

INVESTOR

AIA's Monthly Investment Market and Unit Linked Fund Update

For the month of December 2019

What you will find here

Your fund performance

- Summary
- Growth fund
- Balanced fund
- Secure fund
- Protected fund
- Stable Money Market fund

Market update

- Interest rate movement
- Stock market performance
- Economic highlights

Fund manager's outlook

- Fixed Income outlook
- Equity outlook

Unit-linked Price Performance – As at month end

	Growth	Balanced	Secure	Protected	Stable MM	ASPI
Since 01 Jan 2019 (YTD)	3.0%	8.2%	10.3%	9.8%	10.1%	1.3%
Annual Effective Growth Rate						
1 year	3.0%	8.2%	10.3%	9.8%	10.1%	1.3%
3 years	2.2%	7.6%	10.3%	9.7%	-	-0.5%
5 years	0.3%	5.8%	9.0%	8.5%	-	-3.4%
7 years	3.6%	7.3%	9.0%	8.6%	-	1.2%
From Inception - CAGR	10.4%	11.2%	10.3%	9.8%	9.8%	7.5%

Note: past performance is not an indication of future performance

*The Stable Money Market fund was introduced on 21 Apr 2017.



Tip: Your Investment Linked Long Term Insurance Policy allows you to be in control of your investments in Unit Linked Funds. Kindly refer your policy document to learn more about options like unit switches and premium redirections which are available for you to manage your investments. You can also contact us if you like to know how you can use the options available to you.



Disclaimer: The information in this report should not be considered as investment advice or a guarantee of future performance of Unit-linked funds of AIA since it is only based on historical data. AIA has tried its best to ensure accuracy of this report. AIA, its employees or authorised agents cannot be held responsible in any way for any errors or omissions in this document. AIA clearly denies all liabilities for any loss or damage, which may be suffered by any person as a result of relying on this information, even if such loss or damage is occurred by any fault or negligence of AIA, its employees or authorised agents.

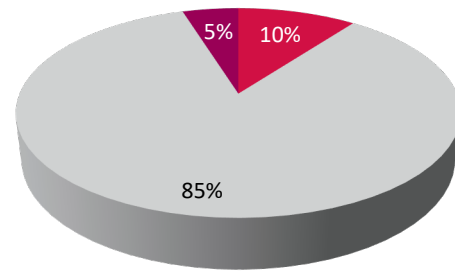
Your fund performance: Growth fund

Unit Price Movement



Note: past performance is not an indication of future performance

Asset Allocation



■ Government Securities ■ Fixed Deposits ■ Equity ■ Money Market

Note: The asset allocation for the fund is presented as at month end. The future asset allocation may change based on market conditions and investment strategy.

Unit Price Growth (as a percentage)

*Since inception – 02/05/2006 to 31/12/2006 **Period from 31/12/2018 to 31/12/2019

Year	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019**
Unit Price	11.92	11.98	9.42	17.32	32.17	28.34	30.16	32.30	38.06	36.52	36.12	38.64	37.41	38.54
Growth (%)	19.2%	0.5%	-21.4%	83.9%	95.7%	-11.9%	6.4%	7.1%	17.8%	-4.0%	-1.1%	7.0%	-3.2%	3.0%

Note: past performance is not an indication of future performance

Equity Allocation

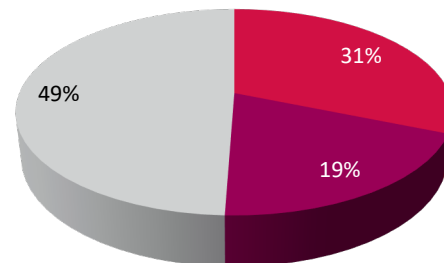
Sector	%
Banks, Finance and Insurance	68
Diversified Holdings	19
Manufacturing	6
Construction and Engineering	5
Hotels and Travels	2
Total	100

Top Equity Holdings*

Access Engineering	Amaya Leisure
Central Finance	People's Leasing
Commercial Bank	Royal Ceramics
Hatton National Bank	Sampath Bank
John Keells Holdings	Seylan Bank

*Note: In alphabetical order

Credit Rating



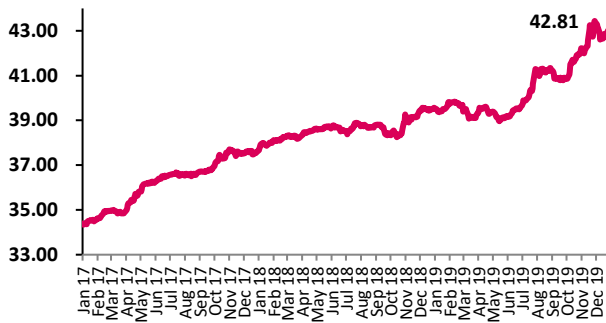
■ AAA Rating ■ AA Rating ■ A Rating

Note: The credit rating is presented as at month end for investments in fixed deposits and does not include ratings for equity investments. All ratings are by Fitch Ratings Lanka.

- The annual average growth rate of the unit price for the Growth fund is 10.4% per year, since the unit linked fund was started.
- The unit price has increased by 3.0% for the period 01 January 2019 to 31 December 2019.

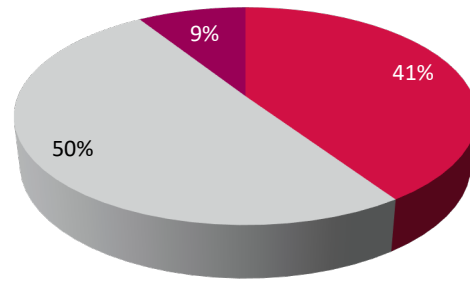
Your fund performance: Balanced fund

Unit Price Movement



Note: past performance is not an indication of future performance

Asset Allocation



■ Government Securities ■ Fixed Deposits ■ Equity ■ Money Market

Note: The asset allocation for the fund is presented as at month end. The future asset allocation may change based on market conditions and investment strategy.

Unit Price Growth (as a percentage)

*Since inception – 02/05/2006 to 31/12/2006 **Period from 31/12/2018 to 31/12/2019

Year	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019**
Unit Price	11.43	12.19	11.62	17.23	25.18	24.18	26.22	28.87	32.36	32.90	34.40	37.60	39.56	42.81
Growth (%)	14.3%	6.6%	-4.7%	48.3%	46.1%	-4.0%	8.4%	10.1%	12.1%	1.7%	4.6%	9.3%	5.2%	8.2%

Note: past performance is not an indication of future performance

Equity Allocation

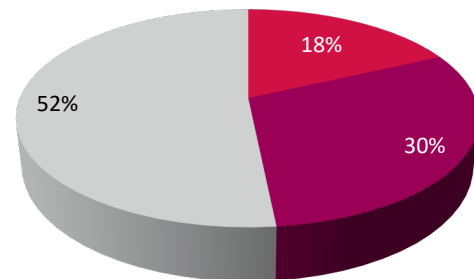
Sector	%
Banks, Finance and Insurance	62
Diversified Holdings	9
Construction and Engineering	21
Manufacturing	9
Hotels and Travels	0
Total	100

Top Equity Holdings*

Access Engineering	LB Finance
Central Finance	People's Leasing
Commercial Bank	Royal Ceramics
Hatton National Bank	Sampath Bank
John Keells Holdings	Seylan Bank

*Note: (In alphabetical order)

Credit Rating



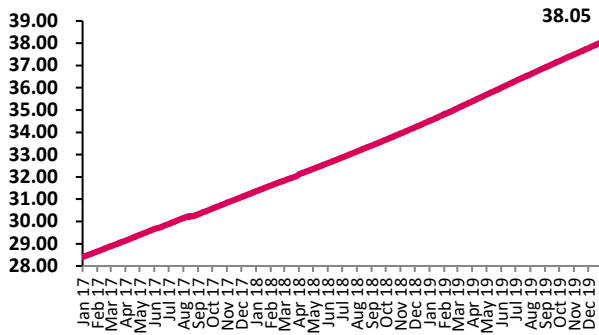
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- The annual average growth rate of the unit price for the Balanced fund is 11.2% per year, since the unit linked fund was started.
- The unit price has increased by 8.2% for the period 01 January 2019 to 31 December 2019.

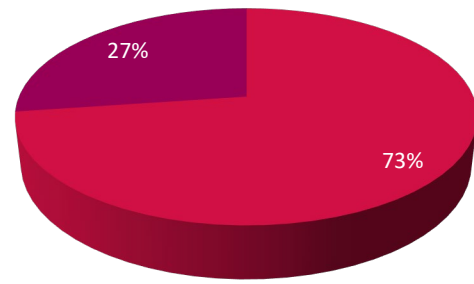
Your fund performance: Secure fund

Unit Price Movement



Note: past performance is not an indication of future performance

Asset Allocation



■ Government Securities ■ Fixed Deposits ■ Equity ■ Money Market

Note: The asset allocation for the fund is presented as at month end. The future asset allocation may change based on market conditions and investment strategy.

Unit Price Growth (as a percentage)

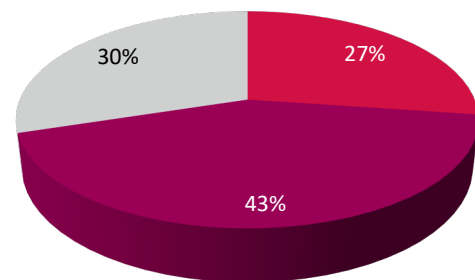
*Since inception – 02/05/2006 to 31/12/2006 **Period from 31/12/2018 to 31/12/2019

Year	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019**
Unit Price	10.83	11.91	13.04	15.74	17.97	19.09	20.75	23.02	24.76	26.21	28.37	31.32	34.49	38.05
Growth (%)	8.3%	10.0%	9.5%	20.7%	14.2%	6.2%	8.7%	10.9%	7.6%	5.9%	8.2%	10.4%	10.1%	10.3%

Note: past performance is not an indication of future performance

- The annual average growth rate of the unit price for the Secure fund is 10.3% per year, since the unit linked fund was started.
- The unit price has increased by 10.3% for the period 01 January 2019 to 31 December 2019.

Credit Rating

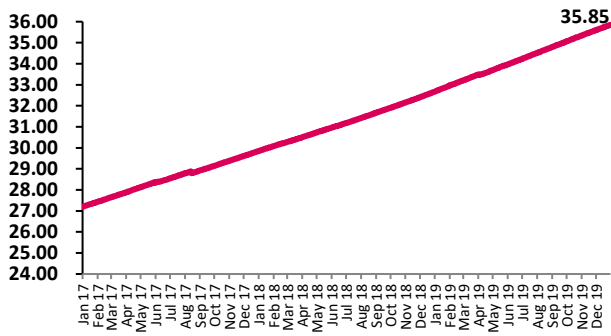


■ AAA Rating ■ AA Rating ■ A Rating

Note: The credit rating is presented as at month end for investments in fixed deposits and does not include ratings for equity investments. All ratings are by Fitch Ratings Lanka.

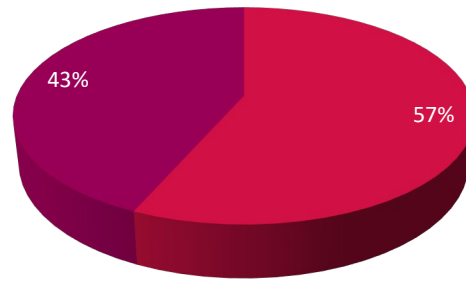
Your fund performance: Protected fund

Unit Price Movement



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Asset Allocation



■ Government Securities ■ Fixed Deposits ■ Equity ■ Money Market

Note: The asset allocation for the fund is presented as at month end. The future asset allocation may change based on market conditions and investment strategy.

Unit Price Growth (as a percentage)

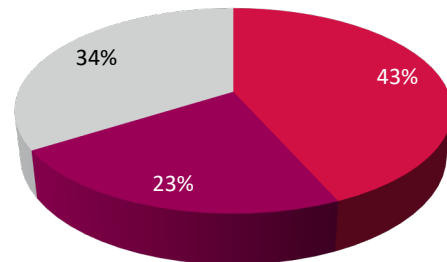
*Since inception – 02/05/2006 to 31/12/2006 **Period from 31/12/2018 to 31/12/2019

Year	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019**
Unit Price	10.58	11.91	14.25	16.23	17.54	18.58	20.16	22.27	23.81	25.20	27.18	29.82	32.66	35.85
Growth (%)	5.8%	12.6%	19.6%	13.9%	8.1%	5.9%	8.5%	10.5%	6.9%	5.8%	7.9%	9.7%	9.5%	9.8%

Note: past performance is not an indication of future performance

- The annual average growth rate of the unit price for the Protected fund is 9.8% per year, since the unit linked fund was started.
- The unit price has increased by 9.8% for the period 01 January 2019 to 31 December 2019.

Credit Rating

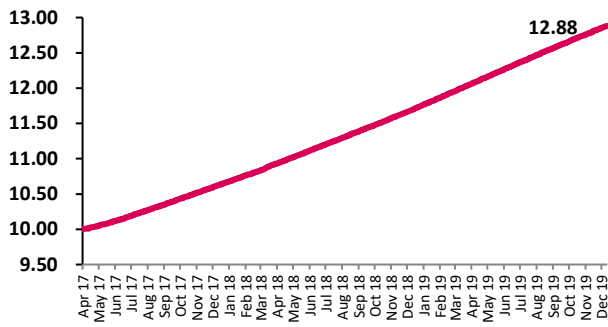


■ AAA Rating ■ AA Rating ■ A Rating

Note: The credit rating is presented as at month end for investments in fixed deposits and does not include ratings for equity investments. All ratings are by Fitch Ratings Lanka.

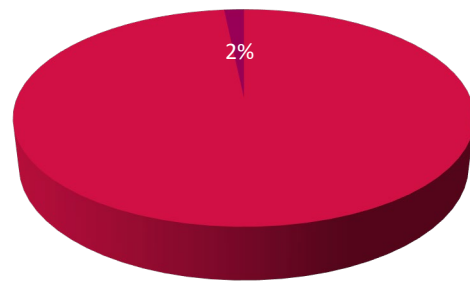
Your fund performance: Stable Money Market fund

Unit Price Movement



Note: past performance is not an indication of future performance

Asset Allocation



■ Government Securities ■ Fixed Deposits ■ Equity ■ Money Market

Note: The asset allocation for the fund is presented as at month end. The future asset allocation may change based on market conditions and investment strategy.

Unit Price Growth (as a percentage)

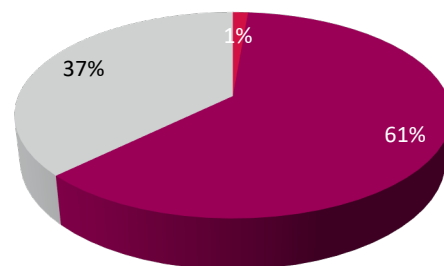
*Since inception – 21/04/2017 to 31/12/2017 **Period from 31/12/2018 to 30/12/2019

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017*	2018	2019**
Unit Price	-	-	-	-	-	-	-	-	-	-	-	10.62	11.70	12.88
Growth (%)	-	-	-	-	-	-	-	-	-	-	-	6.2%	10.2%	10.1%

Note: past performance is not an indication of future performance

- The annual average growth rate of the unit price for the Protected fund is 9.8% per year, since the unit linked fund was started.
- The unit price has increased by 10.1% for the period 01 January 2019 to 31 December 2019.

Credit Rating



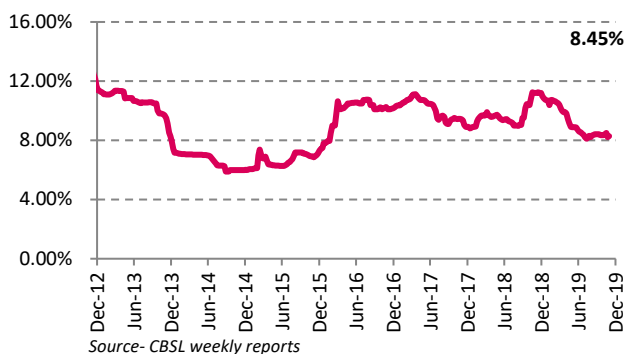
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Market Update: Interest Rates

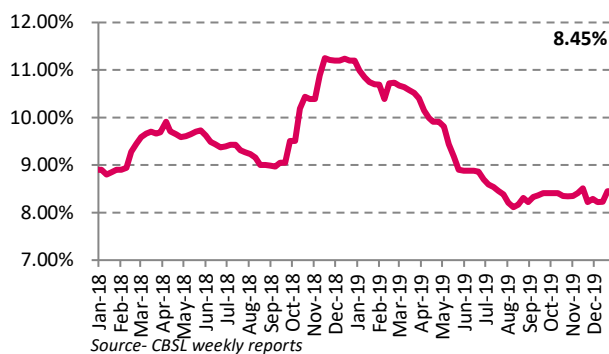
We use the 364-day T- Bill as an indicator of how interest rates move

364-day T-bill: Since 01 Jan 2013



Note: Past performance is not an indication of future performance

364-day T-bill: Since 01 Jan 2018

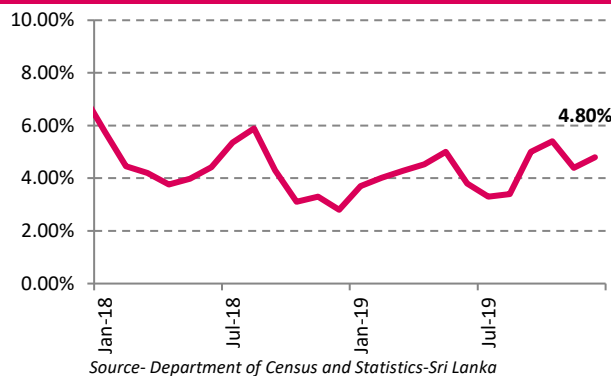


Note: Past performance is not an indication of future performance

Major events during the month

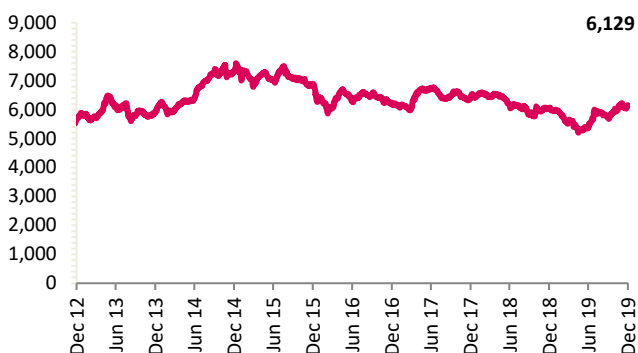
- Central Bank raised LKR 82 billion by issuing treasury bills and LKR 25 billion by issuing treasury bonds.
- Central Bank policy rates play a key role in determining the direction and level of market interest rates. The Central Bank maintained its SDFR and SLFR. However, LCBs' have been ordered to cut their AWRPs by 250 bp by December 2019.
- Short term interest rates decreased over the month. For example, the benchmark 364-day Treasury bill rate increased to 8.45% by end of the month against 8.29% in end November 2019.

Inflation: Since 01 Jan 2018



Market Update: Stock Market

ASPI Movement: Since 01 Jan 2013



ASPI Movement: Since 01 Jan 2018



ASPI Performance (as a percentage)

*Since inception – 02/05/2006 to 31/12/2006 **Period from 31/12/2018 to 31/12/2019

Year	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019**
ASI	2,722.36	2,540.99	1,503.02	3,385.55	6,635.87	6,074.42	5,643.00	5,912.78	7,298.95	6,894.50	6,228.26	6,369.26	6,052.37	6,129.21
Growth (%)	5.8%	-6.7%	-40.8%	125.2%	96.0%	-8.5%	-7.1%	4.8%	23.4%	-5.5%	-9.7%	2.3%	-5.0%	1.3%

Highlights of the performance

- The annual average growth rate of ASPI is 7.5% per year.
- The ASPI has increased by 1.3% for the period of 01 January 2019 to 31 December 2019.

Market Update: Stock Market

For the month

Description	Dec-2019	Nov-2019
All Share Price Index (ASPI)	6,129	6,212
ASPI growth for the month	-1.4%	3.7%
Total market turnover (LKR Mn)	11,174	25,375
Market Capitalization (LKR Bn)	2,851	2,889
PE Ratio (times)	10.83x	10.9x

Highlights of the month

- The equity market performance decreased by 1.4% in December 2019.
- The ASPI increased by 1.3% over the period 01 January 2019 to 31 December 2019.
- There was a foreign outflow of LKR 977 Million on a net basis in December 2019, resulting in a net outflow of LKR 11.7 billion during the year 2019.

10 Companies with highest market Capitalization on the CSE as at end of month

- JKH
- CEYLON TOBACCO
- DIALOG AXIATA
- COMMERCIAL BANK OF CEYLON
- DISTRILLERIES COMPANY OF SRI LANKA
- CEYLON COLD STORES
- NESTLE
- HATTON NATIONAL BANK
- SAMPATH BANK
- SRI LANKA TELECOM

Fund manager's outlook



Fixed income outlook

- The benchmark 364-day Treasury bill yields declined by 275 basis points for the year 2019 to 8.45%. The longer end of the yield curve also showed similar declines.
- We expect some pressures to build on the interest rates in 1Q of 2020 due to fiscal slippage, higher debt repayments and foreign exits from the local bond market. However, if the government is successful in borrowing overseas, we believe the pressure on rates to be mitigated.

Equity outlook

- Equity markets for 2019 ended on a mixed note with the benchmark ASPI index closing the year with an increase of 1.3% and the more liquid S&P SL 20 index closing the year downward at -6.3%. Net foreign selling on the bourse stood at LKR -11.7 billion for 2019.
- We expect the foreign selling to continue in the first quarter of 2020; which may remain a drag on the equity performance.
- Earnings for 2020 are expected to show a positive momentum amidst higher consumer spending due to steep tax cuts. The banking system is starting to show a recovery from the Non-performing loans; while the recently announced debt moratorium is expected to strain cash flows, we believe the industry would be able to counter the challenges posed by the debt moratorium.
- We remain bullish for equities in 2020; however, in the immediate short term, there may be head winds due to foreign selling.

About AIA

AIA Group is the pre-eminent life insurance provider in the Asia Pacific region.



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MACAU

1984
INDONESIA

1987
KOREA

1990
TAIWAN

2000
VIETNAM

2001
INDIA

2012
SRI LANKA

2013
MYANMAR

2015
CAMBODIA

A total Sum Assured of over
US\$1.58 trillion

100 years
of history in Asia

18
geographical markets

More than
34 million
individual policies

More than
16 million
group scheme members



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