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.

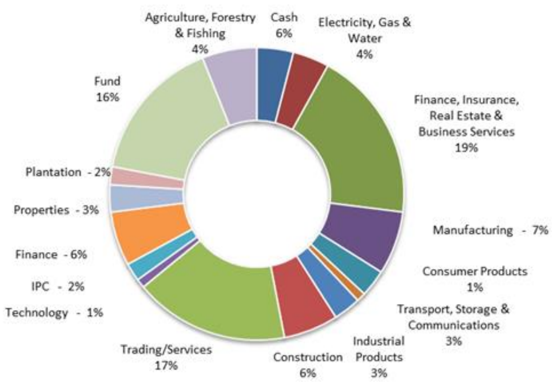
Fund Details

Fund Size (31 Dec 2014)	: RM 10.50 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	: 25% FTSE Bursa Malaysia Top 100 Index + 25% MSCI AC Asia ex Japan Index + 50% Quant Shop MGS All Bond Index

Top Holdings

1.	DB X-Trackers MSCI Asia X-Japan	10.22%
2.	Tan Chong Motor 24/11/21	6.63%
3.	Golden Assets International 03/08/18	5.96%
4.	Investec GS Asian Equity	5.93%
5.	Sabah Credit Corp 23/07/21	4.41%

Sector Allocation



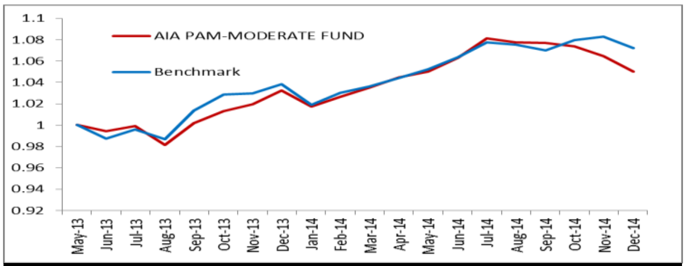
Risk

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



%	1 Mth	6 Mths	1-Year	*3-Year	*5-Year
Fund	-1.39%	-1.23%	1.68%		
Index	-0.97%	0.79%	3.28%		
Excess	-0.42%	-2.03%	-1.60%		

Source: AIA Pension and Asset Management Sdn Bhd, Bloomberg as at 31 December 2014

Market Review

The month of December was a turbulent month for Malaysian Government Securities (MGS). Bond yields spiked up substantially especially along the bellies of the curve amid falling oil prices and weakening Ringgit. In line with the bearishness of the Malaysian bond market, foreign holdings in MGS fell from 45.9% in October to 44.5% in November, driven by heavy offshore selling. The benchmark 3-year, 5-year, 7-year and 10 year rose by 7 bps, 8 bps, 28 bps and 22 bps respectively to end the month at 3.63%, 3.83%, 4.06% and 4.08% respectively.

On equity, it was another volatile month for the Malaysia market as FBM100 Index plummeted to a new 52-week low of 11,228 before rebounding on the back of window dressing activities. Investors sentiment were dampened by the declining crude price (-19.5% m-o-m) and weaker Ringgit (-3.4% m-o-m). For the month FBM100 Index declined by 3.4% m-o-m. On the corporate front, Bumi Armada has formally signed the FPSO charter agreement with Husky-CNOCC Madura Limited for Madura BD field, offshore Indonesia for a fixed period of 10 years' worth US$1.18bn with 5 annual extension options valued at US$147m. IJM has secured RM435.3m in contracts to undertake a mixed development project at Bukit Jelutong, Selangor. Bursa Malaysia has upheld an earlier decision by its listing committee to disallow the EPF from voting in the mega merger planned between RHB Capital, Malaysia Building Society and CIMB. Dialog has entered into a shareholders agreement with PRPC Utilities and Facilities Sdn Bhd and Vopak Terminal Pengerang BV to undertake the Pengerang Terminal Phase 2 Project at an approximately total project cost of RM6.3bn. Malaysia government has extended the export tax exemption on CPO to end-February 2015 to boost CPO exports and reduce inventories.

Global equities took a break when S&P 500 falls to erase gain for the month. Crude oil declined to cap its worst year since 2008 amid a global supply glut, dragging commodities to a fourth straight annual drop.

Market Outlook

For fixed income, volatile oil price and Ringgit will continue to weigh on Malaysian bond market. Market players will likely to track the current account balances for sign of twin deficits. Barring another round of plunge in oil price, we think that the current MGS yields appeared toppish. Besides, credit spreads will set to widen as corporate bonds yield have moved up in a lesser extent than the MGS during the recent sell off.

For equity, market is expected to remain volatile as the outlook for emerging markets in 2015 will be generally capped by softer export boost due to uneven global growth and falling commodity prices as well as domestic growth-constraints issues. After the sell down in early part of December, Malaysia's valuation is no longer stretched and trading at the lower end of historical PER premium vs. peers. We continue to focus on stocks that are beneficiary to strong US$ and/or low raw material cost, resilient earnings growth and high yield with defendable earnings.

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.