

INVESTOR

AIA Monthly Market and Unit Linked Fund update

For the month of September 2017

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

	Growth	Balanced	Secure	Protected	Stable MM	ASPI
Since 01 Jan 2017 (YTD)	5.8%	7.3%	7.7%	7.2%	3.7%	3.4%
Annual Effective Growth Rate						
1 year	5.5%	8.2%	10.3%	9.8%	-	-1.4%
3 years	0.7%	5.0%	7.8%	7.4%	-	-3.8%
5 years	4.9%	7.4%	8.6%	8.2%	-	1.5%
7 years	2.2%	5.6%	8.1%	7.8%	-	-1.0%
From Inception - CAGR	12.5%	12.1%	10.3%	9.8%	-	9.5%

Note: past performance is not an indication of future performance

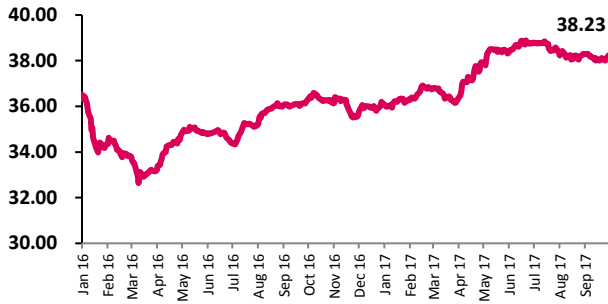
*The Stable Money Market fund was introduced on 21 Apr 2017.

Disclaimer:

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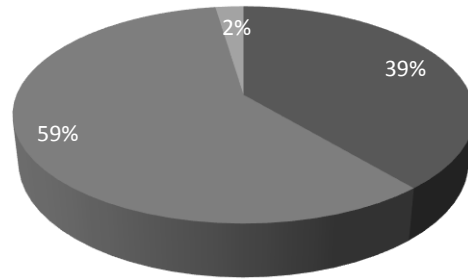
Your fund performance: Growth fund

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 31/12/2016 to 30/09/2017

Year	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017**
Unit Price	11.92	11.98	9.42	17.32	32.17	28.34	30.16	32.30	38.06	36.52	36.12	38.23
Growth (%)	19.2%	0.5%	-21.4%	83.9%	95.7%	-11.9%	6.4%	7.1%	17.8%	-4.0%	-1.1%	5.8%

Note: past performance is not an indication of future performance

Equity Allocation

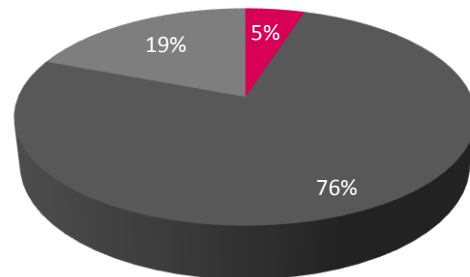
Sector	%
Banks, Finance and Insurance	69
Manufacturing	12
Diversified Holdings	11
Construction and Engineering	5
Hotels and Travels	3
Total	100

Top Equity Holdings*

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

*Note: In alphabetical order

Credit Rating



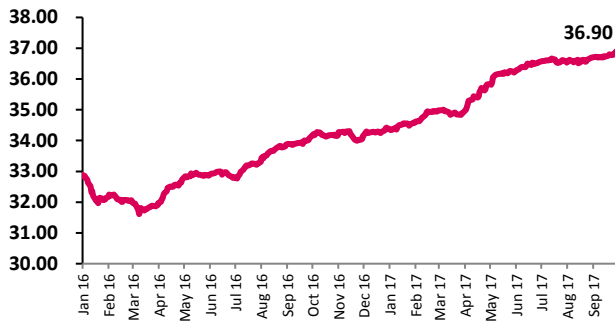
■ AAA Rating ■ AA Rating ■ A Rating

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 12.5% per year, since the unit linked fund was started.
- The unit price has increased by 5.8% for the period 01 Jan 2017 to 30 Sep 2017.

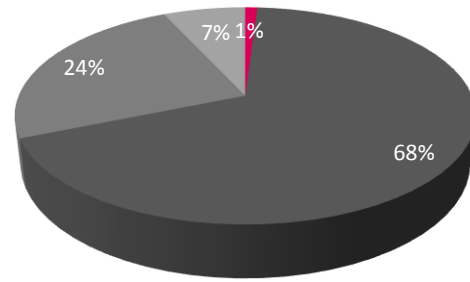
Your fund performance: Balanced fund

Unit Price Movement



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Asset Allocation



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Unit Price Growth (as a percentage)

*Since inception – 02/05/2006 to 31/12/2006 **Period from 31/12/2016 to 30/09/2017

Year	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017**
Unit Price	11.43	12.19	11.62	17.23	25.18	24.18	26.22	28.87	32.36	32.90	34.40	36.90
Growth (%)	14.3%	6.6%	-4.7%	48.3%	46.1%	-4.0%	8.4%	10.1%	12.1%	1.7%	4.6%	7.3%

Note: past performance is not an indication of future performance

Equity Allocation

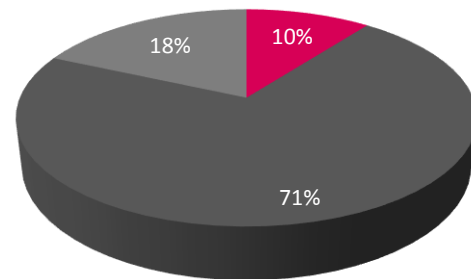
Sector	%
Banks, Finance and Insurance	65
Diversified Holdings	14
Manufacturing	12
Construction and Engineering	7
Hotels and Travels	2
Total	100

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



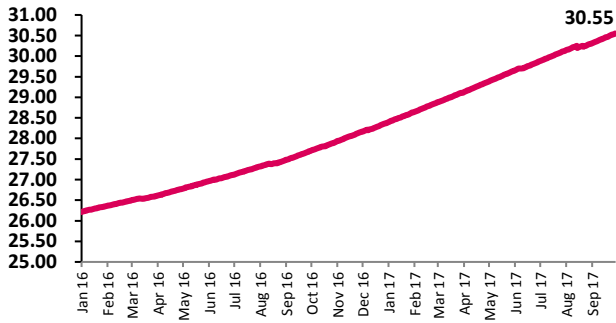
■ AAA Rating ■ AA Rating ■ A Rating

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 Balanced fund is 12.1% per year, since the unit linked fund was started.
- The unit price has increased by 7.3% for the period 01 Jan 2017 to 30 Sep 2017.

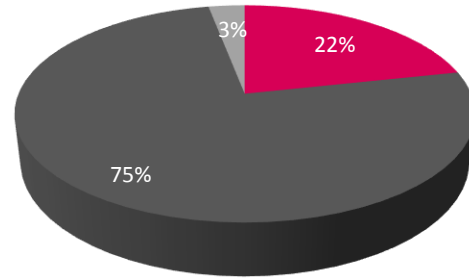
Your fund performance: Secure fund

Unit Price Movement



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Asset Allocation



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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)

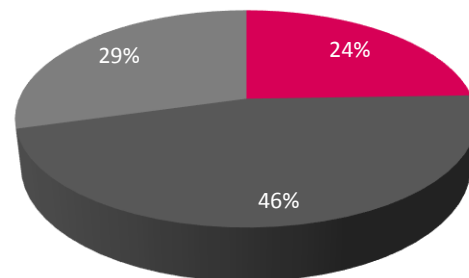
*Since inception – 02/05/2006 to 31/12/2006 **Period from 31/12/2016 to 30/09/2017

Year	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017**
Unit Price	10.83	11.91	13.04	15.74	17.97	19.09	20.75	23.02	24.76	26.21	28.37	30.55
Growth (%)	8.3%	10.0%	9.5%	20.7%	14.2%	6.2%	8.7%	10.9%	7.6%	5.9%	8.2%	7.7%

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 7.7% for the period 01 Jan 2017 to 30 Sep 2017.

Credit Rating

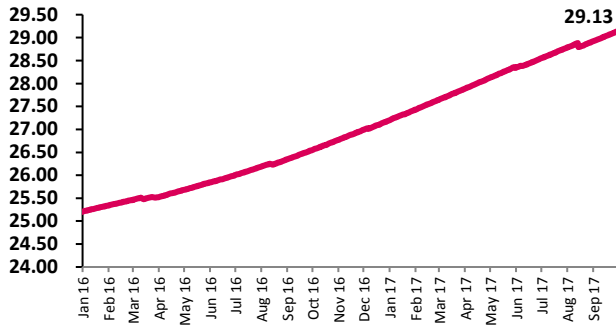


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Note: The credit rating is presented as at month end for investments in fixed deposits, and does not include ratings for equity investments. All ratings are by Fitch Ratings Lanka.

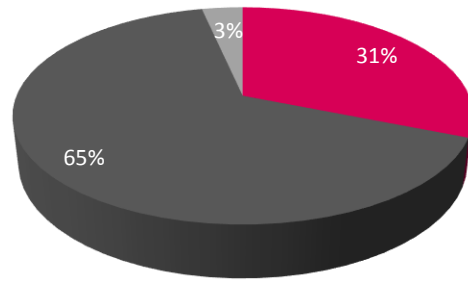
Your fund performance: Protected fund

Unit Price Movement



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Asset Allocation



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Unit Price Growth (as a percentage)

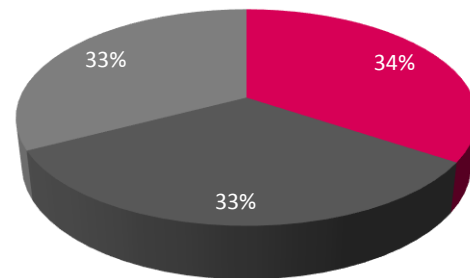
*Since inception – 02/05/2006 to 31/12/2006 **Period from 31/12/2016 to 30/09/2017

Year	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017**
Unit Price	10.58	11.91	14.25	16.23	17.54	18.58	20.16	22.27	23.81	25.20	27.18	29.13
Growth (%)	5.8%	12.6%	19.6%	13.9%	8.1%	5.9%	8.5%	10.5%	6.9%	5.8%	7.9%	7.2%

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 performed better than the guaranteed gross return every year.
- The unit price has increased by 7.2% for the period 01 Jan 2017 to 30 Sep 2017.

Credit Rating

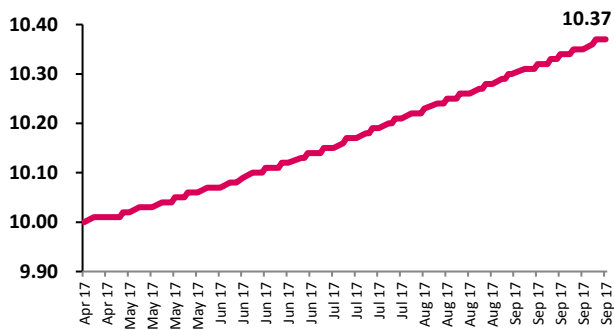


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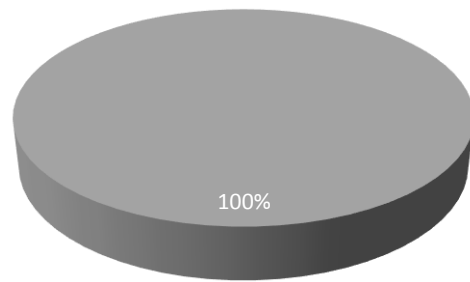
Your fund performance: Stable Money Market fund

Unit Price Movement



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Asset Allocation



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Unit Price Growth (as a percentage)

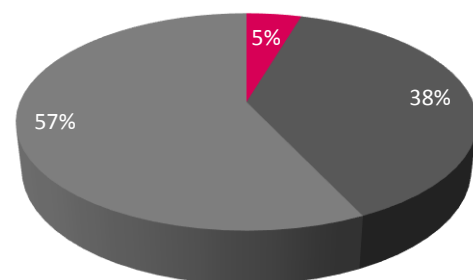
*Since inception – 21/04/2017 to 30/09/2017

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017*
Unit Price	-	-	-	-	-	-	-	-	-	-	-	10.37
Growth (%)	-	-	-	-	-	-	-	-	-	-	-	3.7%

Note: past performance is not an indication of future performance

- The Stable Money Market fund was introduced on 21 Apr 2017.
- The unit price has increased by 3.7% for the period 21 Apr 2017 to 30 Sep 2017.

Credit Rating



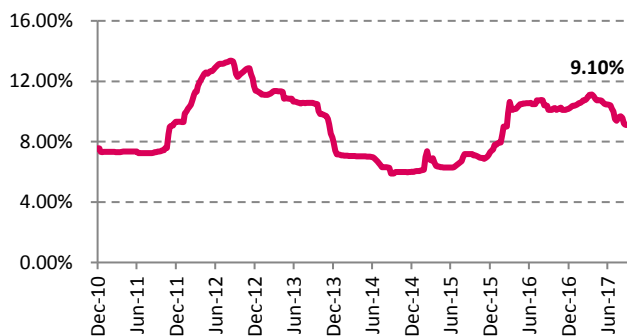
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Market Update: Interest Rates

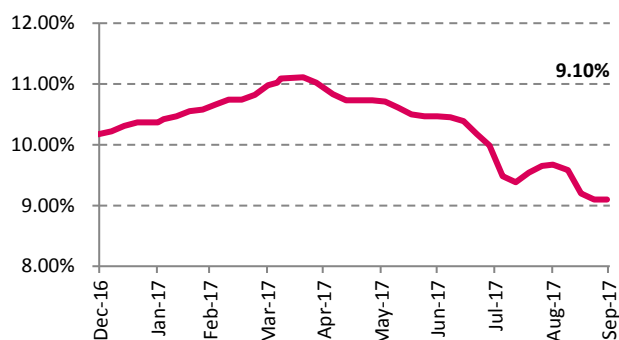
We use the 364 day T- Bill as an indicator of how interest rates move

364-day T-bill: Since 01 Jan 2011



Note: past performance is not an indication of future performance

364-day T-bill: Since 01 Jan 2017

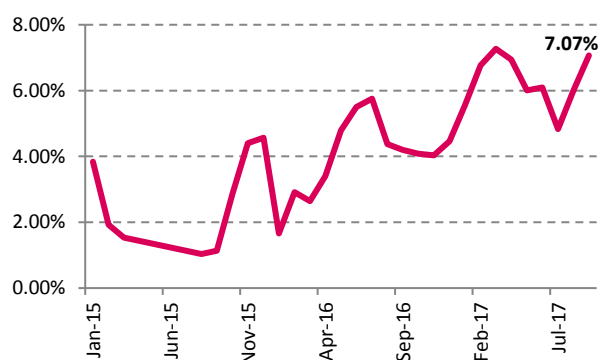


Note: past performance is not an indication of future performance

Major events during the month

- Central Bank raised LKR 168 Billion by issuing treasury bills and LKR 49 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 policy rates unchanged during the month, a reflection of its intent.
- Short term interest rates were volatile over the month. For example the benchmark 364-day Treasury bill rate decreased to 9.10% against the previous month end rate of 9.67%.

Inflation: Since 01 Jan 2015

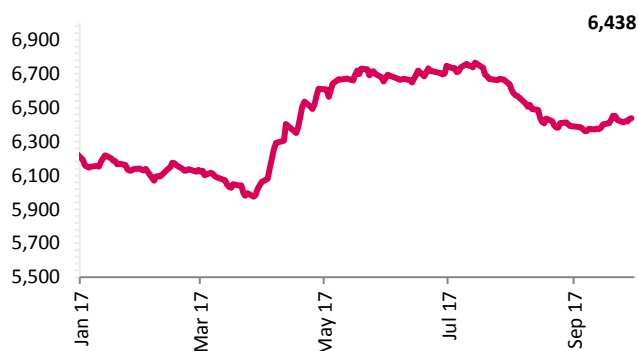


Market Update: Stock Market

ASPI Movement: Since 01 Jan 2010



ASPI Movement: Since 01 Jan 2017



ASPI Performance (as a percentage)

*Since inception – 02/05/2006 to 31/12/2006 **Period from 31/12/2016 to 30/09/2017

Year	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017**
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	6,438.24
Growth (%)	5.8%	12.6%	19.6%	13.9%	8.1%	5.9%	8.5%	10.5%	6.9%	5.8%	7.9%	3.4%

Highlights of the performance

- The annual average growth rate of ASPI is 9.5% per year.
- The ASPI has increased by 3.4% for the period of 01 Jan 2017 to 30 Sep 2017.

Market Update: Stock Market

For the month

Description	Sep-2017	Aug-2017
All Share Price Index (ASPI)	6,438	6,391
ASPI growth for the month	0.7%	-3.7%
Total market turnover (LKR Mn)	26,573	13,939
Market Capitalisation (LKR Bn)	2,920	2,898
PE Ratio (times)	10.7x	10.4x

Highlights of the month

- The equity market performance marginally improved in Sep 2017 despite lackluster investor activity.
- The ASPI increased by 3.4% over the period 01 Jan 2017 to 30 Sep 2017.
- Foreign investors sold LKR 9.5 billion on a net basis in Sep 2017 due to a divestment of strategic holding, resulting in a net inflow of LKR 17.6 billion during the year to date 2017.

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

- JKH
- CEYLON TOBACCO
- COMMERCIAL BANK
- DIALOG
- HNB
- NESTLE
- COLD STORES
- HEMAS HOLDINGS
- MELSTACORP
- LANKA ORIX LEASING COMPANY

Fund manager's outlook



Fixed income outlook

- Treasury bill rates have declined for the month of September 2017. In line with the decline in short term rates; secondary market bond yields have also declined.
- However we feel there is very limited further down side potential on rates as US is expected to start its balance sheet normalization process starting October 2017 while US is expected to continue on its monetary tightening stance.
- Moreover Sri Lanka's inflation was reported at 7.1% YOY as of August 2017 and budget deficit will very likely be over the budgeted amount of 4.6%, adding pressure on rates.

Equity outlook

- Markets performance remained sluggish in September with the ASPI gaining 0.74% while the more liquid S&P SL 20 index merely gained 0.05%.
- Sluggish performance was attributed to the predominant foreign selling witnessed in the market, with net foreign selling for the month of September topping LKR 9.5 billion as a result of a strategic transaction.
- We expect investors to remain on the sidelines ahead of the budget proposals for 2018 expected to be presented to Parliament on the 09 November 2017.
- Despite the one off sale we expect foreign investors to remain active driving index heavy weight counters and we believe there are bargain hunting opportunities in the bourse to be exploited.

About AIA

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

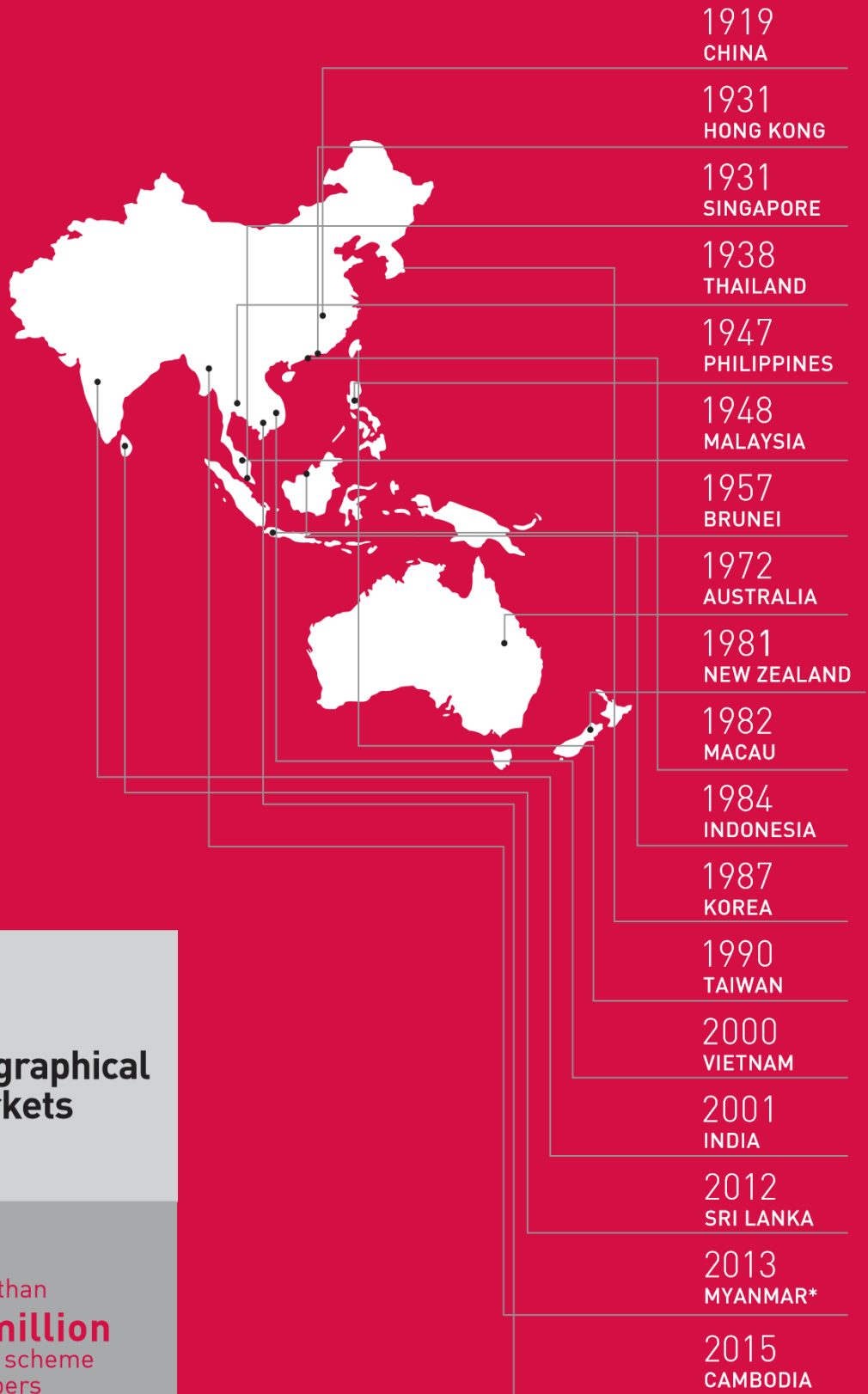
A total Sum Assured of over **US\$1 trillion**

Almost 100 years of history in Asia

18 geographical markets

More than **30 million** individual policies

More than **16 million** group scheme members



*AIA has a representative office in Myanmar.



THE REAL LIFE COMPANY

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