



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.

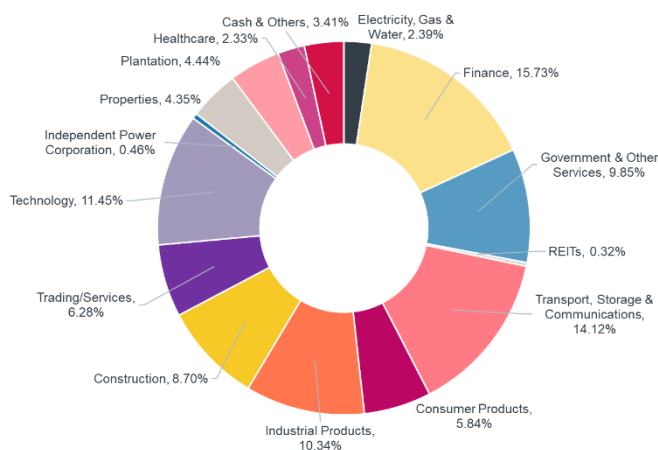
Fund Details

Unit NAV (31 July 2024)	: RM 1.3864
Fund Size (31 July 2024)	: RM 137.5 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	: 50% FBM EMAS Shariah Index + 50% Quant Shop GII All Index

Top Five Holding

1.	SPETCHEM IMTN 5.50% 27.07.2037	3.34%
2.	TELEKOM MALAYSIA BHD	3.04%
3.	DANAINFRA IMTN 4.850% 16.08.2052	2.82%
4.	GII MURABAHAH 2/2023 4.291% 14.08.2043	2.70%
5.	MISC	2.63%

Sector Allocation



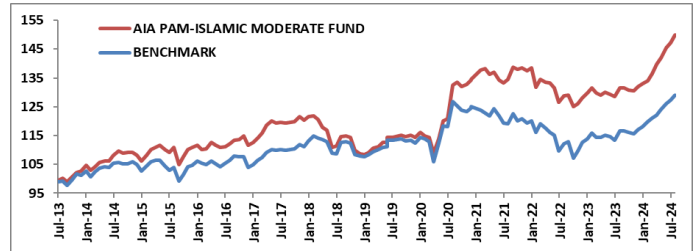
Risk

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		1.85%	14.05%	31.07%	36.85%	49.94%
Index		1.38%	10.62%	13.91%	22.16%	29.03%
Excess		0.47%	3.43%	17.16%	14.69%	20.91%

Source: AIA Pension and Asset Management Sdn. Bhd., Bloomberg as at 31 July 2024.
 ^ Cumulative returns. The performance is calculated on NAV-to-NAV basis. Past performance is not an indicative of future performance.

Market Review

The Government Investment Issues (“GII”) yield curve bull steepened in July 2024. Trading sentiment turned bullish as optimism built up for a dovish signal at July’s US Federal Open Market Committee (“FOMC”) meeting following easing US inflation and labour market data. Expectations are now for the US Federal Reserve (“Fed”) to cut the federal funds target rate in the upcoming September FOMC meeting. On the domestic front, Bank Negara Malaysia (“BNM”) kept the overnight policy rate (“OPR”) unchanged at 3.00%. In its monetary policy statement, BNM highlighted that inflation will trend higher in 2H24 amid the recent rationalisation of diesel subsidies. Nevertheless, it added that inflation will remain manageable given the mitigation measures to minimise the cost impact on businesses. Growth outlook is expected to be driven by the ongoing global tech upcycle, tourist arrivals, sustained household spending as well as ongoing progress of multi-year projects and implementation of initiatives under the national master plans, among others.

Foreign flow for Ringgit bonds surged to MYR7.8 billion, the highest in a year (June 2024: -MYR 0.6 billion). Expectation of Fed easing strengthened the conviction of Ringgit, drawing large bond inflows.

Malaysia’s headline inflation in June 2024 grew 2.0% (May 2024: +2.0% YoY), despite the rationalization of diesel subsidies started on 10 June. This brings 1H24 headline inflation reading to 1.8%. Meanwhile, core inflation was unchanged at 1.9%. Malaysia’s industrial production for May 2024 grew 2.4% (April 2024: +6.1%). The manufacturing sector encouragingly grew 4.6% YoY (April 2024: +4.9%) while the electricity sector grew 4.2% (April 2024: +7.8%). However, this was partially offset by the mining sector which contracted 6.9% (April 2024: +10.0%) due to a double-digit decline in natural gas production and a drop in crude oil & condensate output.

The FBMS (“Index”) rose 1.67% Month-on-Month (“MoM”) to close at 12762.46 pts in July 2024. The Index outperformed the MSCI Asia ex Japan Index, which declined by 3.22% MoM in Malaysian Ringgit (“MYR”) terms over the same period. Foreign investors reversed their positions from net selling in June 2024 to a net buy position in July 2024, recording a YTD cumulative net inflow of MYR500 million.

Market Outlook

Recent US economic data releases are suggestive of a moderation in inflation. Although the labour market and services sectors remain resilient, recent data has pointed towards some softening in these sectors. In the latest US FOMC meeting, the federal fund target rate was maintained at the range of 5.25-5.50%, with Fed Chair Powell finally signalling that the first cut could come in September 2024. Domestically, Bank Negara Malaysia may keep its Overnight Policy Rate unchanged in the coming meetings as it observes the domestic inflation trend. These factors are supportive of the domestic bond 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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