

INVESTOR

AIA Monthly Market and Unit Linked Fund update

For the month of December 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 December

	Growth	Balanced	Secure	Protected	Stable MM	ASPI
Since 01 Jan 2018 (YTD)	-3.2%	5.2%	10.1%	9.5%	10.2%	-5.0%
Annual Effective Growth Rate						
1 year	-3.2%	5.2%	10.1%	9.5%	10.2%	-5.0%
3 years	0.8%	6.3%	9.6%	9.0%	-	-4.2%
5 years	3.0%	6.5%	8.4%	8.0%	-	0.5%
7 years	4.0%	7.3%	8.8%	8.4%	-	-0.1%
From Inception - CAGR	11.0%	11.5%	10.3%	9.8%	9.7%	8.0%

Note: past performance is not an indication of future performance

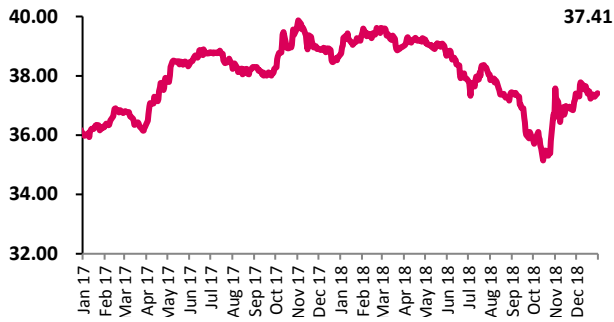
*The Stable Money Market fund was introduced on 21 Apr 2017.

Disclaimer:

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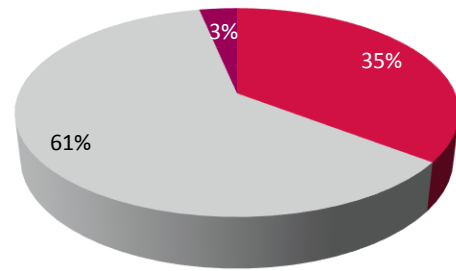
Your fund performance: Growth fund

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 31/12/2017 to 31/12/2018

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	37.41
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%

Note: past performance is not an indication of future performance

Equity Allocation

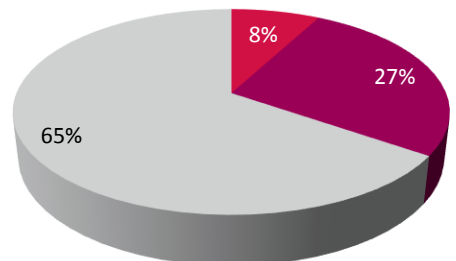
Sector	%
Banks, Finance and Insurance	75
Diversified Holdings	13
Manufacturing	5
Construction and Engineering	4
Hotels and Travels	3
Total	100

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



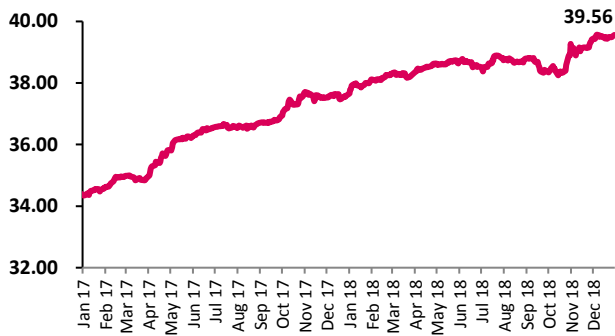
AAA Rating AA Rating A Rating

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 Growth fund is 11.0% per year, since the unit linked fund was started.
- The unit price has decreased by 3.2% for the period 01 January 2018 to 31 December 2018.

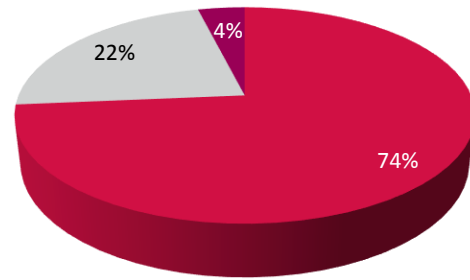
Your fund performance: Balanced fund

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 31/12/2018

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	39.56
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%

Note: past performance is not an indication of future performance

Equity Allocation

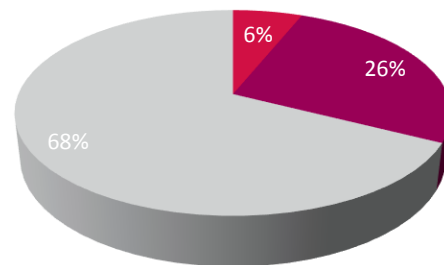
Sector	%
Banks, Finance and Insurance	71
Diversified Holdings	16
Manufacturing	5
Construction and Engineering	7
Hotels and Travels	1
Total	100

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



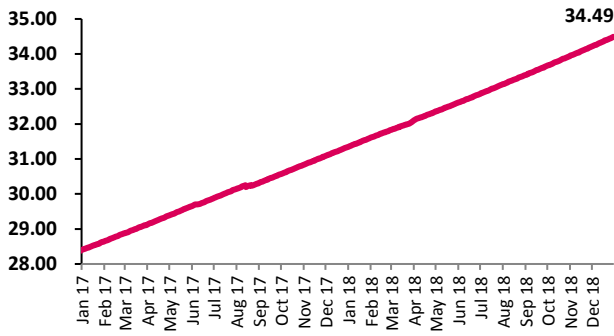
AAA Rating AA Rating A Rating

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 11.5% per year, since the unit linked fund was started.
- The unit price has increased by 5.2% for the period 01 January 2018 to 31 December 2018.

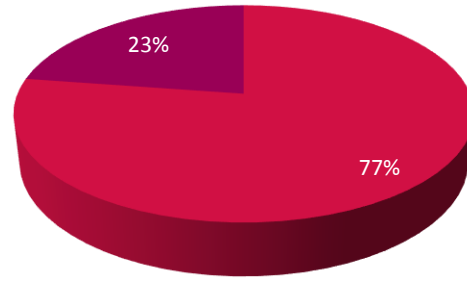
Your fund performance: Secure fund

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)

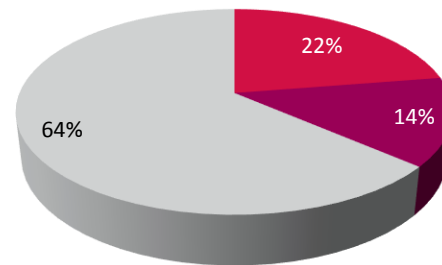
*Since inception – 02/05/2006 to 31/12/2006 **Period from 31/12/2017 to 31/12/2018

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	34.49
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%

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 10.1% for the period 01 January 2018 to 31 December 2018.

Credit Rating

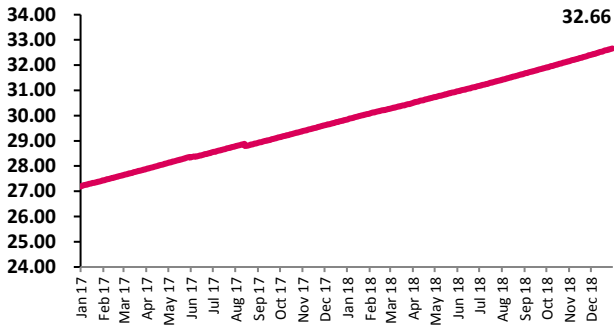


AAA Rating AA Rating A Rating

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.

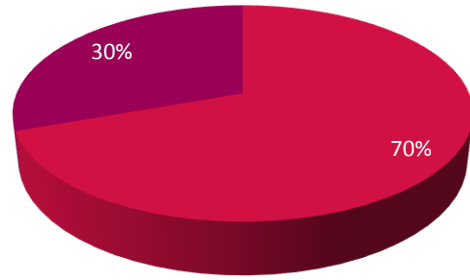
Your fund performance: Protected fund

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)

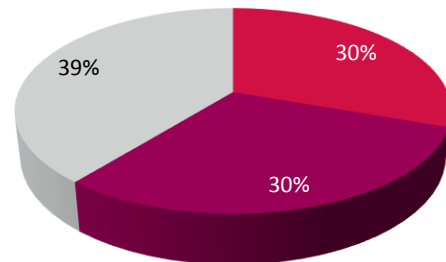
*Since inception – 02/05/2006 to 31/12/2006 **Period from 31/12/2017 to 31/12/2018

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	32.66
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%

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 returns every year.
- The unit price has increased by 9.5% for the period 01 January 2018 to 31 December 2018.

Credit Rating

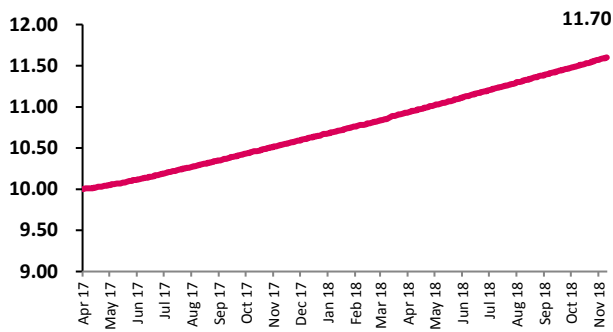


AAA Rating AA Rating A Rating

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.

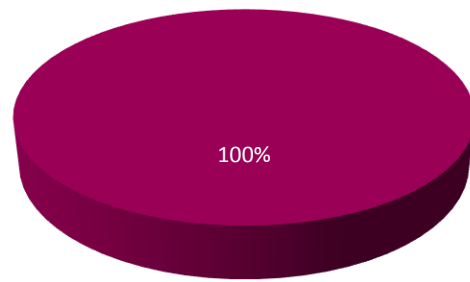
Your fund performance: Stable Money Market fund

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)

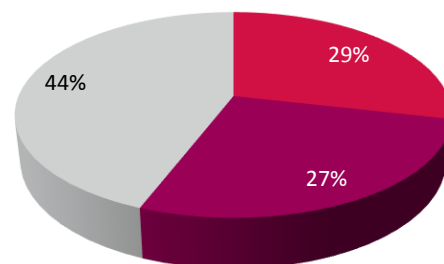
*Since inception – 21/04/2017 to 31/12/2017 **Period from 31/12/2017 to 31/12/2018

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

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 9.7% per year, since the unit linked fund was started.
- The unit price has increased by 10.2% for the period 01 January 2018 to 31 December 2018.

Credit Rating



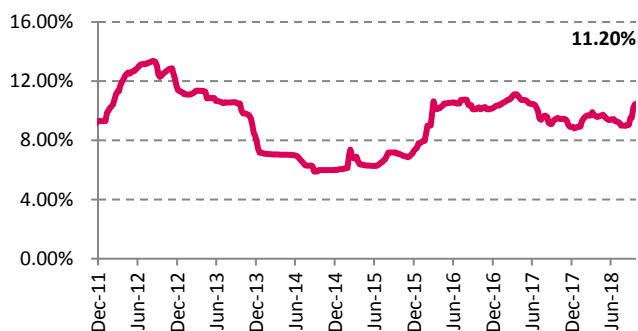
■ AAA Rating ■ AA Rating ■ A Rating

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

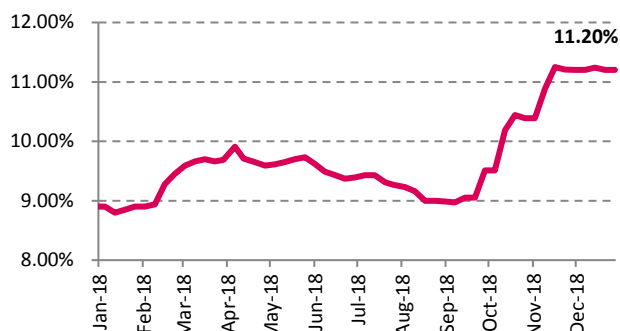
We use the 364-day T- Bill as an indicator of how interest rates move

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

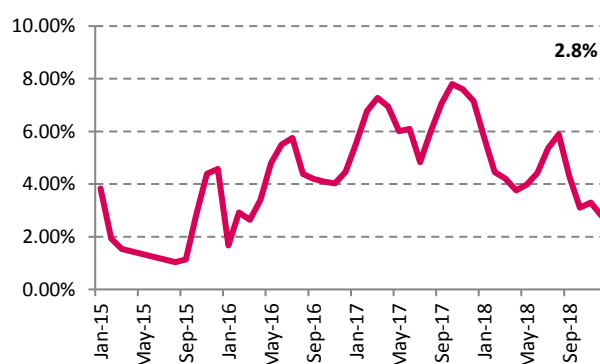


Note: past performance is not an indication of future performance

Major events during the month

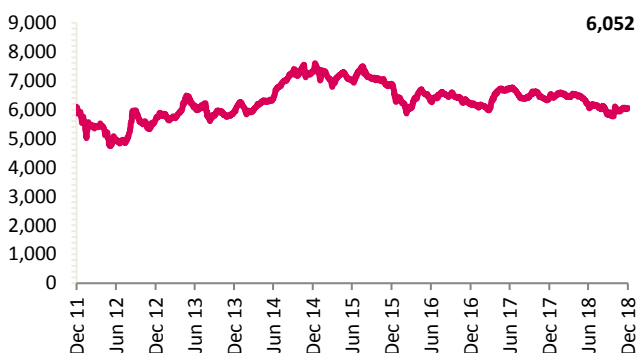
- Central Bank raised LKR 60 billion by issuing treasury bills and LKR 50 billion by issuing treasury bonds.
- Central Bank policy rates play a key role in determining the direction and level of market interest rates. The Central Bank maintained policy rates unchanged during the month, a reflection of its intent.
- Short term interest rates decreased marginally over the month. For example, the benchmark 364-day Treasury bill rate decreased to 11.20% by end of the month against 11.21% in November 2018.

Inflation: Since 01 Jan 2015

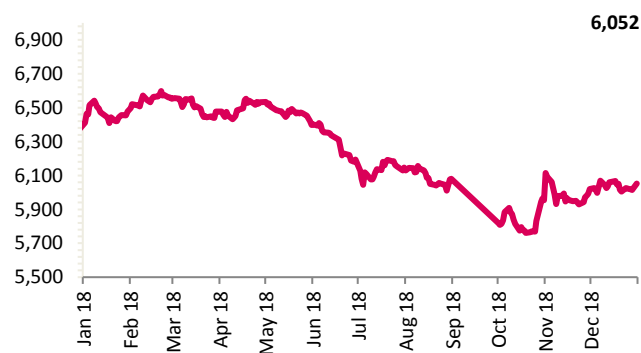


Market Update: Stock Market

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 31/12/2018

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	6,052.37
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%

Highlights of the performance

- The annual average growth rate of ASPI is 8.0% per year.
- The ASPI has decreased by 5.0% for the period of 01 January 2018 to 31 December 2018.

Market Update: Stock Market

For the month

Description	Dec-2018	Nov-2018
All Share Price Index (ASPI)	6,052	6,019
ASPI growth for the month	0.55%	1.1%
Total market turnover (LKR Mn)	16,685	24,788
Market Capitalization (LKR Bn)	2,839	2,823
PE Ratio (times)	9.6x	9.5x

Highlights of the month

- The equity market performance increased by 0.6% in December 2018.
- The ASPI decreased by 5.0% over the period 01 January 2017 to 30 December 2018.
- There was a negative foreign outflow of LKR 4.7 billion on a net basis in December 2018, resulting in a net outflow of LKR 22.7 billion during the year 2018.

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

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

Fund manager's outlook



Fixed income outlook

- Amidst political turmoil there was aggressive foreign selling on LKR denominated debt while the country downgrade also remained a drag.
- The benchmark 364-day treasury yields rose above 11.00% towards the end of the year with longer tenor bonds yield hovering around 12.00%.
- Given the political deadlock being resolved, we believe rates should ease while on the macro front most macro variables remained positive.
- Favorable inflation projections coupled with Real Effective Exchange Rates (REER) being at 98.64 as of October 2018 is rate positive.
- Moreover, reduction in oil prices and US expected to adopt a soft stance on its rate increases are expected to remain positive for Sri Lanka. However continuous money markets deficit (LKR 148 billion as at 31 December 2018) remains a concern. The current interest rates remain attractive and we will invest in longer durations in order to benefit from the current upward rise in the yield curve.

Equity outlook

- Equity markets closed the year on a negative note with the ASPI closed at -4.98%, while the more liquid S&P SL 20 index closed at -14.61%.
- Foreigners continued to be net sellers on the bourse, and net foreign selling for the year stood at LKR 22.7 billion.
- Investors are expected to remain on the sidelines until the budget for 2019 is presented on 05 March 2019; which is expected to set the tone for corporate profitability.
- Moreover, given the election timeline investors are expected to remain sensitive to political developments.

About AIA

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

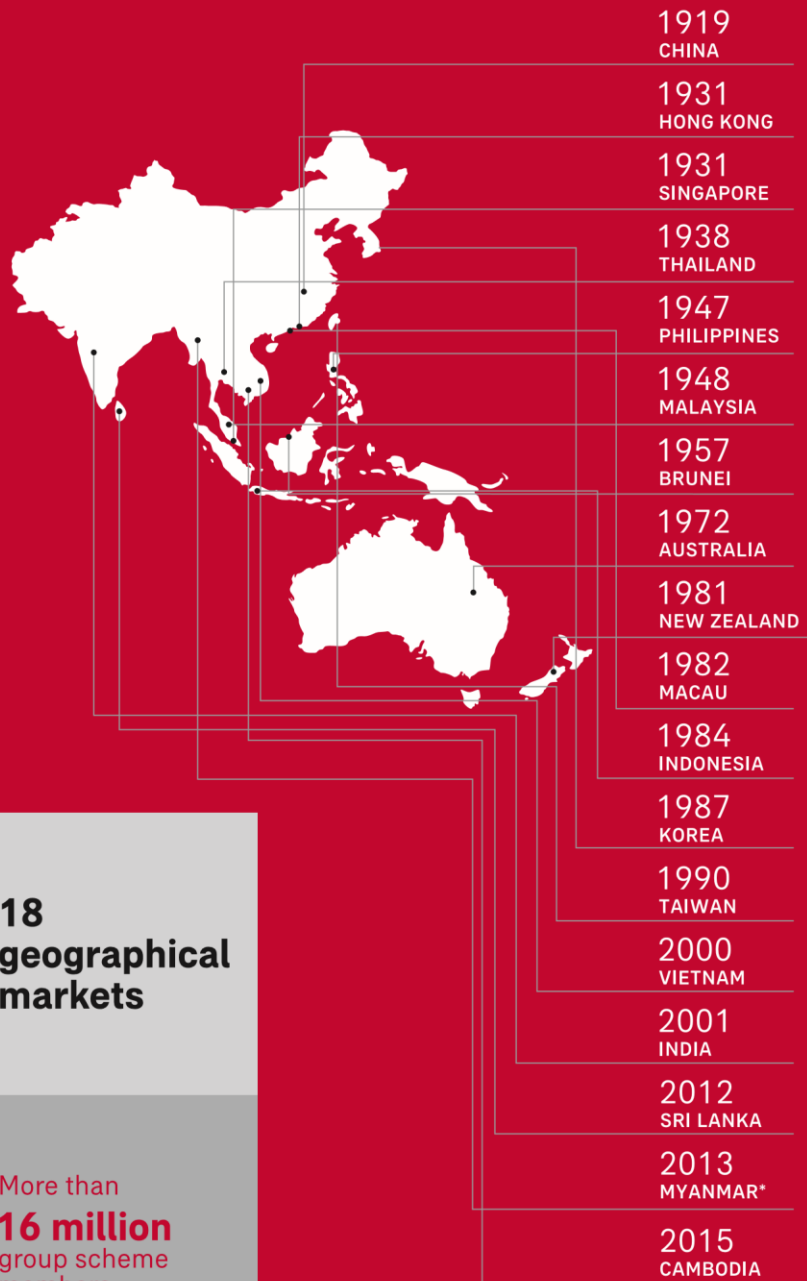
A total Sum Assured of over **US\$1 trillion**

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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