

INVESTOR

AIA Monthly Market and Unit Linked Fund update

For the month of August 2018

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 2018 (YTD)	-3.1%	3.2%	6.6%	6.1%	6.7%	-4.5%
Annual Effective Growth Rate						
1 year	-2.2%	5.7%	10.2%	9.5%	10.0%	-4.9%
3 years	-1.2%	5.1%	9.2%	8.6%	-	-5.9%
5 years	3.2%	6.6%	8.4%	7.9%	-	0.8%
7 years	3.0%	6.5%	8.6%	8.2%	-	-1.7%
From Inception - CAGR	11.3%	11.6%	10.3%	9.8%	9.6%	8.3%

Note: past performance is not an indication of future performance

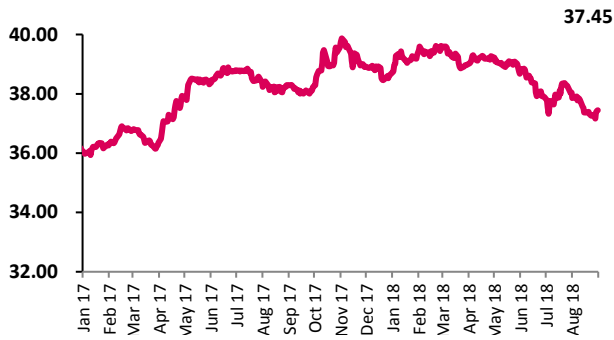
*The Stable Money Market fund was introduced on 21 Apr 2017.

Disclaimer:

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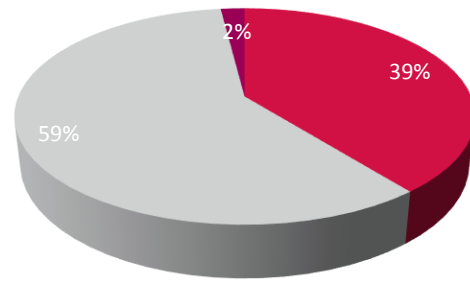
Your fund performance: Growth fund

Unit Price Movement



Note: past performance is not an indication of future performance

Asset Allocation



Legend: Government Securities (Grey), Fixed Deposits (Red), Equity (Light Grey), Money Market (Dark Red)

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 31/12/2017 to 31/08/2018

Year	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018**
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	37.45
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%	-3.1%

Note: past performance is not an indication of future performance

Equity Allocation

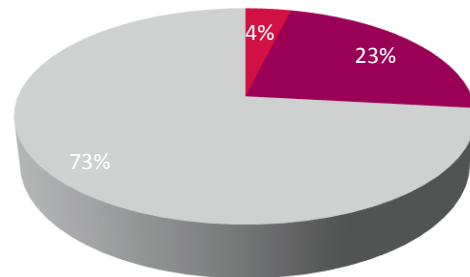
Sector	%
Banks, Finance and Insurance	73
Diversified Holdings	12
Manufacturing	8
Construction and Engineering	4
Hotels and Travels	3
Total	100

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



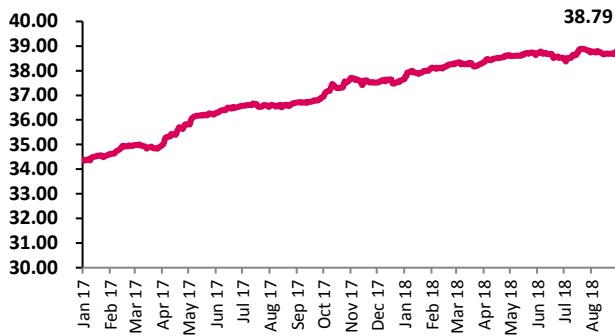
Legend: AAA Rating (Red), AA Rating (Dark Red), A Rating (Grey)

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 11.3% per year, since the unit linked fund was started.
- The unit price has decreased by 3.1% for the period 01 January 2018 to 31 August 2018.

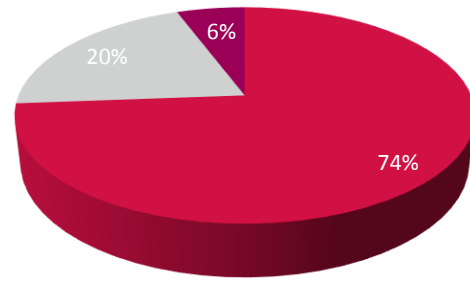
Your fund performance: Balanced fund

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 31/12/2017 to 31/08/2018

Year	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018**
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	38.79
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%	3.2%

Note: past performance is not an indication of future performance

Equity Allocation

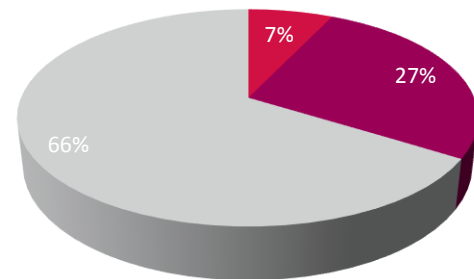
Sector	%
Banks, Finance and Insurance	71
Diversified Holdings	14
Manufacturing	9
Construction and Engineering	5
Hotels and Travels	2
Total	100

Top Equity Holdings*

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

*Note: (In alphabetical order)

Credit Rating



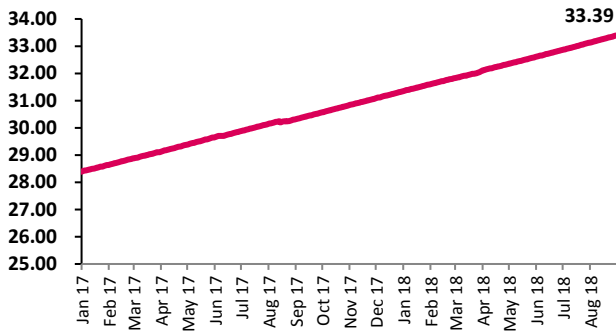
AAA Rating AA Rating A Rating

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 11.6% per year, since the unit linked fund was started.
- The unit price has increased by 3.2% for the period 01 January 2018 to 31 August 2018.

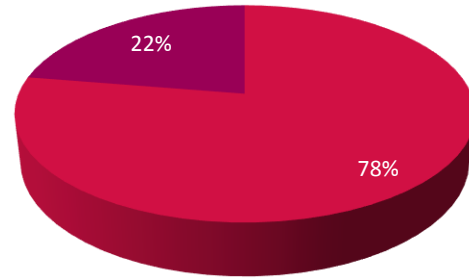
Your fund performance: Secure fund

Unit Price Movement



Note: past performance is not an indication of future performance

Asset Allocation



Legend: 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)

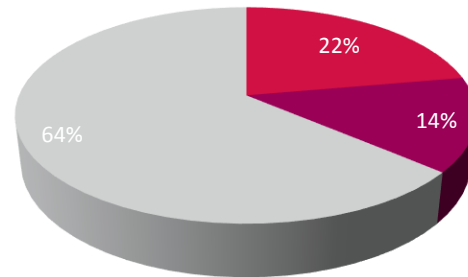
*Since inception – 02/05/2006 to 31/12/2006 **Period from 31/12/2017 to 31/08/2018

Year	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018**
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	33.39
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%	6.6%

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 6.6% for the period 01 January 2018 to 31 August 2018.

Credit Rating

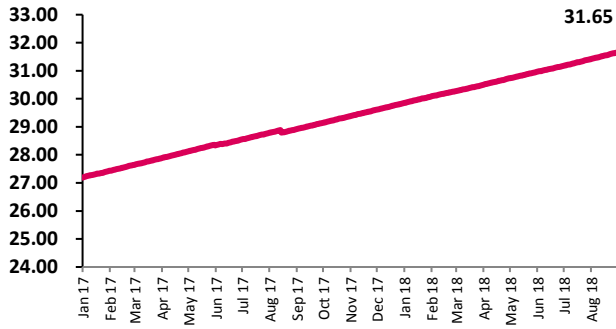


Legend: AAA Rating, AA Rating, A Rating

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.

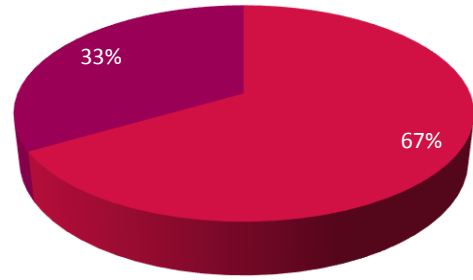
Your fund performance: Protected fund

Unit Price Movement



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)

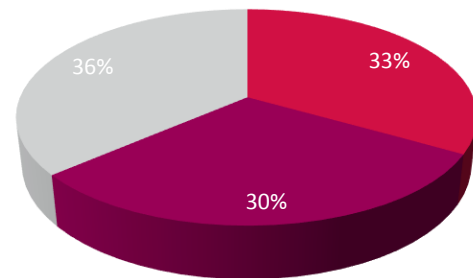
*Since inception – 02/05/2006 to 31/12/2006 **Period from 31/12/2017 to 31/08/2018

Year	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018**
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	31.65
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%	6.1%

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 performed better than the guaranteed gross return every year.
- The unit price has increased by 6.1% for the period 01 January 2018 to 31 August 2018.

Credit Rating

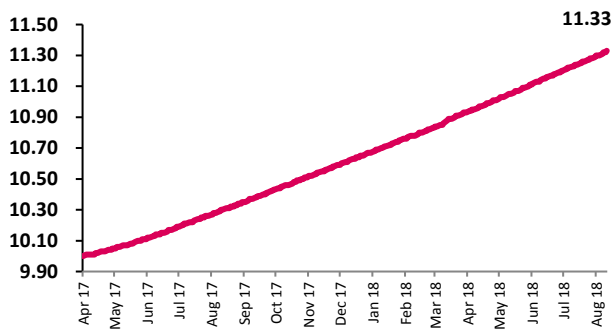


AAA Rating AA Rating A Rating

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.

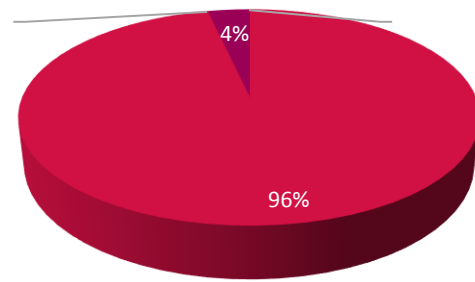
Your fund performance: Stable Money Market fund

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)

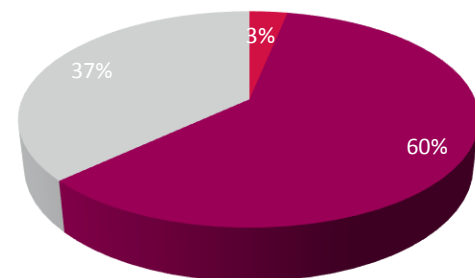
*Since inception – 21/04/2017 to 31/12/2017 **Period from 31/12/2017 to 31/08/2018

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017*	2018**
Unit Price	-	-	-	-	-	-	-	-	-	-	-	10.62	11.33
Growth (%)	-	-	-	-	-	-	-	-	-	-	-	6.2%	6.7%

Note: past performance is not an indication of future performance

- The Stable Money Market fund was introduced on 21 April 2017.
- The annual average growth rate of the unit price for the Protected fund is 9.6% per year, since the unit linked fund was started.
- The unit price has increased by 6.7% for the period 01 January 2018 to 31 August 2018.

Credit Rating



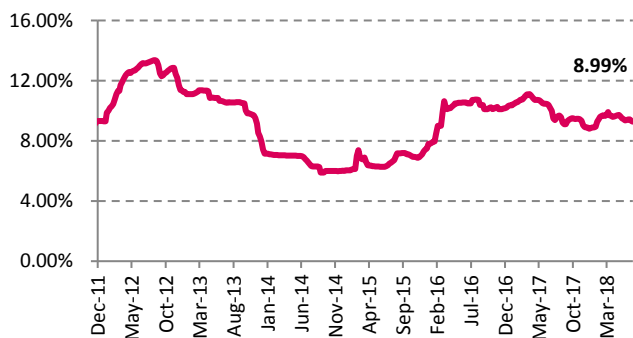
■ AAA Rating ■ AA Rating ■ A Rating

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.

Market Update: Interest Rates

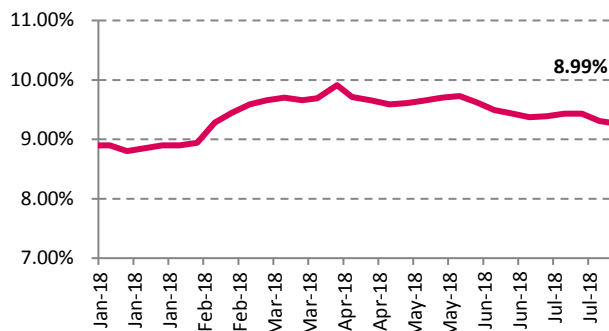
We use the 364-day T- Bill as an indicator of how interest rates move

364-day T-bill: Since 01 Jan 2012



Note: past performance is not an indication of future performance

364-day T-bill: Since 01 Jan 2018

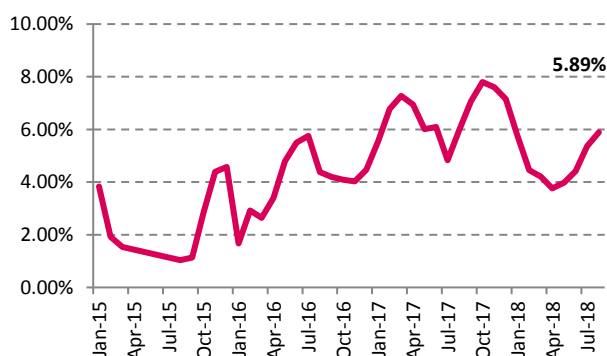


Note: past performance is not an indication of future performance

Major events during the month

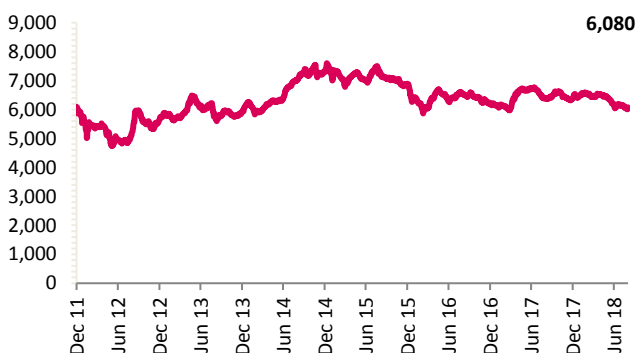
- Central Bank raised LKR 96 billion by issuing treasury bills.
- Central Bank policy rates play a key role in determining the direction and level of market interest rates. The Central Bank maintained policy rates unchanged during the month, a reflection of its intent.
- Short term interest rates were volatile over the month. For example, the benchmark 364-day Treasury bill rate decreased to 8.99% by end of the month against 9.27% in July 2018.

Inflation: Since 01 Jan 2015

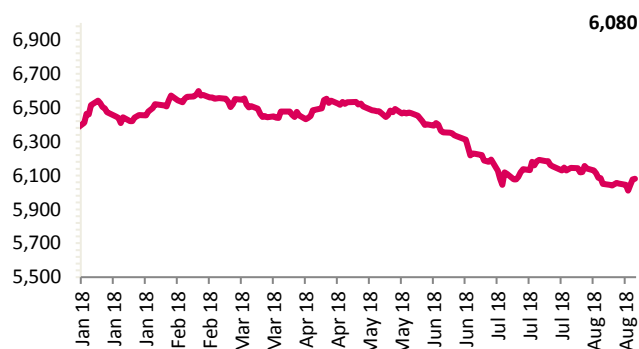


Market Update: Stock Market

ASPI Movement: Since 01 Jan 2012



ASPI Movement: Since 01 Jan 2018



ASPI Performance (as a percentage)

*Since inception – 02/05/2006 to 31/12/2006 **Period from 31/12/2017 to 31/08/2018

Year	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018**
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	6,080.26
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%	-4.5%

Highlights of the performance

- The annual average growth rate of ASPI is 8.3% per year.
- The ASPI has decreased by -4.5% for the period of 01 January 2018 to 31 August 2018.

Market Update: Stock Market

For the month

Description	Aug-2018	July-2018
All Share Price Index (ASPI)	6,080.26	6,147
ASPI growth for the month	-1.09%	-0.8%
Total market turnover (LKR Mn)	12,027	8,649
Market Capitalization (LKR Bn)	2,849	2,879
PE Ratio (times)	9.46x	9.8x

Highlights of the month

- The equity market performance decreased by 1.09% in August 2018 with foreign outflows in blue-chips.
- The ASPI decreased by 4.5% over the period 01 January 2017 to 31 August 2018.
- There was a negative foreign outflow of LKR 1.65 billion on a net basis in August 2018, resulting in a net outflow of LKR 4.2 billion during the year to date 2018.

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

- CEYLON TOBACCO
- JKH
- COMMERCIAL BANK
- DIALOG
- NESTLE
- HNB
- DISTILLERIES COMPANY OF SRI LANKA
- COLD STORES
- SAMPATH BANK
- MELSTACORP

Fund manager's outlook



Fixed income outlook

- Government securities rates declined, with the benchmark 364-day Treasury bill rate declining by 28 basis points for the month of August to 8.99%. Despite the dip, most banks offered attractive fixed deposit rates with market liquidity remaining relatively tight at LKR 26 Billion.
- Foreigners were net sellers of their LKR denominated debt and currently foreign holding in LKR denominated debt stands at LKR 277 Billion.
- Inflation for the month of August increased to 5.9% from 5.4% reported in July 2018; food inflation in particular has been on the rise in response to administrative price increases in fuel.
- Government has announced plans to obtain a loan syndication of USD 1.0 Billion. A further USD 250 million is expected to be raised via a Panda bond in the 4th quarter of 2018, which is expected to somewhat mitigate rate pressures in the immediate short term. However, if the government opts to present a populist budget in November 2018, it is expected to deteriorate macro fundamentals and add upward pressure on rates.

Equity outlook

- Market continued on its downward momentum during the month of August; with the key ASPI index declining by 1.03% and the more liquid S&P SL 20 index declining by a steeper 3.13%. On Year-To-Date basis the ASPI has declined by 4.54% while the S&P SL 20 index has lost 12.05%.
- Investor sentiment was further weakened with the government amending the Finance Act which included a proposal to charge a 7.00% Debt Repayment Levy on financial institutions (Instead of the previously proposed Cash transaction levy of 0.02%), while all mobile telephone operators who own cellular towers have to pay LKR 200,000 p.a. (as opposed to previously proposed LKR 200,000 per month charge) for each tower. The new taxes are expected to hamper earnings of key blue-chip companies.
- Foreigners were net sellers on the bourse selling LKR 4.1 Billion as of 31st August 2018 and we expect foreign selling to continue amidst global market volatility and weaker earnings growth expectations

About AIA

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

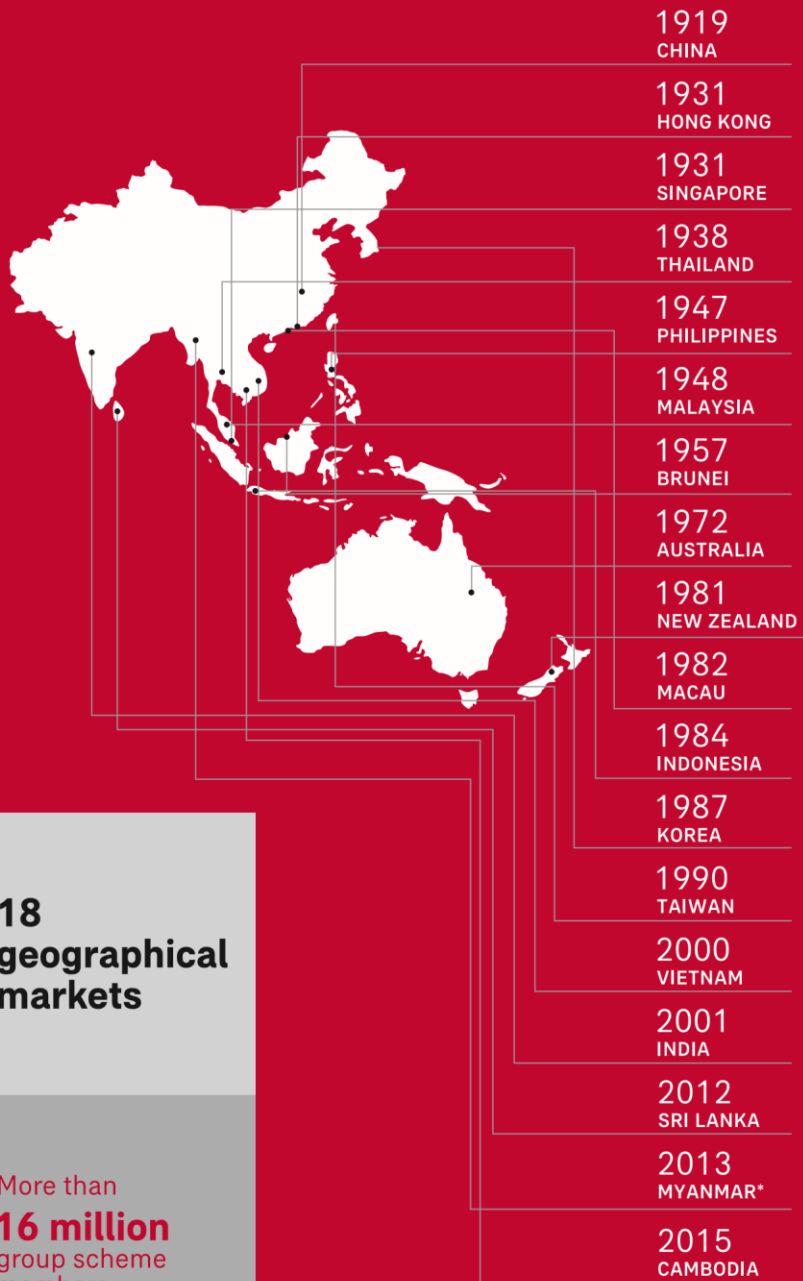
A total Sum Assured of over **US\$1 trillion**

Almost 100 years of history in Asia

More than **30 million** individual policies

18 geographical markets

More than **16 million** group scheme members



*AIA has a representative office in Myanmar



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