



January 2025

## 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.

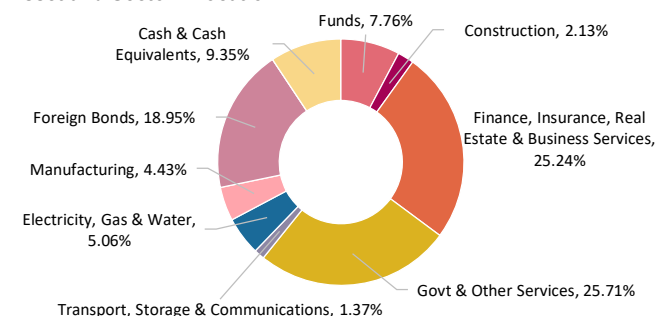
### Fund Details

Unit NAV (31 January 2025)	: RM 1.10187
Fund Size (31 January 2025)	: RM 508.485 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

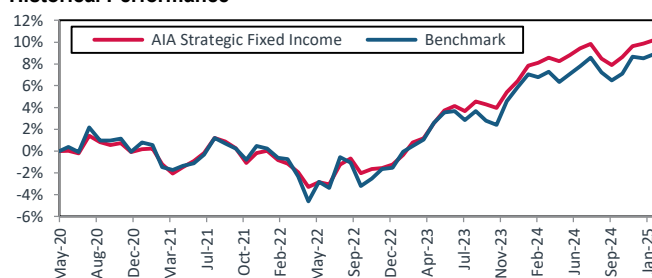
### Top Holdings

1	MALAYSIA GOVERNMENT SECURITIES	24.88%
2	DANAINFRA NASIONAL BHD	4.82%
3	AIA DIVERSIFIED FIXED INCOME FUND	4.34%
4	AIA US HIGH YIELD BOND FUND	3.42%
5	GENM CAPITAL BHD	3.40%

### Asset and Sector Allocation



### Historical Performance



Cumulative Performance	1-Mth	6-Mth	1-Year	3-Year	5-Year	Since Inception
Fund <sup>a</sup>	0.31%	0.33%	2.18%	11.11%	N/A	10.19%
Benchmark <sup>a</sup>	0.32%	0.28%	1.70%	9.56%	N/A	8.88%
Excess	-0.01%	0.05%	0.48%	1.55%	N/A	1.30%

<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](http://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 bull steepened marginally in the first month of the year. MGS yields traded in a relatively tight range despite the volatility seen in US treasuries ("UST") in a month that was dominated by headlines and shifting expectations on President-elect Donald Trump's policies post his inauguration on 22 January 2025. As broadly expected, the US Federal Open Market Committee ("FOMC") voted to keep the federal funds target range unchanged at 4.25% to 4.50%. Separately, Bank Negara Malaysia ("BNM") also kept the overnight policy rate ("OPR") unchanged at 3% as widely expected. The language of the latest monetary policy statement by BNM was rather neutral and balanced in its views regarding the downside risks to growth from external uncertainties and upside risks to inflation from domestic policy changes in the country. The neutrality of the policy statement suggests that an OPR hike by BNM is unlikely in the immediate future. On the currency front, Malaysian Ringgit ("MYR") strengthened against the US Dollar ("USD") by 0.3% to end the year at MYR4.4602. MGS levels as at end Jan 2025 were: 3Y at 3.46% (-2 bps), 5Y at 3.61% (-1 bps), 7Y at 3.77% (+1 bps), 10Y at 3.81% (-), 15Y at 3.97% (-), 20Y at 4.06% (-) and 30Y at 4.18% (-).

Fixed income foreign flows registered a net outflow of MYR1.4 billion in December 2024 (November 2024: MYR1.1 billion), bringing 2024 net foreign inflows to MYR4.8 billion. Foreign holdings in MGS and government investment issue ("GII") dipped to 21.2% in December 2024 (November 2024: 21.4%).

There were 3 government security auctions during the month: The 7Y MGS 7/32 reopening auction with a tender size of MYR5.0 billion drew a bid-to-cover ("BTC") ratio of 2.808x at an average yield of 3.799%, the 15.5Y GII 7/40 new issue with a tender size of MYR3.0 billion with MYR1.0 billion private placement drew a BTC of 4.289x at an average yield of 3.974% and the 3Y GII 7/28 reopening auction with a tender size of MYR5.5 billion drew a BTC of 2.623x at an average yield of 3.561%.

On the economic data front, Malaysia's foreign reserves decreased to USD116.2 billion as of 31 December 2024 (29 November 2024: USD118.3 billion). The reserves are sufficient to finance 5.0 months of retained imports and 1.0x of short-term external debt. Malaysia's December 2024 headline inflation eased to 1.7% Year-on-Year ("YoY") (November 2024: 1.8% YoY), tempered by softer non-food price inflation. Core inflation moderated to 1.6% YoY in December 2024 (November 2024: +1.8% YoY). Headline inflation averaged 1.8% YoY in 2024 (2023: +2.5% YoY), which was well within the Ministry of Finance's 1.5-2.5% forecast for the year. Malaysia's exports surged 16.9% YoY in December 2024 (November 2024: +4.1% YoY) while imports grew 11.9% YoY (November 2024: +1.6% YoY). As a result, trade balance widened to MYR19.2 billion in December 2024 (November 2024: MYR15.3 billion). Separately, Malaysia's industrial production for November 2024 rose 3.6% YoY (October 2024: +2.1% YoY), led by growth in the Manufacturing (+4.6% YoY) and Electricity (+3.9% YoY) sectors. This was partially offset by the downtrend in the Mining sector which contracted 0.8% YoY. Malaysia's 4Q24 advanced Gross Domestic Production ("GDP") showed an estimated growth of 4.8% YoY against expectations of 5.2% YoY (3Q24: +5.3% YoY). The moderation in 4Q24 GDP growth was due to contractions in the agriculture and mining sectors and quarrying sectors as well as slower manufacturing output. The final data will be released on 14 February 2025.

On the primary corporate bond space, notable issuances included MYR2.5 billion Danum Capital iMTN, MYR400 million PLUS Berhad iMTN and MYR400 million LBS Bina iMTN. On rating actions, RAM upgraded MUFG Bank (Malaysia) Berhad's long-term financial institution rating to AAA/Stable from AA1/Stable. The short-term rating remains at P1.

#### Foreign Market Review

Financial markets began the year on a generally positive note. However, uncertainty surrounding monetary policy, political shifts in North America, and unexpected developments in the Artificial Intelligence ("AI") sector contributed to occasional bouts of market volatility. Notable developments on the political front included Canada's Prime Minister Justin Trudeau announcing his resignation, alongside President Trump's inauguration and his subsequent threats of tariffs against Canada, Mexico, and China. The US 2Y yield fell 4 bps to 4.20%, while the US 10Y yield fell 3 bps to 4.54%. Within credit spreads, USD investment grade remained flat at 82 bps, while USD high yield spreads tightened 24 bps to 268 bps.

In the monetary space, stronger than expected labour and manufacturing data, on top of potential tariffs from the U.S., raised inflation expectations and prompted a reassessment of anticipated policy rate cuts. The European Central Bank ("ECB") lowered the deposit facility rate by 25bps to 2.75%. The Governing Council indicated that monetary policy remains restrictive and that it will follow a data-dependent approach based on its assessment of the inflation outlook. On the other hand, the Bank of Japan delivered a 25-bps hike, setting Japan's policy rate at 0.50% as Consumer Price Index gradually increases toward the price stability target of 2%. The People's Bank of China ("PBoC") left the one-year Loan Prime Rate ("LPR") and five-year LPR unchanged at 3.1% and 3.6% respectively. The PBoC also suspended its open market purchases on government bonds on the back of excess demand, earlier in the month, and injected over 900-billion-yuan worth of liquidity via seven-day reverse repurchase agreements to help meet demand for cash. Finally, the Fed maintained its target range for the federal funds rate at 4.25%-4.50%. Fed Chair Jerome Powell pushed back on the likelihood of a March 2025 rate cut while at the same time suggested that the Fed was still on track for cuts over the course of the year.

#### Market Outlook

Although recent US economic growth data releases have remained robust, the trend for a moderation in inflation and a softening in the labour market remains intact. With the prospect of pro-inflationary policies under a Trump presidency in 2025, the US Federal Reserve ("Fed") is expected to proceed with caution on rate cuts going forward. 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 as well as implications from a Trump presidency.

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.