, 3.92% and 4.08% respectively. The new 5 year benchmark closed 9 bps lower post-auction, at 3.56%. Auction results in April were strong. The new RM1.6 bil 7.5-year SPK was met with a bid to cover of 3.399x and an average yield of 4.345%. Another RM1 bil of the issue was privately placed. The RM1.5 bil re-opening of the 15-year GII saw robust demand, attracting a bid to cover of 2.773x and an average yield of 4.547%. The RM4 bil new 5 year MGS was similarly well received, with a bid to cover of 2.715x at an average yield of 3.654%, following on the heels of a RM16 bil MGS maturity. Trading volume in corporate bonds was slightly lower compared to March and most trades came from the AA-rated segment. Yields were generally lower. In the primary market, IJM Corp and Maybank Islamic issued.

On equity front, FBM100 Index inched up by 1.07% to close at 12,591. Petronas has approved the investment decision for Pengerang Integrated Complex at an estimated cost of US\$16bn while associated facilities will involve an investment of about US\$11bn. Dialog's Pengerang phase 1 is expected to be completed by end 2014 while Phase 2 plan is to be finalized by July 2014. Malaysia and Singapore governments reiterated that the proposed high speed rail link will be completed by 2020. MAHB is expected to commence operations in KLIA2 on May 9. MMC, Salcon and ARZB has secured Langat 2 water treatment plant phase 1 project worth RM993.8m. In addition, Public Bank proposed RM5bn worth of rights issue to boost its capital while the rights are expected to be priced at 20-35% discount.

The MSCI Asia ex Japan Index rose 0.7% in MYR terms in Apr, driven mainly by Asean markets. YTD however, the index was still down 1.1%, led mainly by declining markets in North Asia.

### 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.

Amid the geopolitical uncertainty and quantitative easing tapering, investment team remains optimistic on Malaysia equities in the long run back government effort to address macroeconomic issues, sustainable economy growth from export recovery and moderate domestic consumption as well as recovery in CPO prices. We will focus on stocks that are beneficiary to economic recovery at reasonable valuations.

We maintain our preference of North Asia over ASEAN in the longer term as recovery in US and Europe will benefit exporters in North Asia.