August 2024

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.

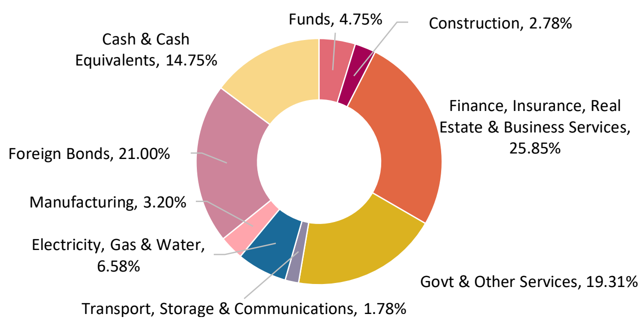
Fund Details

Unit NAV (31 August 2024)	:	RM 1.08466
Fund Size (31 August 2024)	:	RM 391.560 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

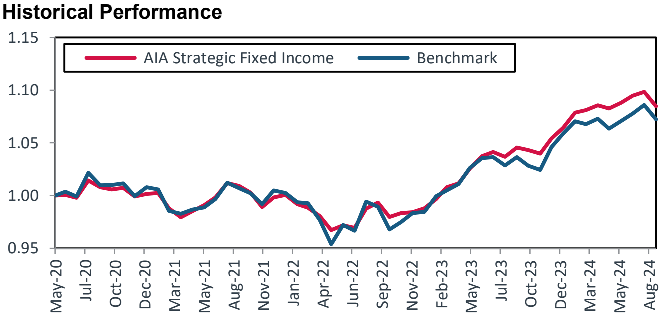
Top Holdings

1	MALAYSIA GOVERNMENT SECURITIES	18.23%
2	DANAINFRA NASIONAL BHD	4.97%
3	GENM CAPITAL BHD	4.50%
4	AMBANK (M) BHD	3.87%
5	YINSON HOLDINGS BHD	3.64%

Asset and Sector Allocation



Historical Performance



Cumulative Performance	1-Mth	6-Mth	1-Year	3-Year	5-Year	Since Inception
Fund^	-1.24%	0.33%	3.75%	7.50%	N/A	8.47%
Benchmark*	-1.25%	0.42%	3.45%	6.46%	N/A	7.22%
Excess	0.01%	-0.09%	0.30%	1.05%	N/A	1.24%

^ 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

The Malaysian Government Securities ("MGS") market traded mixed in August 2024 as short end bond yields moved lower while longer dated bond yields increased. It was a volatile start to the month for global financial markets as weak labour market data in the United States ("US") prompted a repricing in rate cut expectations and led to a sharp selloff in risk assets and consequently, a strong rally for fixed income markets. This led to a strong first week for the domestic bond market as the 10-year MGS benchmark yield hit a low of 3.68%. However, as risk-aversion in global financial markets dissipated and US Treasury yields normalized, MGS yields gradually moved up throughout the month to eventually close higher compared to closing levels in July 2024. The average daily traded volume ("ADTV") in the secondary market improved marginally to MYR5.7 billion/day from MYR5.2 billion/day in the previous month. On currencies, Malaysian Ringgit ("MYR") strengthened 5.9% against the United States Dollar ("USD") to close at MYR4.3205 from MYR4.5905 as at end July 2024. MGS levels as at end August 2024 were: 3-year at 3.33% (-4 bps), 5-year at 3.50% (-3 bps), 7-year at 3.71% (+3 bps), 10-year at 3.76% (+4 bps), 15-year at 3.91% (+4 bps), 20-year at 4.06% (+3 bps) and 30-year at 4.18% (+4 bps).

Fixed income foreign flows registered a net inflow of MYR7.8 billion in July 2024 (June 2024: -MYR0.6 billion), bringing Year-to-Date ("YTD") net foreign inflows to MYR8.7 billion. Foreign holdings in MGS and Government Investment Issue ("GII") increased to 22.2% in July 2024 (June 2024: 21.7%).

There were 4 government securities auctions during the month: The 7-year GII 10/31 reopening with a tender size of MYR5.0 billion drew a bid-to-cover ("BTC") ratio of 2.331x at an average yield of 3.726%, 30-year MGS 3/53 reopening with a tender size of MYR3.0 billion and a private placement of MYR2.0 billion drew a BTC ratio of 1.952x at an average yield of 4.172%, 5-year GII 7/29 reopening with a tender size of MYR4.0 billion drew a BTC ratio of 3.683x at an average yield of 3.488% and the 10-year MGS 7/34 reopening auction with a tender size of MYR5.5 billion drew a BTC ratio of 1.994x at an average yield of 3.760%.

On the economic data front, Malaysia's foreign reserves increased to USD115.9 billion as of 15 August 24 (31 July 2024: USD114.7 billion). The reserves position was sufficient to finance 5.4 months of imports of goods and services and was 1.0x the total short-term external debt. Malaysia's headline inflation in July 2024 grew 2.0% Year-on-Year ("YoY") (June 2024: +2.0% YoY). Compared to June 2024, Consumer Price Index ("CPI") for food and beverages decelerated while there was an acceleration in restaurant and accommodation services, personal care, social protection and miscellaneous goods & services, recreation, sports and culture and healthcare components. Core inflation was 1.9% YoY, unchanged from the previous month. Malaysia's 2Q 2024 Gross Domestic Product ("GDP") grew 5.9% YoY, above the advanced estimate of 5.8% YoY (1Q 2024: +4.2% YoY) and the fastest pace in 1.5 years. Growth was predominantly driven by private consumption, private investment, and improvement in exports. Positive labour market conditions and policy support spearheaded growth in consumer spending while robust capacity expansion by businesses drove private investment. On trade data, July 2024 exports grew 12.3% YoY (June 2024: +1.7% YoY), primarily driven by increased demand for palm oil and palm oil-based agricultural products, machinery, equipment and parts, petroleum products as well as electrical and electronic products. Exports of manufacturing goods which comprised 85.5% of total exports grew 10.6% YoY. Imports held up its double-digit growth momentum at 25.4% YoY in July 2024 (June 2024: +17.8% YoY) and accelerated for the 4th straight month. Trade surplus narrowed to MYR6.4 billion in July 2024 (June 2024: MYR14.3 billion). Malaysia's industrial production for June 2024 grew 5.0% YoY (May 2024: +2.4% YoY), underpinned by higher output growth in the manufacturing sector, which was reinforced by stronger demand in the export-oriented industries.

On the primary corporate bond space, notable issuances included MYR1.2 billion Pengurusan Air Selangor Bhd iMTN, MYR1 billion Danum iMTN, MYR1 billion YTL Power iMTN and MYR0.8 billion Sunway Treasury Sukuk Sdn Bhd iMTN. There were no rating changes for the month. Separately, MARC has revised the rating outlook of UiTM Solar Power Sdn Bhd from "Positive" to "Stable" amidst a moderation in margins and cash flow coverages due to an increase in operating expenses.

Foreign Market Review

A surge in risk-off sentiment propelled significant market volatility in early August 2024, with the CBOE Volatility Index rising to levels last seen during the Covid-19 market turmoil in March 2020. A few factors, including the release of a softer than expected U.S. payroll report, spurred recession fears, and led to a significant rally in high quality treasuries along with the unwinding of carry trades. However, these concerns partially eased later into the month, as more positive U.S. economic data came out. Shortly after the softer payrolls, the subsequent weekly initial jobless claims fell while the U.S. Institute of Supply Management ("ISM") services report rebounded above consensus. In this context, both fixed income and equities managed to broadly deliver positive returns. The US Treasury ("UST") 2Y yield fell 34 basis points ("bps") to 3.92% while the UST 10Y yield fell 13 bps to 3.90%. Within credit spreads, USD investment grade tightened 1 bps to 96 bps. The U.S. Dollar ("USD") weakened against all G10 currencies, marking its worst monthly performance since November 2023.

In the monetary space, the Fund continued to observe dovish signals from central banks. At the Jackson Hole Symposium, US Federal Reserve ("Fed") Chairman Jerome Powell hinted to a change in the balance of risks, as upside risks to inflation have diminished while the downside risks to employment have increased, which further supported the possibility of a September 2024 rate cut. In the United Kingdom ("UK"), the Bank of England ("BoE") cut its policy rate by 25 bps to 5.0% for the first time this cycle, having been on hold since summer 2023. The Reserve Bank of New Zealand also delivered its first 25 bps cut, which, like the BoE's, was not fully priced in.

Regarding macro prints, U.S. job creation slowed to 114,000 in July 2024, weaker than expected, reinforcing the evidence that the U.S. economy is cooling down. The unemployment rate, meanwhile, rose to 4.25% unrounded. The pace of U.S. core inflation slowed to 3.2% in July 2024 compared to a year ago, marking the lowest rate since April 2021. Headline inflation also slowed for the 4th consecutive month, printing at 2.9%. Meanwhile, a second estimate for the Q2 2024 U.S. real gross domestic product ("GDP") growth, revealed a 3% print, up from the 2.8% originally estimated. In Europe, Eurozone headline inflation rose 0.1 pts to 2.6% year-over-year ("YoY"), while core inflation remained unchanged at 2.9% YoY, both in line with expectations. The flash composite purchasing managers' index ("PMI") in the Eurozone rose +1 pts to 51.2, while the UK composite PMI rose +0.6 pts to 53.4 in August 2024, both better than consensus expected.

Market Outlook

Recent US economic data releases are suggestive of a moderation in inflation and a softening in the labour market. This has prompted the Fed Chair Powell to signal that the first cut could come in September 2024. The weaker data and dovish Fed guidance has led the market to price in 100 bps of rate cuts in 2024. However, despite the bullish moves and favorable monetary policy outlook, we maintain our view that market volatility would persist as the Fed and the market would remain reactive to data releases and developments in key geopolitical events, central banks' monetary policy decisions and the upcoming US presidential elections.