September 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.

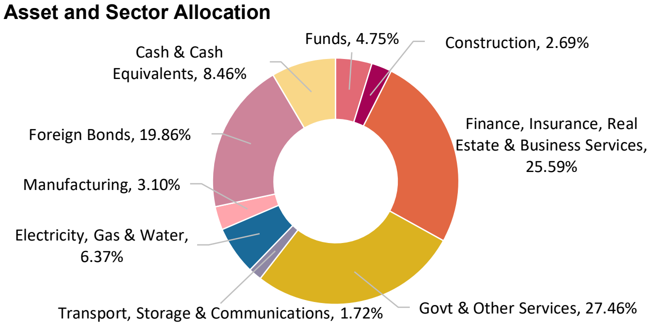
Fund Details

Unit NAV (30 September 2024)	:	RM 1.07880
Fund Size (30 September 2024)	:	RM 405.135 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

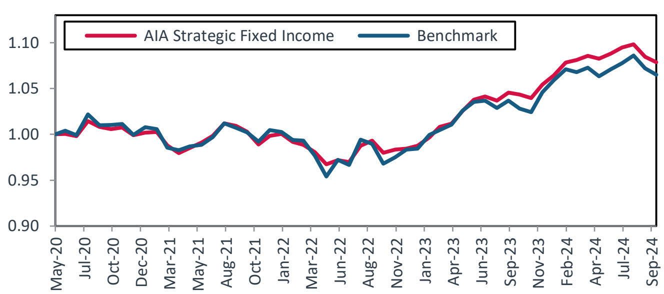
Top Holdings

1	MALAYSIA GOVERNMENT SECURITIES	26.43%
2	DANAINFRA NASIONAL BHD	4.81%
3	GENM CAPITAL BHD	4.34%
4	ALLIANCE BANK MALAYSIA BHD	3.95%
5	AMBANK (M) BHD	3.75%

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 local bond market started the year on a weaker footing in tandem with weaker US treasuries ("UST") as market participants reassessed assumptions of an early US Federal Funds Rate cut amid the slew of economics and labour market data releases. But the local market eventually gained ground on the back of strong onshore buying interests as funds put cash to work. Demand for duration at the start of the year helped anchor the long end of the curve, though the belly came under pressure due to new supply during the month. As a result, the Malaysian Government Securities ("MGS") market traded mixed in January 2024. On the currency front, Malaysian ringgit ("MYR") weakened against the US dollar ("USD") by 3.03% to end the year at 4.7330. MGS levels ended Jan 2024 at: 3Y at 3.39% (-9 bps), 5Y at 3.55% (-5 bp), 7Y at 3.71% (-2 bps), 10Y at 3.79% (+6 bps), 15Y at 3.96% (- bps), 20Y at 4.06% (-4 bps) and 30Y at 4.21% (-4 bps).

Fixed income foreign flows recorded an outflow of MYR2.1 billion in December 2023 (November 2023: +MYR5.4 billion). Foreign holdings in MGS and Government Investment Issue ("GII") dipped to 22.7% in December 2023 (November 2023: 23.1%).

There were 3 government securities auctions during the month: 10Y GII 8/33 reopening auction with a tender size of MYR5.0 billion drew a bid-to-cover ("BTC") ratio of 2.445x at an average yield of 3.908%, 30Y MGS 3/53 reopening auction with a tender size of MYR3.0 billion and private placement of MYR2.0 billion drew a BTC ratio of 2.990x at an average yield of 4.243% and 5Y GII 7/28 reopening auction with a tender size of MYR5.0 billion drew a BTC of 4.402x at an average yield of 3.620%.

On the economics data front, Malaysia's foreign reserves inched up to USD115.1 billion as of 15 January 2024 (31 December 2023: USD113.5 billion). The reserves are sufficient to finance 5.4 months of imports of goods and services and 1.0x of short-term external debt. Malaysia also released the advance 4Q23 Gross Domestic Product ("GDP") estimate which showed a growth of 3.4% Year-on-Year ("YoY") bringing full-year 2023 growth to 3.8% YoY. At the same time, trade data for December 2023 was also released. Exports contracted 10% YoY (November 2023: -5.9% YoY) while imports grew 2.9% YoY (November 2023: +1.7% YoY). The contraction in total exports was driven by a decline in the exports of manufactured and agriculture goods, partly offset by the continued growth in the exports of mining goods. Meanwhile, total imports growth was driven by the growth in imports of intermediate and capital goods. As a result, trade balance for December 2023 shrank to MYR11.80 billion (November 2023: MYR12.41 billion). Separately, Malaysia's headline Consumer Price Index ("CPI") for December 2023 grew 1.5% YoY (November 2023: 1.5% YoY), bringing full-year inflation to 2.5% YoY (2022: 3.3% YoY). Core inflation eased to 1.9% in December 2023 (November 2023: 2.0% YoY). Importantly, Bank Negara Malaysia (BNM") held its first monetary policy committee ("MPC") meeting for the year where the overnight policy rate ("OPR") was kept unchanged at 3.0%. In its monetary policy statement, BNM stated that overall growth in 2023 was within expectations and that it expects economic growth to improve in 2024. On inflation, BNM stated that headline and core inflation continued to moderate amid stabilizing demand conditions, and that it expects inflation to remain modest in 2024 amid stable costs and demand conditions. The current OPR rate level remains supportive of the economy and future decisions will continue to be guided by assessment of policies and their impact on inflation and demand conditions.

On the primary corporate bond space, notable issuances included MYR3.0 billion Maybank Subordinated Sukuk, MYR750 million PLUS Berhad iMTN and MYR250 million Toyota Capital iMTN. In terms of rating revisions, Dar Al Arkan Real Estate Development Company's corporate credit rating was upgraded to A2/P2 from A3/P2. Concurrent with this upgrade, the outlook on its long-term rating was also revised to stable from positive. Other rating revisions included PONSB Capital Berhad's debt rating upgrade from AA3(s)/Stable to AA2(s)/Stable and YNH Property Berhad's iMTN rating downgrade to BBB+IS from AIS.

Foreign Market Review

Markets were resilient in September 2024, as both stocks and bonds posted positive gains. In Fixed Income, most major sovereign markets delivered positive returns, particularly front-end maturities where a 50-bps rate cut in the US and another 25-bps cut in Europe led to a normalization of the previously inverted US Treasury ("UST") 2Y10Y yield curve. The UST 2Y yield fell 28 bps to 3.64% and the UST 10Y yield fell 12 bps to 3.78%. Within spreads, USD investment grade tightened 4 bps to 92 bps, while USD high yield credit tightened by 14 bps to 303 bps.

In the monetary space, the Underlying Fund Manager observed multiple policy decisions across major developed market central banks. The Federal Reserve ("Fed") delivered its first rate cut since Mar 2020, cutting its policy rate by 50 bps to 4.75%-5.00%, given the greater confidence on the inflation trajectory while unemployment risks now seem tilted to the upside, as suggested by Fed's updated economic projections. The European Central Bank ("ECB") cut its deposit facility rate by 25 bps to 3.50%. ECB President Christine Lagarde noted that the decision was unanimous while reiterating the commitment to bringing inflation back to its 2% target and acknowledging that the next steps in the rate path will continue to be data dependent. Moreover, the People's Bank of China ("PBoC") announced a broad package of monetary stimulus measures aimed at supporting consumer confidence and economic growth, including a 20-bps reduction in its 7-day reverse repo rate to 1.50% and a 50-bps cut in the reserve requirement ratio.

Regarding macro prints, the Fund saw a softer US labour market, with non-farm payrolls printing at +142k (vs +160k expected). Meanwhile, the unemployment rate printed at 4.2%, in line with expectations. Additionally, US Consumer Price Index ("CPI") printed at 3.2% YoY and headline CPI fell, printing at 2.5%YoY. Euro Area core inflation printed at 2.8% YoY, below last month's level, while headline inflation printed in line with expectations at 2.2% YoY. Finally, the Eurozone and UK flash composite Purchasing Managers' Index ("PMI") printed at 48.9 and 52.9, respectively, in Sept 2024.

Market Outlook

Although inflation continues to moderate, recent US economic data releases are suggestive of a resilient US economy and labour market. As such, we think the US Federal Reserve ("Fed") will likely proceed carefully to avoid any premature rate cuts which could fuel reflation risks. Domestically, BNM may keep its OPR unchanged in the coming meetings as it observes the 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.