



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 35% of its NAV in local fixed income instruments with a minimum credit rating of “BBB3” or “P2” by RAM or equivalent rating by MARC.

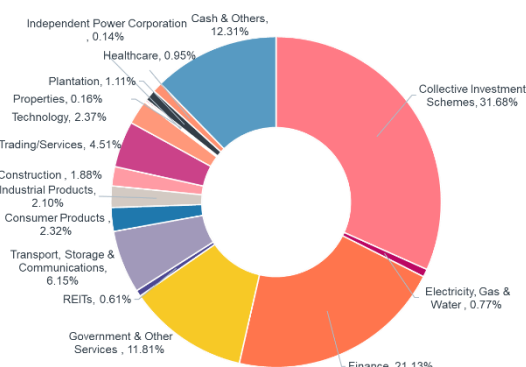
Fund Details

Unit NAV (31 December 2022)	: RM 1.2474
Fund Size (31 December 2022)	: RM 178.5 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	: 25% FBMT 100 Index + 15% MSCI AC Asia ex Japan Index + 40% Quant Shop MGS All Bond Index + 20% MSCI World Index

Top Five Holding

1.	FIDELITY FDS-ASIA P OP-I USD	10.71%
2.	SCHRODER GLOB SUST GRTH-CA	9.38%
3.	FIDELITY FDS-GL FOCUS-IAUSD	7.35%
4.	SCHRODER IN ASIA P XJP E-CAC	4.25%
5.	PUBLIC BANK BHD	2.40%

Sector Allocation



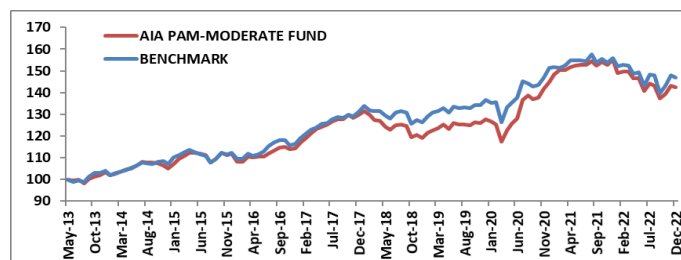
Risk

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, country risk and currency 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	^3-Year	^5-Year	^Since Inception
Fund	-0.46%	-8.08%	11.81%	10.00%	42.60%
Index	-0.75%	-5.74%	7.56%	11.98%	47.00%
Excess	0.29%	-2.34%	4.25%	-1.97%	-4.40%

Source: AIA Pension and Asset Management Sdn. Bhd., Bloomberg at 31 December 2022

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

Market Review

Malaysian Government Securities (“MGS”) yield curve steepened in December 2022 amid seasonally thin year-end liquidity. The market has generally shrugged off the 50bps hike in the federal funds target rate during December’s Federal Open Market Committee (“FOMC”) meeting and the hawkish tilt in US Federal Reserve (“Fed”) Chair Jerome Powell’s messaging in the post-meeting press conference which focused on a potential Fed pivot on the back of recessionary fears and November’s weaker-than-expected US Consumer Price Index (“CPI”) report.

Developed markets corrected in December 2022 on recession fears as S&P 500 Index, MSCI Europe and MSCI Japan declined by 5.8%, 3.5% and 5.2%, respectively in local currency terms. As US CPI is easing from the peak, the Fed is planning to slow the pace of rate hikes. USD weakened by 2.3% in December 2022 accordingly whilst the Euro appreciated by 2.9% and the Japanese Yen appreciated by 5% as Bank of Japan widened the target band for 10y bond yield from +/- 25bps to +/-50bps. As expected, the Fed delivered 50bps rate hike and indicated they will continue to raise interest rates to meet the 2% inflation target. European Central Bank also delivered a 50bps rate hike. The MSCI AC Asia Pacific ex Japan Index declined by 0.7% in USD terms in December 2022. China and Hong Kong were the best performing markets on the back of China’s change in zero-covid policy, while Taiwan and Korea were among the worst performers.

On the local front, the FBMKLCI rallied by 0.45% Month-on-Month (“MoM”) to close at 1,495.49 pts on 30 December 2022. The Index outperformed the MSCI Asia Ex Japan Index, which fell 1.27% MoM in Malaysia Ringgit (“MYR”) terms over the same period. Foreign investors stayed net sellers of Malaysian equities amounting to MYR1.4 billion in December 2022, which local institutions stayed net buyers with MYR1.6 billion. During the month, sector wise, Energy (+7.9%), Plantation (+7.6%), and Utilities (+2.2%) were the key performers while Telecommunications & Media (-1.6%), Technology (-0.9%) and Financial Services (-0.7%) were the key detractors.

Market Outlook

Central banks remain hawkish towards their objective of combating inflation and have somewhat pointed towards an imminent pause in the policy tightening cycle. With inflationary pressure from energy prices and supply chains easing, central banks are expected to be more focused on domestic labour markets and to avoid the wage price spiral that could keep inflation higher for longer. Nevertheless, Fed Chair confirmed that rates will be higher for longer, with risks to prematurely pause the tightening cycle. Going into 1Q23, we expect rates volatility to linger given that Fed reiterated its hawkish tone against a slightly more dovish market reaction thus far. Domestically, with the positive outlook on domestic growth and still elevated core inflation for 2023, we believe BNM would most likely continue its normalization cycle into 1Q23, unless demand-driven data suggests otherwise.



Disclaimer

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