September 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.

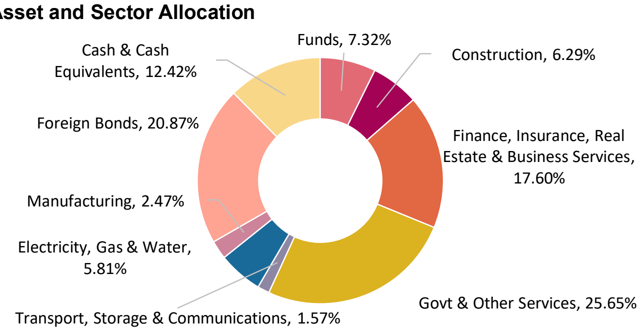
Fund Details

Unit NAV (30 Sep 2023)	:	RM 1.04307
Fund Size (30 Sep 2023)	:	RM 177.948 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

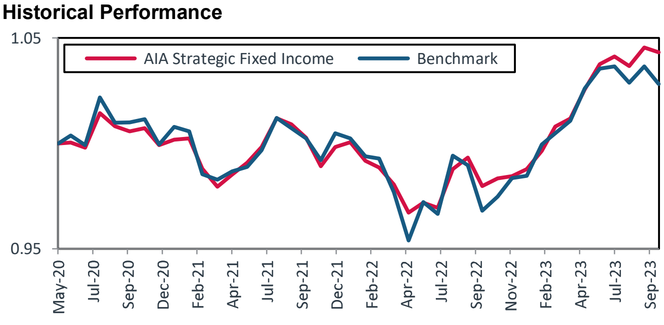
Top Holdings

1	MALAYSIA GOVERNMENT SECURITIES	21.65%
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^	-0.23%	3.11%	6.47%	3.72%	N/A	4.31%
Benchmark*	-0.81%	1.72%	6.21%	1.80%	N/A	2.81%
Excess	0.58%	1.39%	0.26%	1.92%	NA	1.49%

^ 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") yield curve shifted higher tracking global rates movement in September 2023. Bank Negara Malaysia ("BNM") kept the Overnight Policy Rate ("OPR") unchanged at 3.00% at the September Monetary Policy Committee ("MPC") meeting. However, sentiment deteriorated throughout the month, as the Federal Reserve Open Market Committee ("FOMC")'s September 2023 meeting leaned towards a soft-landing narrative with higher for longer rates on the back of strong growth and jobs data. Concerns on a possible US government shutdown led to sharp rises in US Treasury ("UST") yields as well. As a result, emerging market government bonds saw selling pressure following the macro backdrop and the strength of the US dollar ("USD"). On the currency front, Malaysian ringgit ("MYR") weakened against the USD by 1.22% to end the month at 4.6953. MGS levels as of end-September 2023 were: 3Y at 3.57% (+11 bps), 5Y at 3.72% (+13 bp), 7Y at 3.89% (+15 bp), 10Y at 3.98% (+13 bp), 15Y at 4.16% (+13 bp), 20Y at 4.29% (+13 bps) and 30Y at 4.42% (+15 bps).

Fixed income foreign flows recorded its first monthly outflow in Aug 2023 at MYR5 billion (July 2023: +MYR11.3 billion). Foreign holdings in MGS and Government Investment Issue ("GII") fell to 23.4% in August 2023 (July 2023: 24.2%).

There were 3 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 2.167x at an average yield of 3.539%, 30Y MGS 3/53 reopening auction with a tender size of MYR3.5 billion and an additional private placement of MYR1.5 billion drew a BTC ratio of 1.897x at an average yield of 4.454% and 5Y GII 7/28 reopening auction with a tender size of MYR5.0 billion drew a BTC ratio of 1.954x at an average yield of 3.808%.

On the economic data front, Malaysia's foreign reserves declined further by USD1.0 billion to USD111.5 billion as of 15 September 2023 (30 Aug 2023: USD112.5 billion). The reserves are sufficient to finance 5.2 months of retained imports and 1.0x of short-term external debt. Malaysia's exports further declined by 18.6% Year-on-Year ("YoY") in August 2023 (July 2023: -13.0% YoY). The deceleration was mainly driven by Electrical & Electronic Products, Palm Oil Products and Chemical & Chemical Products. Meanwhile, imports also declined 21.2% YoY (July 2023: -16.1% YoY), on the back of a lower imports of consumption and intermediate goods, partially offset by the increased in imports of capital goods. As a result, trade balance narrowed slightly to MYR17.3 billion (July 2023: MYR17.4 billion). Separately, Malaysia's headline inflation was unchanged at 2.0% YoY in August 2023 (July 2023: +2.0% YoY). The stable inflation rate was partly attributable to favourable base effects as well as the continuation of government subsidies. Overall prices for Food, Restaurants and Hotels recorded a slower increase, which helped to counter-balance the stronger price growth in Health, Transport, Education and Utilities. Core inflation decelerated for a 9th straight month to 2.5% YoY in August 2023 (July 2023: +2.8% YoY). On Malaysia's industrial production index, it rebounded to 0.7% YoY in July 2023 (June 2023: -2.2% YoY). The electricity and mining indices led the growth by 1.5% YoY and 4.2% YoY respectively, partially offset by the manufacturing sector at -0.2% YoY.

On the primary corporate space, notable issuances included MYR625 million YTL Corporation Berhad MTN, MYR560 million Cagamas Berhad MTN, MYR500 million OSK Rated Bond Sdn Bhd IMTN, and MYR500 million Press Metal Aluminium Holdings Berhad IMTN. In terms of rating revisions, September 2023 was a busy month. The outlook on Deutsche Bank (Malaysia) Berhad's long-term AA1 financial institution rating (FIR) was revised from stable to positive. The rating of Tranche 3 Structured Covered Sukuk issued under MBSB Bank Berhad's MYR2.295 billion Structured Covered Sukuk Murabahah Programme was upgraded to AAA from AA1. The outlook on the AA2 rating of Konsortium ProHAWK Sdn Bhd's MYR900 million IMTN Programme was revised from negative to stable. Cenergi SEA Berhad's corporate credit ratings and the issue ratings of its MYR1.5 billion Senior Sukuk/Subordinated Perpetual Sukuk Programme were upgraded. The rating of UEM Group Berhad's MYR2.2 billion IMTN Programme, issued through funding vehicle United Growth Berhad, was upgraded from AA2/Stable to AA1/Stable. The ratings of Segi Astana Sdn Bhd's MYR415 million ASEAN Green MTN was upgraded to AA- from A+. Lastly, the rating on Celcom Networks Sdn Bhd's Sukuk Murabahah programme of MYR5.0 billion was upgraded to AAA_{IS} from $AA+_{IS}$.

Foreign Market Review

September 2023 proved to be a turbulent month for financial markets, with a few catalysts leading to sharp movements across both rates and equities. Resilient macro indicators, rising oil prices and hawkish central bank tones led to a sharp sell-off in bond markets, with yields reaching multi-year highs. Further volatility spurred from US politics, as the chances of a government shutdown in the US increased over the month. The US Treasury ("UST") 2-year yield rose 18 basis points ("bps") to 5.04%, while the UST 10-year yield rose 46bps to 4.57%. Within spreads, US dollar ("USD") investment grade widened 2bps to 124bps, while Euro ("EUR") investment grade tightened 6bps to 149bps. In the equities space, the Russell 2000 delivered particularly weak performance, falling 5.89%, while the S&P500 registered a monthly loss for the second consecutive month, returning -4.77%. Within commodities, oil prices rose 9.73% over the month as tighter Organisation of Petroleum Exporting Countries ("OPEC") supply and higher demand outweighed worries about weaker economic growth and rising US crude inventories.

In the monetary space, central banks took varied approaches in their continued efforts to rein in inflation. At the September Federal Open Market Committee ("FOMC") meeting, the Federal Reserve ("Fed") kept interest rates unchanged at the 5.25% - 5.50% range. However, Fed Chair Jerome Powell signaled that another hike may be necessary later this year and said a soft landing is not the Fed's baseline expectation. The European Central Bank ("ECB") hiked interest rates by 25bps, bringing the deposit rate to 4%, the highest since the launch of the EUR in 1999, while also raising its inflation forecast and cutting growth expectations. The ECB Governing Council also communicated that the hiking cycle might be close to an end, having potentially reached a sufficiently restrictive level of rates. The Bank of England ("BOE") kept it policy rate at 5.25%, with the Monetary Policy Committee ("MPC") split in a 5-4 vote. For the second time in 2023, the People's Bank of China ("PBOC") announced a 25bps cut in the reserve requirement ratio ("RRR") to support growth recovery. The Bank of Japan ("BOJ") decided to maintain its ultra-loose monetary policy and kept interest rates unchanged at -0.1%, indicating that it will consider ending yield curve control when it believes the stable 2% inflation target can be met.

With regards to macro data, the US displayed conflicting macro indicators, as nonfarm payrolls came in at +187k (higher than the +170k expected), while the unemployment rate increased to 3.8% (higher than the 3.5% expected) in August 2023, marking the highest reading since February 2022. Meanwhile, US core consumer price index ("CPI") fell for the 5th consecutive time, to 4.3% Year-on-Year ("YoY") in August 2023. US headline CPI, on the other hand, accelerated to 3.7% YoY in August 2023, up from 3.2% YoY in July 2023. In the UK, core CPI printed at 6.2% YoY in August 2023, while headline CPI decelerated to 6.7% YoY from 6.8% YoY in July 2023. Eurozone core inflation printed at 5.3% YoY for August 2023.

Global investment grade credit spreads widened 1bp in September 2023, ending the month at 120bps. The sector returned 1.85%, outperforming like-duration government bonds by 0.10%. Credit spreads remained mostly unchanged as investors digested indications from the Fed regarding higher-for-longer rates.

Market Outlook

Although recent inflation readings and economic data from the US have shown signs of moderation, the US Federal Reserve ("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, Bank Negara Malaysia ("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 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.