



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.

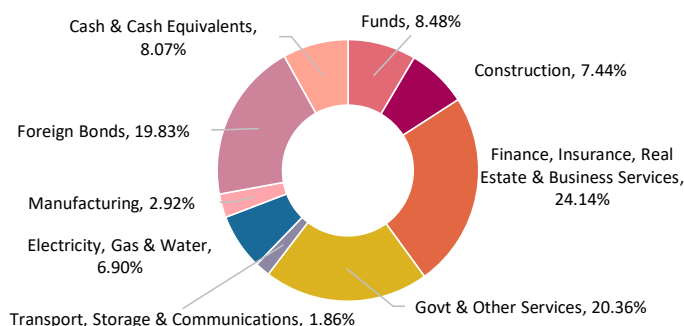
Fund Details

Unit NAV (31 Jul 2023)	: RM 1.03675
Fund Size (31 Jul 2023)	: RM 150.828 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

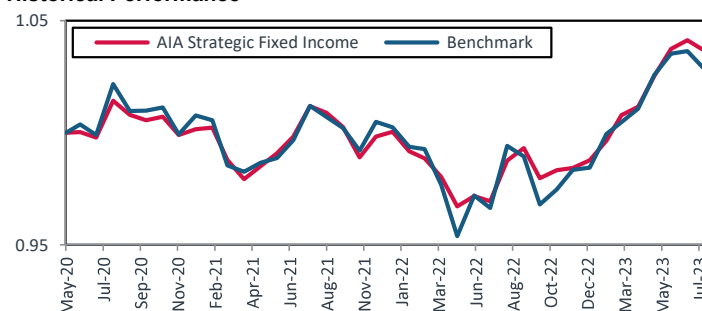
Top Holdings

1	MALAYSIA GOVERNMENT SECURITIES	17.62%
2	DANAINFRA NASIONAL BHD	6.23%
3	AIA DIVERSIFIED FIXED INCOME FUND	4.27%
4	TNB POWER GENERATION SDN BHD	4.25%
5	AIA US HIGH YIELD BOND FUND	4.21%

Asset and Sector Allocation



Historical Performance



Cumulative Performance	1-Mth	6-Mth	1-Year	3-Year	5-Year	Since Inception
Fund ^A	-0.44%	4.04%	4.97%	2.21%	N/A	3.67%
Benchmark [*]	-0.76%	2.92%	3.47%	0.68%	N/A	2.86%
Excess	0.32%	1.12%	1.51%	1.54%	NA	0.81%

^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") traded mixed in July 2023. Short-end yields came under pressure at the start of the month on expectations of tighter market liquidity and as market participants de-risked ahead of Bank Negara Malaysia's ("BNM") Monetary Policy Committee ("MPC") decision. Subsequently, local government bonds rallied and reversed some of their losses after the release of weaker-than-expected US Consumer Price Index ("CPI") data for June 2023, with the rally led by a good mix of buying flows from both onshore and offshore participants across the curve. Towards month-end, trading interests turned relatively subdued ahead of the key rate decision by the US Federal Open Market Committee ("FOMC") meeting, which eventually saw the US Federal Reserve ("Fed") hiking the federal funds rate by 25 bps following a pause in the May 2023 FOMC meeting. On the currency front, the Malaysian Ringgit ("MYR") strengthened against the US Dollar ("USD") by 3.42% to close at MYR4.5070. MGS levels as of end-July 2023 were: 3Y at 3.49% (-1 bps), 5Y at 3.60% (-1 bps), 7Y at 3.76% (+2 bps), 10Y at 3.83% (-2 bps), 15Y at 4.02% (+1 bp), 20Y at 4.11% (+2 bps) and 30Y at 4.22% (+8 bps).

Foreign net inflows continued for the 6th successive month in June 2023, accelerating to MYR5.2 billion (May 2023: +MYR3.0 billion). Foreign holdings in MGS and Government Investment Issue ("GII") inched up to 23.4% in June 2023 (May 2023: 23.2%).

There were three government securities auctions during the month: 10Y MGS 11/33 auction with a tender size of MYR5.5 billion drew a bid-to-cover ("BTC") ratio of 2.641x at an average yield of 3.860%, 7Y GII 9/30 reopening auction with a tender size of MYR5.0 billion drew a BTC ratio of 2.295x at an average yield of 3.788% and 3Y MGS 7/26 reopening auction with a tender size of MYR4.5 billion drew a BTC of 1.908x at an average yield of 3.483%.

Malaysia's industrial production index rebounded 4.7% Year-on-Year ("YoY") in May 2023 (April 2023: -3.3% YoY), led by growth across Mining (+2.9%), Manufacturing (+5.1%) and Electricity (+5.0%). Malaysia's unemployment rate was unchanged at 3.5% in May 2023 (April 2023: 3.5%). BNM's foreign reserves increased to USD111.8 billion as at 14 July 2023 (30 June 2023: USD111.4 billion), sufficient to finance 5.1 months of imports of goods and services and is 1.0x of short-term external debt. Malaysia's exports posted a double-digit decline of 14.1% in June 2023 (May 2023: -0.7%) on lower exports of manufactured goods such as petroleum products, palm oil-based manufactured products, chemicals & chemicals product, as well as lower exports of agricultural and mining goods. Imports decelerated by a wider 18.9% YoY (May 2023: -3.3% YoY) due to the fall in imports of intermediate goods, consumption goods and capital goods. As a result, trade surplus widened to MYR25.8 billion (May 2023: +MYR15.7 billion). Malaysia's headline CPI for June 2023 decelerated further to 2.4% YoY (May 2023: 2.8% YoY). Deceleration was noted in the Food & Non-Alcoholic Beverages, Housing, Utilities & Other Fuels and Transport 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 3.1% (May 2023: +3.5%). 1H 2023 headline inflation now stands at 3.2%.

On the primary corporate space, notable issuances included MYR3.5 billion Sarawak Energy Berhad IMTN, MYR1.5 billion Johor Corporation IMTN, MYR935 million Cagamas IMTN and MYR700 million Cagamas MTN. There was one rating revision in July 2023. MARC Ratings downgraded the rating on TG Excellence Berhad's MYR3.0 billion Perpetual Sukuk Wakalah Programme to A+IS(cg) from AA-IS(cg), reflecting the continued weakness in Top Glove's financial performance. MARC Ratings also revised WCT Holdings' ratings outlook to negative from stable on the back of persistently high leverage position that WCT Holdings has not been able to address in a meaningful way. The rating action has also factored in the group's weakening liquidity position as cash reserves have been used to support the group's operations in recent operations.

Foreign Market Review

July 2023 was largely positive for risk assets classes, while movement in global treasury yields was differentiated across geographies. Mixed macro data revealed a relatively resilient U.S. economy with moderating inflation, while stickier inflation data persisted in the Eurozone. The UST 2Y yield fell 2 bps to 4.88%, while the UST 10Y yield sold off 12 bps to 3.96%. Within spreads, USD investment grade tightened 11bps to 119bps, while euro ("EUR") investment grade tightened 14bps to 147bps.

In the monetary space, most developed market central banks continued their tightening trajectory, with some signs of potential pivots. Perhaps the most notable move in monetary policy occurred in Japan, where the Bank of Japan ("BoJ") surprised markets by incorporating more flexibility into its yield curve control policy, which could allow the program to expire gradually, if economic conditions are favorable. The US Federal Reserve ("Fed") hiked 25 bps, as the committee shifted into a full data dependence mode as highlighted by Chair Powell's press conference. The European Central Bank ("ECB") increased rates by 25 bps as well, abandoning forward guidance and moving to a fully data dependent mode similarly to the Fed.

Regarding macro prints, both U.S. hiring and unemployment indicated a relatively firm labor market. Non-farm payrolls came in at +209k (lower than the +225k expected) after printing 14 months in a row above consensus, while the unemployment rate fell by -0.1pts to 3.6%. However, U.S. core CPI results were the weakest since Oct 2021, falling to 4.8% YoY. U.S. headline CPI also dropped to 3% YoY, down from a peak of 9.1% YoY a year ago. In the U.K., core inflation fell -0.2pts to 6.9% YoY. In the Eurozone, core inflation rose to 5.5% YoY, above expectations, while headline inflation printed at 5.5% YoY in June 2023. In China, core CPI softened further in June 2023, only rising 0.4%. The Politburo meeting acknowledged the current economic difficulties of the country and pledged more support.

Global investment grade credit spreads tightened 10 bps, ending the month at 114 bps. The sector returned 0.56%, outperforming like-duration government bonds by 0.75%. Credit spreads tightened amid declining developed-market inflation and resilient Gross Domestic Product ("GDP") data that raised optimism for a soft landing. Global high yield bond spreads tightened 23 bps and the asset class returned 1.4% in July 2023. Spreads tightened amid reduced macro uncertainty, bolstered by moderating inflation and better-than-expected earnings.

Market Outlook

Recent inflation readings and economic data from the US have shown signs of moderation. Although the US 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 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 central banks' future monetary policy moves on the back of differing and changing views as market conditions evolve.