



December 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.

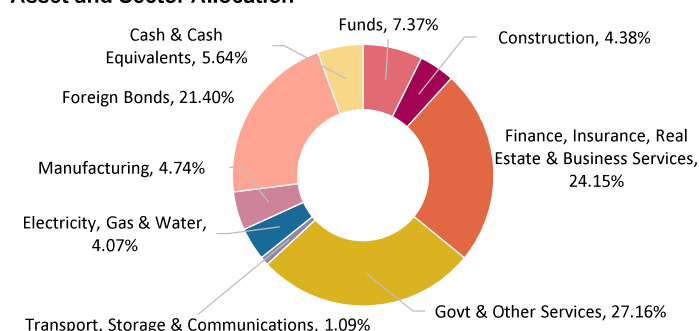
### Fund Details

Unit NAV (31 Dec 2023)	: RM 1.06427
Fund Size (31 Dec 2023)	: RM 257.904 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

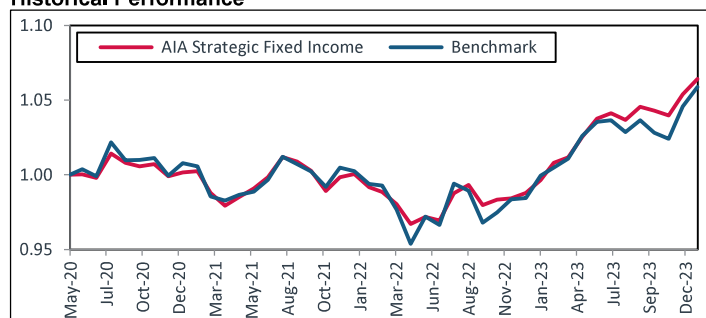
### Top Holdings

1	MALAYSIA GOVERNMENT SECURITIES	24.36%
2	DANAINFRA NASIONAL BHD	7.67%
3	SARAWAK PETCHEM SDN BHD	4.74%
4	AIA DIVERSIFIED FIXED INCOME FUND	3.96%
5	AMBANK (M) BHD	3.92%

### Asset and Sector Allocation



### Historical Performance



Cumulative Performance	1-Mth	6-Mth	1-Year	3-Year	5-Year	Since Inception
Fund <sup>a</sup>	0.98%	2.20%	7.74%	6.25%	N/A	6.43%
Benchmark <sup>*</sup>	1.26%	2.15%	7.54%	5.05%	N/A	5.89%
Excess	-0.28%	0.06%	0.20%	1.20%	N/A	0.54%

<sup>a</sup> 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.

<sup>\*</sup> 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

The Malaysian Government Securities ("MGS") yield curve bull flattened in the last month of the year following a strong rally in US Treasuries ("UST") after the US Federal Open Market Committee ("FOMC") voted to keep the federal funds target range unchanged at 5.25% to 5.50%. US Federal Reserve ("Fed") chairman Jerome Powell's speech leaned towards a dovish tilt and said that the committee had begun to discuss when it will be appropriate to begin dialing back the amount of policy restraint that is currently in place. The FOMC's summary of economic projections indicated that a large majority of the Committee are comfortable with multiple cuts in 2024 signaling that the Fed is done with rate hikes. On the currency front, Malaysian ringgit ("MYR") strengthened against the United States dollar ("USD") by 1.47% to end the year at 4.5940. MGS levels ended the year 2023 at: 3Y at 3.48% (-), 5Y at 3.59% (-1 bp), 7Y at 3.73% (-10 bps), 10Y at 3.73% (-9 bps), 15Y at 3.95% (-6 bps), 20Y at 4.10% (-7 bps) and 30Y at 4.24% (-5 bps).

Fixed income foreign flows reversed the outflow trend by recording an inflow in November 2023 at MYR5.4 billion (October 2023: -MYR2.6 billion). Foreign holdings in MGS and Government Investment Issue ("GII") rose to 23.1% in November 2023 (October 2023: 22.7%).

There were 2 government securities auctions during the month: 5Y MGS 4/28 reopening auction with a tender size of MYR5.0 billion drew a bid-to-cover ("BTC") ratio of 2.736x at an average yield of 3.592% and 10Y MGS 11/33 reopening auction with a tender size of MYR4.0 billion and private placement of MYR1.0 billion drew a BTC ratio of 2.206x at an average yield of 3.713%.

On the economic data front, Malaysia's foreign reserves stood at USD112.8 billion as of 15 December 2023 (30 November 2023: USD112.3 billion). The reserves are sufficient to finance 5.5 months of retained imports and 1.0x of short-term external debt. Malaysia's exports declined 5.9% Year-on-Year ("YoY") in November 2023 (October 2023: -4.5% YoY) due a drop in manufacturing and agriculture exports. Meanwhile, imports rebounded by 1.7% YoY (October 2023: -0.3% YoY) on the back of higher imports of capital and consumption goods, but this was partially offset by a decline in intermediate goods. As a result, trade balance narrowed to MYR12.4 billion (October 2023: MYR12.9 billion). Separately, Malaysia's headline inflation moderated to 1.5% YoY in November 2023 (October 2023: +1.8% YoY). Food & non-alcoholic beverages and Restaurants & hotels saw deceleration in the price increase. Core Consumer Price Index ("CPI") also eased to 2.0% YoY in November 2023 (October 2023: 2.4%). Malaysia's industrial production index rebounded to 2.7% YoY in October 2023 (September 2023: -0.5% YoY). The manufacturing, electricity and mining sectors contribute to the growth.

On the primary corporate bond space, notable issuances included MYR1.0 billion Bank Pembangunan Malaysia Berhad IMTN, MYR775 million Cagamas IMTN and MYR600 million Affin Islamic Bank Berhad IMTN. There were no rating revisions during the month, but the rating outlook was raised to positive from stable for Samalaju Industrial Port Sdn Bhd, Bintulu Port Holdings Berhad, Press Metal Aluminium Holdings Berhad and Point Zone (M) Sdn Bhd.

### Foreign Market Review

In December 2023, financial markets experienced a continuation of the rally seen in November 2023. Encouraging inflation data and a perceived dovish pivot by the Fed contributed to the persistence of this positive trend. The 2Y US Treasury ("UST") yield rallied 43 basis points ("bps") to 4.25% while 10Y UST yield rallied 45 bps to 3.88%. Within spreads, USD investment grade tightened 7 bps to 104 bps.

In the monetary space, central banks released their final policy decisions of the year. The US Federal Reserve ("Fed") kept its policy rate unchanged at 5.25 - 5.50% for the third consecutive time. It also released updated economic projections, which included a median outlook for 75 bps of net rate cuts in 2024 (up from 50 bps previously projected) consistent with its outlook for a slightly faster moderation of inflation to target with only a modest rise in the unemployment rate. The Bank of England ("BoE") held its policy rate at 5.25% for the third consecutive meeting. The European Central Bank ("ECB") left its policy rate unchanged at 4%. The Bank of Japan ("BoJ") kept its rate unchanged at -0.1%, without providing any indication on when they would exit their negative interest rate policy.

Regarding macro prints in the US., non-farm payrolls printed at +199k (higher than the +180k expected), while the unemployment rate remained at 3.7% (vs 3.9% expected). Meanwhile, U.S. core Consumer Price Index ("CPI") remained at 4% YoY. US headline CPI fell, printing at 3.1% YoY as per expectations. In the UK, core CPI printed at 5.1% YoY (vs. 5.6% YoY expected), and headline CPI fell to 3.9% YoY (vs 4.4% YoY expected). Eurozone core inflation printed at 3.6% YoY for November 2023, while headline inflation printed in line with expectations at 2.4% YoY.

Global investment grade credit spreads tightened 5 bps in December 2023, ending the month at 105 bps. The sector returned 3.73%, outperforming similar duration government bonds.

### Market Outlook

The recent US economic data releases are suggestive of a softening in economic activities and moderation in inflation. As such, the Fed has signalled that it is a step closer towards its dual mandate goal and the aggressive hiking cycle could be in its final phase. Domestically, Bank Negara Malaysia ("BNM") may keep its Overnight Policy Rate ("OPR") unchanged in the coming meetings as it observes 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.

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.