



Jun 2023

MONTHLY FUND PERFORMANCE UPDATE AIA STRATEGIC FIXED INCOME FUND

Investment Objective

The Fund aims to provide a steady stream of income returns through investments in both domestic and USD-denominated fixed income securities and money market instruments. The secondary goal of the Fund is to provide medium to long-term capital appreciation whilst preserving the capital invested.

While the Fund predominantly focuses on domestic fixed income securities, it may invest up to 50% of its NAV in USD-denominated fixed income securities.

Notice: Please refer to the Fund Fact Sheet for more information about the Fund.

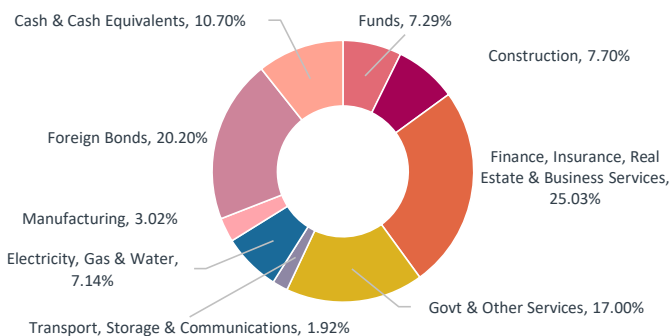
Fund Details

Unit NAV (30 Jun 2023)	: RM 1.04132
Fund Size (30 Jun 2023)	: RM 145.168 million
Fund Currency	: Ringgit Malaysia
Fund Inception	: 6 May 2020
Offer Price at Inception	: RM1.00
Fund Management Charge	: 1.00% p.a.
Investment Manager	: AIA Bhd.
Basis of Unit Valuation	: Net Asset Value
Frequency of Unit Valuation	: Daily

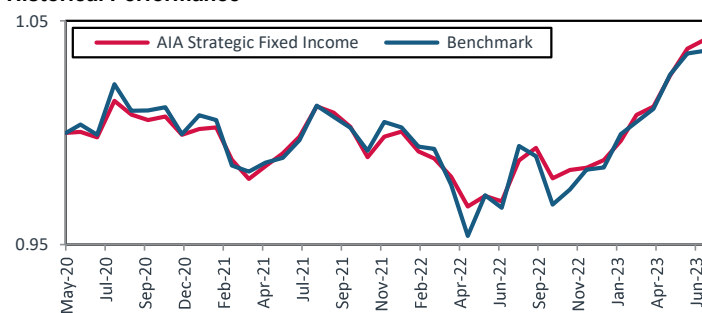
Top Holdings

1	MALAYSIA GOVERNMENT SECURITIES	17.00%
2	DANAINFRA NASIONAL BHD	6.48%
3	AIA DIVERSIFIED FIXED INCOME FUND	4.56%
4	TNB POWER GENERATION SDN BHD	4.39%
5	AMBANK (M) BHD	3.45%

Asset and Sector Allocation



Historical Performance



Cumulative Performance	1-Mth	6-Mth	1-Year	3-Year	5-Year	Since Inception
Fund ^a	0.37%	5.42%	7.42%	4.35%	N/A	4.13%
Benchmark ^a	0.11%	5.29%	7.25%	3.75%	N/A	3.65%
Excess	0.26%	0.13%	0.17%	0.60%	NA	0.48%

^a Calculation of past performance is based on NAV-to-NAV. This is strictly the performance of the investment fund, and not the returns earned on the actual premiums/contributions paid of the investment-linked product.

* 70% MGS ALL Index (Source: RAM QuantShop @ www.quantshop.com) + 30% Bloomberg Barclays Global Aggregate USD Total Return Index Unhedged (Source: Bloomberg)

Notice: Past performance of the Fund is not an indication of its future performance.

Market Review

Local Market Review

Malaysian Government Securities ("MGS") weakened across the curve in a bear flattening manner as local sentiment was largely driven by higher global rates following the unexpected rate hikes by the Reserve Bank of Australia and Bank of Canada earlier in the month of June 2023, which raised concerns that central banks may not be done yet with their fight against inflation. Trading stayed cautious leading into a few other key rate decisions by the US Federal Open Market Committee ("FOMC"), the European Central Bank ("ECB") and Bank of Japan ("BoJ") mid-month. While the FOMC ultimately held Fed Funds rate unchanged in its June 2023 meeting, hawkish guidance from Fed Chairman Jerome Powell with potentially another two more hikes this year offered no reprieve. Month-end and quarter-end buying flows across MGS benchmark securities provided a lift to the local bond market towards the end of the month of June 2023, but this was insufficient to reverse the earlier losses. On the currency front, the Malaysian ringgit ("MYR") weakened against the US dollar ("USD") by 1.16% to close at MYR4.6665 as of June 2023 month end. MGS levels as of end-June 2023 were: 3Y at 3.49% (+9 bps), 5Y at 3.60% (+12 bps), 7Y at 3.74% (+12 bps), 10Y at 3.86% (+15 bps), 15Y at 4.01% (+3 bp), 20Y at 4.10% (+2 bps) and 30Y at 4.14% (-2 bps).

Foreign net inflows continued for the 5th successive month in May 2023, accelerating to MYR3.0 billion (April 2023: +MYR1.5 billion). As a result, foreign holdings in MGS and Government Investment Issue ("GII") edged higher to 23.2% in May 2023 (April 2023: 23.0%).

There were three government securities auctions during the month: 3Y GII 9/26 reopening auction with a tender size of MYR4.5 billion drew a bid-to-cover ("BTC") ratio of 1.759x at an average yield of 3.435%, 20Y MGS 10/42 reopening auction with a tender size of MYR3.0 billion and MYR2.5 billion private placement drew a BTC ratio of 1.877x at an average yield of 4.195% and 5Y GII 7/28 reopening auction with a tender size of MYR5.5 billion drew a BTC of 1.813x at an average yield of 3.677%.

Malaysia's industrial production index fell 3.3% Year-on-Year ("YoY") in April 2023 (March 2023: +3.2% YoY), attributed to contraction in all sectors namely Mining (-4.9%), Manufacturing (-3.0%) and Electricity (-2.0%). Malaysia's unemployment rate was unchanged at 3.5% YoY in April 2023 (March 2023: 3.5% YoY). Bank Negara Malaysia ("BNM")'s foreign reserves declined to USD111.4 billion as at 30 June 2023 (31 May 2023: USD112.7 billion), sufficient to finance 6.7 months of retained imports and 1.0x of short-term external debt. Malaysia's exports posted a smaller decline of 0.7% YoY in May 2023 (April 2023: -17.6% YoY) as electrical & electronic products, chemicals & chemical product, machinery, appliances & parts, optical & scientific equipment and petroleum products rebounded in growth. Imports decelerated by a wider 3.3% YoY (April 2023: -11.1% YoY) due to the fall in imports of intermediate goods, partially offset by the growth in consumption goods and capital goods. As a result, the trade surplus widened to MYR15.42 billion (April 2023: MYR12.60 billion). Malaysia's headline Consumer Price Index ("CPI") for May 2023 decelerated to 2.8% YoY (April 2023: 3.3% YoY). The moderation in inflation was mainly contributed by the fall in food and non-alcoholic beverages, transport and furnishings, household equipment and routine household maintenance sectors. Core inflation, which excludes the more volatile prices of fresh food as well as administered prices of goods by the government, increased more slowly at 3.5% YoY (April 2023: +3.6% YoY).

On the primary corporate space, notable issuances included MYR1.8 billion Pengurusan Air SPV IMTN, MYR1.2 billion Cagamas IMTN, and MYR900 million Gamuda IMTN. There were two rating revisions in June 2023. RAM Ratings upgraded the rating of UniTapah Sdn Bhd's Sukuk Murabahah to AAA from AA1 in view of its observed strong operating performance, stable credit metrics and steady deleveraging. RAM Ratings also upgraded the rating of Salvare Assets Bhd's first tranche Senior Class A Notes to AAA/Stable from A1/Stable, reflecting the Senior Notes' fully cash-backed position. Meanwhile, RAM Ratings has placed the BBB2/Negative rating of SPR Energy (M) Sdn Bhd's Senior Sukuk on Rating Watch with a negative outlook, prompted by a recent unexpected flashover incident at the second gas turbine generator of SPR's 100 MV combined-cycle gas turbine power plant in Kimanis Sabah.

Foreign Market Review

The month of June 2023 saw a general easing of market volatility, with most risk asset classes ending the month higher. However, global treasury yields rose due to continued sticky inflation pressures. Volatility at the front end of the US curve stabilized after a resolution of the US debt ceiling issue, with a bipartisan agreement extending the limit until 2025. Looking at market movements, developed market yield curves further inverted in June 2023, with the UST 2Y yield rising 49 bps to 4.90%. The UST 10Y yield sold off 19 bps to 3.84%. In the monetary space, most developed market central banks continued their tightening efforts. The Bank of England ("BoE") and Norges Bank surprised with larger-than-expected 50 bps hikes, while the Reserve Bank of Australia ("RBA") and Bank of Canada continued their hiking cycles. The Federal Open Market Committee ("FOMC") refrained from hiking for the first time since March 2022, but the dot plot pointed towards more rate rises ahead. The European Central Bank ("ECB") indicated that it is very likely to continue to increase rates in July 2023 following a 25 bps hike in June 2023. In terms of latest released data in June 2023 (based on May 2023 numbers), both US hiring and unemployment rose. Nonfarm payrolls came in at 339k (significantly higher than the 190k expected), but there were some signs that the labor market is softening – the unemployment rate rose by +0.3 percentage points to 3.7%, the highest unemployment rate since October 2022. In the United Kingdom ("UK"), core inflation rose +0.3 percentage points to 7.1% YoY (based on May 2023 data released in June 2023), higher than expected, and remained at its highest level since 1992. In the Eurozone, headline inflation printed at 6.1% YoY in May 2023, while industrial production partially rebounded after a slump in March 2023. Euro Area Composite Purchasing Manager Index ("PMI"), however, sank to a 3-month low of 50.3 points from May 2023's 52.8 points.

Market Outlook

Recent inflation readings and economic data from the US have shown signs of moderation. Although the US Federal Reserve ("Fed") continues to reiterate the need to maintain tighter monetary policy amidst robust labour market data, stresses in the US banking sector have called into question the ability of financial institutions to absorb further tightening in financial conditions. Domestically, BNM has kept the overnight policy rate ("OPR") unchanged at its recent Monetary Policy Committee ("MPC") meeting. Against the backdrop of moderating inflation expectations as well as growth outlook in 2H2023, the possibility of further OPR hikes for the rest of the year may be remote at this juncture, barring the uncertain timing of subsidy rationalization. For 2023, we expect rates volatility to linger due to uncertainties surrounding the central banks' future monetary policy moves on the back of differing and changing views as market conditions evolve.

This document is for informational use only. Investments are subject to investment risks including the possible loss of the principal amount invested. The value of the units may fall as well as rise. Past performance of the fund is not an indication of its future performance. This is not a pure investment product such as unit trust and please evaluate the options carefully and satisfy that the Investment-Linked Insurance / Takaful plan chosen meets your risk appetite. Please refer to the Fund Fact Sheet for more information about the fund.