AIA Bhd. 200701032867 (790895-D)

Aug 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.

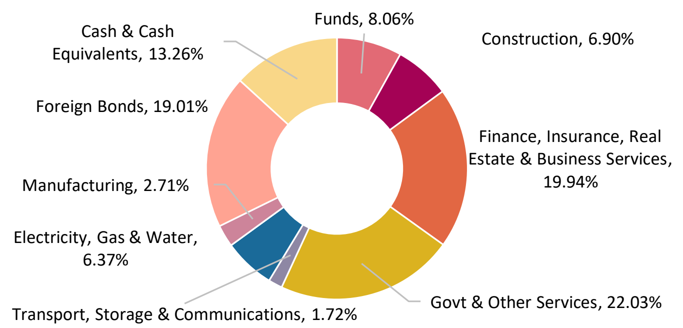
Fund Details

Unit NAV (31 Aug 2023)	:	RM 1.04548
Fund Size (31 Aug 2023)	:	RM 163.111 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

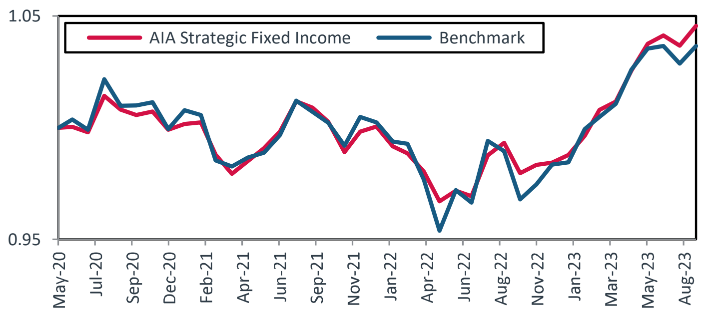
Top Holdings

1	MALAYSIA GOVERNMENT SECURITIES	17.64%
2	DANAINFRA NASIONAL BHD	6.21%
3	JOHOR CORP	4.75%
4	AIA DIVERSIFIED FIXED INCOME FUND	4.36%
5	AIA US HIGH YIELD BOND FUND	4.35%

Asset and Sector Allocation



Historical Performance



Cumulative Performance	1-Mth	6-Mth	1-Year	3-Year	5-Year	Since Inception
Fund^	0.84%	3.72%	5.26%	3.71%	N/A	4.55%
Benchmark*	0.76%	3.16%	4.75%	2.65%	N/A	3.65%
Excess	0.08%	0.57%	0.51%	1.07%	NA	0.90%

^ 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 August 2023. Short-end yields moved lower amidst optimism that Bank Negara Malaysia ("BNM") will keep the Overnight Policy Rate ("OPR") on hold for the rest of 2023. On the long end of the curve, yields moved higher, weighed by weakness in US Treasuries ("UST") and pressured by increased primary supply of long-dated bonds during the month. The earlier part of the month saw some decent demand by local investors, especially after the conclusion of the state elections, as yields moved 2 to 3 bps lower across the curve. However, sentiment deteriorated in the final 2 weeks of the month, as UST yields soared to 15-year highs. The UST market was burdened by large primary supply and investors also began to price in the potential for more hikes by the US Federal Reserve ("Fed") after data releases indicated that the services sector and labour market remains robust. There was also caution among global investors leading up to the annual Jackson Hole symposium at the end of August 2023 where the US Federal Reserve ("Fed") Chairman, Jerome Powell and other global central bank leaders were scheduled to speak. On the currency front, Malaysian Ringgit ("MYR") weakened against the US Dollar ("USD") by 2.92% to close at 4.6385. MGS levels as of end-August 2023 were: 3Y at 3.45% (-3 bps), 5Y at 3.58% (-1 bp), 7Y at 3.74% (-1 bp), 10Y at 3.84% (+1 bp), 15Y at 4.04% (+3 bp), 20Y at 4.16% (+5 bps) and 30Y at 4.27% (+6 bps).

Foreign net inflows continued for the 7th successive month in July 2023, accelerating to MYR11.3 billion (June 2023: +MYR5.2 billion). Foreign holdings in MGS and Government Investment Issue ("GII") inched up to 24.2% in July 2023 (June 2023: 23.4%).

There were four government securities auctions during the month: 30Y GII 5/52 auction with a tender size of MYR3.0 billion and an additional private placement of MYR2.0 billion drew a bid-to-cover ("BTC") ratio of 2.557x at an average yield of 4.362%, 5Y MGS 4/28 reopening auction with a tender size of MYR5.0 billion drew a BTC ratio of 1.768x at an average yield of 3.647%, 20Y GII 9/43 auction with a tender size of MYR3.0 billion and an additional private placement of MYR2.0 billion drew a BTC ratio of 1.992x at an average yield of 4.285% and 15Y MGS 6/38 reopening auction with a with a tender size of MYR3.0 billion and an additional private placement of MYR1.0 billion drew a BTC of 2.118x at an average yield of 4.049%.

Malaysia's 2Q2023 Gross Domestic Product ("GDP") growth decelerated to +2.9% Year-on-Year ("YoY") (1Q2023: +5.6% YoY), driven by high base effects and weakness in the mining sector and lower agricultural production. Malaysia's industrial production index declined 2.2% YoY in June 2023 (May 2023: +4.7% YoY) as export-oriented sectors recorded declines amidst weaker external demand. Malaysia's unemployment rate declined to 3.4% in June 2023 (May 2023: 3.5%). BNM's foreign reserves decreased to USD112.2 billion as of 15 August 2023 (31 July 2023: USD112.9 billion), sufficient to finance 5.2 months of imports of goods and services and is 1.0x of short-term external debt. Malaysia's exports declined by 13.1% YoY in July 2023 (June 2023: -14.1% YoY) 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 15.9% YoY (June 2023: -18.9% YoY) due to the fall in imports of intermediate goods, consumption goods and capital goods. The trade surplus narrowed to MYR17.09 billion (June 2023: +MYR25.8 billion). Malaysia's headline Consumer Price Index ("CPI") for July 2023 decelerated further to 2.0% YoY (June 2023: 2.4% YoY). Deceleration was driven by the slower increases in restaurants and hotels, food and non-alcoholic beverages and health and education components.

On the primary corporate space, notable issuances included MYR1.4 billion YTL Power IMTN, MYR1.07 billion Cagamas IMTN, MYR555 million Cagamas MTN and MYR550 million Eco World Capital Bhd IMTN. There was one rating revision in August 2023. RAM downgraded the rating on Country Garden Real Estate Berhad's IMTN programme to BBB3IS from AA3IS, reflecting the same rating action taken in respect of the parent company, China-based developer, Country Garden Holdings Company Limited's missed payment of coupons on its USD bonds. There were also a number of issuers put on rating watch in August 2023. RAM put Kuala Lumpur Kepong Berhad and Batu Kawan Berhad on negative rating watch due to the recent announcement of the strategic collaboration agreement between Kuala Lumpur Kepong Berhad with Boustead Holdings Berhad and Lembaga Tabung Angkatan Tentera. RAM also put Telekosang Hydro One Sendirian Berhad on negative rating watch due to the concerns over the Issuer's deteriorating liquidity position and potential breaches in meeting selected covenants. MARC Ratings put ANIH Berhad on negative rating watch to reflect the uncertainties that arose from the new supplemental concession agreement between ANIH and the government, including potential for an event of default being called due to ANIH not obtaining prior consent from sukuk holders to sign the agreement.

Foreign Market Review

August 2023 proved to be a challenging month for most asset classes. The month started with Fitch Ratings downgrading the United States' sovereign credit rating from AAA to AA+ on the backdrop of expected fiscal deterioration and growing government deficits. Concurrently, macro data from Europe was on the weaker side, and China's softening growth seemed to pose risks to the government's 5% GDP growth target. Movements in interest rates diverged across region and tenor. The US Treasury ("UST") 2Y yield fell 1 bps to 4.86% while the UST 10Y yield sold off 15 bps to 4.11%. Within spreads, USD investment grade widened 3 bps to 122 bps, while euro ("EUR") investment grade widened 8 bps to 155 bps.

In the monetary space, there were only a few notable events. The Bank of England ("BOE") raised its policy interest rate by 25 bps to 5.25%, pushing borrowing costs to their highest level since 2008. The People's Bank of China ("PBOC") cut its 1-year loan prime rate by 10 bps to 3.45% whilst unexpectedly leaving its 5-year equivalent unchanged at 4.20%. Fed Chair Jerome Powell, at his Jackson Hole speech, restated the Fed's intent to bring inflation back to the 2% target. Fed officials likely need to see some additional softening in the US labor market and a downshift in wage inflation to be confident with the price trajectory, while evidence of above-trend growth or continued tight labor markets could call for higher rates.

Regarding macro prints, both US hiring and unemployment indicated a relatively resilient labor market. Non-farm payrolls came in at +187k (lower than the +200k expected), while the unemployment rate fell by -0.1 pts to 3.5% (lower than the 3.6% expected). Meanwhile, US core CPI results were the weakest since Oct 2021, falling to 4.7% YoY. US headline CPI accelerated to 3.2% YoY, up from 3% in June 2023. Eurozone core inflation printed at 5.5% YoY for July 2023, in line with expectations, while headline inflation printed at 5.3% YoY. Euro Area Composite purchasing mangers' index ("PMI") further sank to 46.7 from July 2023's 48.6, the lowest since late 2020. China CPI fell by 0.3% YoY in July 2023, down from a flat reading in June 2023, moving into deflationary territory.

Global investment grade credit spreads widened 5 bps, ending the month at 119 bps. The sector returned -0.33%, underperforming like-duration government bonds by -0.12%. Credit spreads widened amid greater volatility stemming from turbulence in China's property sector as well as an increase in sovereign yields driven by strong economic data.

Market Outlook

Although recent inflation readings and economic data from the US have shown signs of moderation, the Fed continues to reiterate the need to maintain tighter monetary policy amidst robust labour market data. Despite this, it is apparent that we are at the tail-end of the rate normalisation cycle, with potentially one final hike by the Fed in 2023. Domestically, BNM has kept the OPR unchanged at its recent Monetary Policy Committee ("MPC") meeting. Against the backdrop of moderating inflation expectations as well as growth outlook in 2H23, 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 the remainder of 2023, we expect rates volatility to linger due to uncertainties surrounding economic data and central banks' future monetary policy moves as market conditions evolve.