

## Monthly ILP Highlights

### Market Review

During the month, FBMKLCI Index recovered 0.52% to end the month at 1621.04 underperforming MSCI Asia ex-Japan, which rose 2.42% in MYR term. The rebound was mainly driven by the news that the Government will inject RM20bil into ValueCap to shore up the stock market but gave up some of its gains after the Federal Reserve decided to keep interest rate unchanged. Plantation stocks ended higher this month propelled by a 20% rally in crude palm oil price which rose to RM2,300/tonne level on the back strengthening El Nino and haze effect. MYR continued to depreciate by another 4.8% to touch a record high of MYR4.45/USD despite higher foreign reserves which rose from USD94.7bil at end-Aug 2015 to USD95.3bil at mid-Sep 2015.

Global equities endured another rollercoaster ride, threatened by China slowdown which pulled market down at the beginning of the month while market rebounded strongly after the Federal Reserve kept interest rate unchanged. S&P closed at 2.02% down in USD term partly dragged by weak economic data and deterioration of corporate financial health where the financial leverage is back to pre-crisis level of 63%. US IPI dropped to 0.91% growth compared to 1.33% recorded in July'15 and retail sales growth also lower to 2.2% compared to 2.6% growth in Jul'15. Europe markets dropped by 5.17% in USD term following calls for a wider probe of the auto industry in the wake of Volkswagen's emission-test scandal. Both services and manufacturing PMI released during the month remain strong at 54 and 52.4 respectively. Japan equities plunged by 7.95% underperformed the regional peers amid fears of economic slowdown and continued foreign selling. Japan August trades balanced dropped to deficit of ¥570bn Yen in August 2015 from deficit of ¥270bn. Separately MSCI Asia ex Japan dropped by 2.02% outperformed the developed peers following the reduction in auto purchase tax and market expect more accommodative announcement from PBOC.

Table 1: Performance of global stock markets @ 30 Sep 2015

Fund Name	% Change MTD		% Change YTD	
	Local Currency	MYR	Local Currency	MYR
Malaysia-FBM KLCI	0.51%	0.51%	-8.25%	-8.25%
MSCI Asia ex-Japan	-2.02%	2.42%	-13.89%	8.01%
S&P 500	-2.64%	1.77%	-7.71%	15.77%
Euro 50	-5.17%	-1.06%	-1.13%	14.07%
Nikkei	-7.95%	-2.51%	-0.36%	24.76%

Source: Bloomberg

### Market Outlook

In the short run, we expect local equity market to be volatile with a slight downward bias given correction in the Chinese equities market, weak corporate earnings, soft MYR, low crude oil prices and loss of investors' confidence in the country. Over the medium term, we are cautious crude oil prices may remain weak as the prospect of sanctioned Iranian crude oil returning to markets threatening to swell a glut in an oversupplied market. Nonetheless, Malaysia remains on track with its high GDP growth of 4.5%-5.0% and budget deficit target of 3.2% for 2015 given weak MYR.

On global front, the slowdown in China have been grabbing the headlines, causing a spike in market volatility. Markets dislike uncertainty and this may lead to further risk-off behavior in the near term. In the developed markets, US market valuations are at relatively high levels and do not leave much room for disappointment, while Europe and Japan markets are relatively attractive from valuations perspective. Separately, China has room to stimulate growth and certainly the resources to manage its banking system woes. We continue to prefer North Asia vs ASEAN in the longer term as recovery in US and Europe will benefit exporters in North Asia.

### AIA House View

#### Equity Market Outlook

- Market has rallied by 9% since mid-August and we expect some pullback in the near term but downside risk is capped by Government effort to stabilize MYR, improving oil price and CPO price and political rallies come and go without major incidents.
- Key risks: 1MDB default and oil price remain low below US\$50/barrel for 12-15 months.

#### Fixed Income Market Outlook

- Local bond market sentiment will remain weak due to the renewed weakness in MYR and oil prices which will continue to weight on the local bond market.
- Bearish market sentiment is likely to be further compounded by upward movement in US Treasury yields on the back of expectation that US Federal Reserve will lift interest rate as early as September.

Recommended allocation for the month based on different risk profile:

ABC

#### Investment Model

<b>A Aggressive</b>	Expect higher investment returns & able to accept higher risk/volatility	Equity :60% Balanced :30% Fixed Income :10%
<b>B Balanced</b>	Expect moderate return with moderate tolerance of market risk/volatility	Equity :30% Balanced :30% Fixed Income :40%
<b>C Conservative</b>	Can accept little risk/volatility & prefer stable investment return	Equity :20% Balanced :20% Fixed Income :60%

This is for illustration purposes and serves as a guide only"

### Fund Review

During the month, most of the local ILP funds outperformed the benchmark.

Table 2: Flagship Funds Performance (as at 30 September 2015)

Fund Type	Fund Name	MTD	1-yr	*3-yr	*5-yr
Conventional	AIA Equity Plus	2.77%	-9.86%	6.84%	8.06%
	Benchmark	1.67%	-11.90%	0.10%	2.67%
	Excess Return	1.10%	2.04%	6.74%	5.39%
Balanced	AIA Balanced	2.08%	-6.61%	5.89%	6.92%
	Benchmark	1.50%	-8.22%	0.88%	2.92%
	Excess Return	0.58%	1.61%	5.01%	4.00%
Syariah	AIA Dana Dinamik	3.66%	-8.92%	6.61%	9.24%
	Benchmark	3.71%	-9.18%	1.82%	4.80%
	Excess Return	-0.05%	0.26%	4.79%	4.44%
Fixed Income	AIA Fixed Income	0.35%	3.38%	3.15%	3.85%
	Benchmark	0.95%	2.77%	2.92%	3.33%
	Excess Return	-0.60%	0.61%	0.23%	0.52%
Foreign	AIA Asia Opportunity	2.74%	13.62%	12.04%	5.49%
	Benchmark	2.90%	18.25%	13.06%	7.89%
	Excess Return	-0.16%	-4.63%	-1.02%	-2.40%

\*Annualized Return