



October 2023

## MONTHLY FUND PERFORMANCE UPDATE AIA DANA PROGRESIF

### Investment Objective

This Fund focuses on Shariah-approved securities listed on Bursa Malaysia and Islamic debt securities in order to maximize medium to long-term capital appreciation on your investment. The Fund is suitable for investors who are willing to take moderate risk in order to achieve a reasonable return.

**Notice:** Please refer to the Fund Fact Sheet for more information about the Fund.

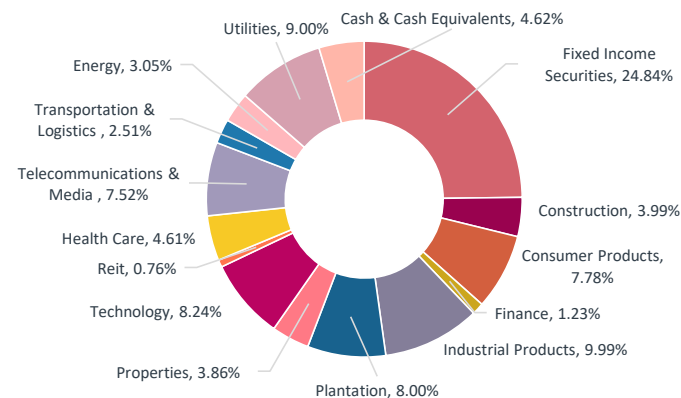
### Fund Details

Unit NAV (31 Oct 2023)	: RM 2.78752
Fund Size (31 Oct 2023)	: RM 399.100 million
Fund Currency	: Ringgit Malaysia
Fund Inception	: 3 March 2000
Offer Price at Inception	: RM1.00
Fund Management Charge	: 1.40% p.a.
Investment Manager	: AIA Bhd.
Basis of Unit Valuation	: Net Asset Value
Frequency of Unit Valuation	: Daily

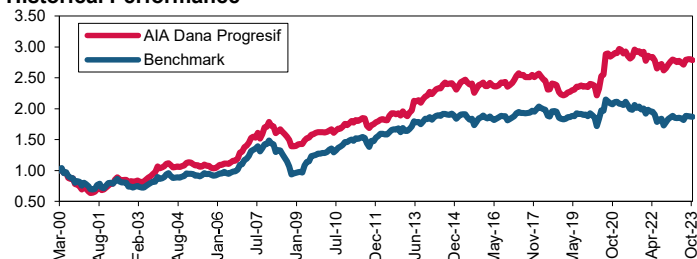
### Top Holdings

1	TENAGA NASIONAL BHD	6.59%
2	MALAYSIA GOVERNMENT SECURITIES	4.28%
3	PETRONAS CHEMICALS GROUP BHD	3.60%
4	GAMUDA BHD	3.09%
5	PRESS METAL ALUMINIUM HOLDINGS BHD	2.85%

### Asset and Sector Allocation



### Historical Performance



Cumulative Performance	1-Mth	6-Mth	1-Year	3-Year	5-Year	Since Inception
Fund <sup>a</sup>	-0.46%	0.54%	4.92%	-2.86%	22.96%	178.75%
Benchmark <sup>a</sup>	-0.35%	0.64%	4.98%	-9.76%	0.81%	86.73%
Excess	-0.11%	-0.11%	-0.06%	6.90%	22.15%	92.02%

<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.

\* 70% FBM Emas Shariah (Source: Bursa Malaysia) + 30% GII ALL Index (Source: RAM QuantShop @www.quantshop.com)

**Notice:** Past performance of the Fund is not an indication of its future performance.

### Market Review

The FBMS ("Index") corrected by 0.30% Month-on-Month ("MoM") to close at 10,841.59 pts on 31 October 2023. The Index outperformed the MSCI Asia Ex Japan Index, which fell 2.47% MoM in Malaysian ringgit ("MYR") terms over the same period. Foreign investors turned net sellers of Malaysian equities amounting to MYR2.2 billion in October 2023 while local institutions turned net buyers with net buy value of MYR2.3 billion. Bursa Malaysia's average daily transaction value ("ADTV") fell by 12.3% MoM to MYR2.0 billion in October 2023. During the month, Press Metal (+4.5%), Westports (+4.0%) and Sime Darby (+3.6%) were the key gainers while key detractors were Axiata (-12.4%), CelcomDigi (-3.2%) and Nestle Malaysia (-2.1%). Sector wise Construction (+0.9%), Industrial Production (+0.5%) and Plantation (+0.5%) were the key performers while Property (-3.2%), Energy (-2.8%) and Technology (-2.7%) were the key detractors. Major news during the month included the tabling of Budget 2024 by Prime Minister on 13 October 2023, appointment of Sultan of Johor as the new Yang di-Pertuan Agong and the Malaysia-Singapore Leaders' Retreat which saw agreements in various fields including SME development, intellectual property rights and tackling cross border crime. Malaysia's headline inflation fell to 1.9% Year-on-Year ("YoY") in September 2023 (August 2023: 2.0% YoY).

The Government Investment Issues ("GII") yield curve shifted higher during the month in tandem with the surge in US treasury ("UST") yields following strong labour market data releases in the US which continued to support the "higher for longer" rates narrative. Locally, sentiment was also weighed down by concerns on potentially higher government sukuk supply in 4Q23. However, the sukuk market sell-off was partially cushioned by rising geopolitical risks in the Middle East which sparked a flight to safe haven assets as well as the emergence of more dovish narrative from US Federal Reserve ("Fed") officials indicating that the higher UST yields could reduce the need for further rate hikes. On the currency front, Malaysian ringgit ("MYR") weakened against the US dollar ("USD") by 1.45% to end the month at 4.7632. GII levels as of end-October 2023 were: 3Y at 3.68% (+11 bps), 5Y at 3.85% (+6 bp), 7Y at 4.06% (+19 bp), 10Y at 4.08% (+9 bp), 15Y at 4.23% (+11 bp), 20Y at 4.42% (+10 bps) and 30Y at 4.63% (+16 bps).

Fixed income foreign flows recorded the second consecutive month of outflow in September 2023 at MYR4.4 billion (August 2023: -MYR5.0 billion). Foreign holdings in Malaysian Government Securities ("MGS") and GII fell to 23.1% in September 2023 (August 2023: 23.4%).

There was one government security auction during the month: 10Y GII 8/33 reopening auction with a tender size of MYR5.5 billion drew a bid-to-cover ("BTC") ratio of 2.733x at an average yield of 4.093%.

On the economic data front, Malaysia's foreign reserves declined further by USD1.2 billion to USD108.9 billion as of 13 October 2023 (29 September 2023: USD110.1 billion). The reserves are sufficient to finance 5.1 months of retained imports and 1.0x of short-term external debt. Malaysia's exports continued to contract 13.7% Year-on-Year ("YoY") in September 2023 (August 2023: -18.6% YoY), driven by a dip across the Mining, Agriculture and Manufacturing sectors. Meanwhile, imports also declined 11.1% YoY (August 2023: -21.2% YoY) on the back of lower imports of consumption, intermediate and capital goods. Trade balance widened to MYR24.5 billion (August 2023: MYR17.3 billion). Separately, Malaysia's headline inflation edged lower to 1.9% YoY in September 2023 (August 2023: +2.0% YoY) primarily due to a continued moderation in the prices for Food & Non-Alcoholic beverages, Transport, Health, Recreation Services & Culture, Education and Restaurants & Hotels. Core inflation was unchanged at 2.5% YoY (August 2023: +2.5% YoY). Malaysia's industrial production for August 2023 dipped 0.3% YoY (July 2023: +0.7% YoY). The decline was attributable to the drop in the manufacturing sector, which offset the growth in the mining and electricity sectors. Malaysia's Gross Domestic Product ("GDP") in 3Q23 grew by 3.3% YoY according to advanced projections by the Department of Statistics Malaysia ("DOSM"). Separately, Malaysia's budget for 2024 was tabled during the month. The budget targets a fiscal deficit of 4.3% of GDP for 2024 (2023: 5.0%), a GDP growth target of 4.0%-5.0%, and an inflation rate of between 2.1% to 3.6%. A targeted approach to subsidies was also announced and will be implemented in phases, starting with chicken, eggs, electricity and diesel. Among the other measures announced to broaden Malaysia's revenue base included an increase in the sales and service tax ("SST") from the current 6% to 8%, a capital gains tax on unlisted shares at a rate of 10% as well as a luxury goods tax of 5% to 10%.

On the primary corporate sukuk space, notable issuances included MYR3.47 billion Cagamas IMTN, MYR1.0 billion Affin Islamic Bank IMTN, MYR1.0 billion Imtiaz Sukuk II Berhad IMTN and MYR1.0 billion Pengurusan Air Selangor IMTN. In terms of rating revisions, the rating of Country Garden Real Estate Sdn Bhd's IMTN programme has been downgraded to B3 from BBB3 previously. The outlook on the rating remains negative. The outlook on the AA2 rating of AEON Co (M) Bhd's Islamic Commercial Papers/IMTN has also been revised to positive from stable.

### Market Outlook

We are cautiously optimistic on the equity market in the near term. We are of the view that we have already seen the peak of US Federal Reserve ("Fed")'s hawkishness and equities valuation has been partially adjusted downwards accordingly. Investors are now watching the macro data closely to gauge the extent of future rate hike in the US and the timing of a rate cut going forward. Over in Asia, China's policy easing is gaining momentum with the earlier-than-expected policy rate cut, housing policy adjustment, and efforts to revitalize the capital market and stabilize foreign trade and investment. The increasing pace of policy easing is encouraging and important to contain the risk of a downward spiral in economic activity. Domestically in Malaysia, we expect a better outlook given the lower political risk premium with a relatively more stable unity government coupled with corporate earnings recovery from the implementation of government initiatives and mega projects. Downside risks to the market could stem from a prolonged deep US recession, worsening geopolitical tension, weak China economic recovery and domestic politics.

For Fixed Income, although recent inflation readings and economic data from the US have shown signs of moderation, the US Fed continues to reiterate the need to maintain tighter monetary policy amidst robust labour market data. Despite this, it is apparent that we are at the tail-end of the rate normalisation cycle, with potentially one final hike by the Fed in 2023. Domestically, Bank Negara Malaysia ("BNM") has kept the Overnight Policy Rate ("OPR") unchanged at its recent Monetary Policy Committee ("MPC") meeting. For the remainder of 2023, we expect rates volatility to linger due to uncertainties surrounding economic data and central banks' future monetary policy moves as market conditions evolve.