AIA Monthly Market and Unit Linked Fund update

For the month of June 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)	-1.9%	2.5%	4.9%	4.5%	4.9%	-2.7%
Annual Effective Growth Rate						
1 year	-2.3%	5.4%	9.9%	9.2%	9.9%	-8.2%
3 years	0.2%	5.7%	8.9%	8.4%	-	-4.1%
5 years	2.8%	6.3%	8.4%	8.0%	-	0.2%
7 years	3.2%	6.4%	8.5%	8.1%	-	-1.4%
From Inception - CAGR	11.6%	11.7%	10.3%	9.8%	9.5%	8.6%

Note: past performance is not an indication of future performance $\label{eq:continuous} % \begin{center} \beg$

Disclaimer

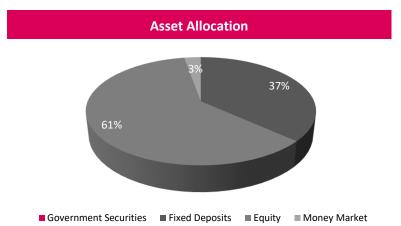
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^{*}The Stable Money Market fund was introduced on 21 Apr 2017.

Your fund performance: Growth fund



Note: past performance is not an indication of future performance



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 30/06/2018

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	37.89
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%	-1.9%

Note: past performance is not an indication of future performance

Equity Allocation

Sector	%
Banks, Finance and Insurance	72
Diversified Holdings	12
Manufacturing	10
Construction and Engineering	3
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

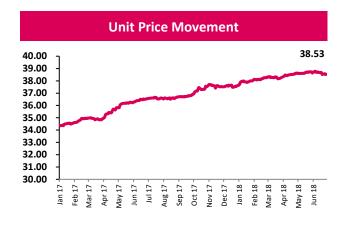
*Note: In alphabetical order

Credit Rating

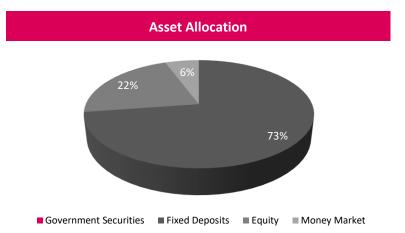


- The <u>annual average growth rate</u> of the unit price for the Growth fund is <u>11.6% per year</u>, since the unit linked fund was started.
- The unit price has decreased by 1.9% for the period 01 January 2018 to 30 June 2018.

Your fund performance: Balanced fund



Note: past performance is not an indication of future performance



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						*Since inc	eption – 02,	/05/2006 to	31/12/2006	**Period	from 31/12,	/2017 to 30/	/06/2018
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	38.53
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%	2.5%

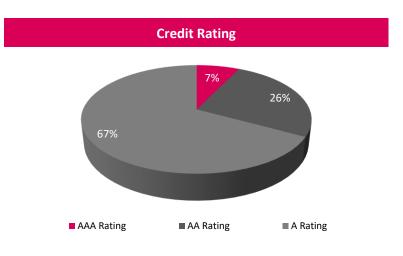
Note: past performance is not an indication of future performance

Equity Allocation Sector

Sector	%
Banks, Finance and Insurance	71
Diversified Holdings	14
Manufacturing	8
Construction and Engineering	5
Hotels and Travels	2
Total	100

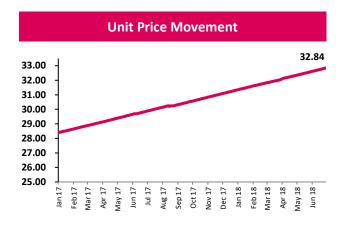
Top Equity Holdings*	
Access Engineering	LB Finance
Central Finance	People's Leasing
Commercial Bank	Royal Ceramics
Hatton National Bank	Sampath Bank
John Keells Holdings	Seylan Bank
*Nota, (In alphabatical order)	

*Note: (In alphabetical order)

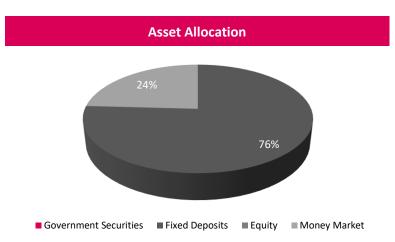


- The <u>annual average growth rate</u> of the unit price for the Balanced fund is <u>11.7% per year</u>, since the unit linked fund was started.
- The unit price has increased by 2.5% for the period 01 January 2018 to 30 June 2018.

Your fund performance: Secure fund



Note: past performance is not an indication of future performance

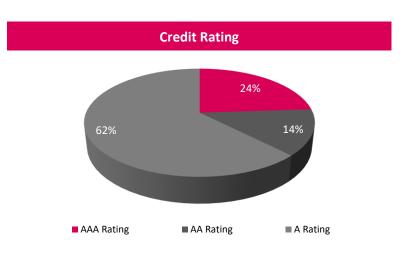


Note: The asset allocation for the fund is presented as at month end. The future asset allocation may change based on market conditions and investment strategy.

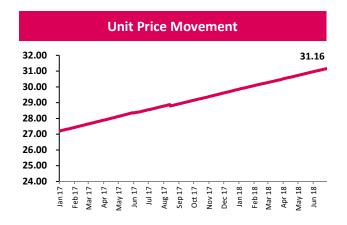
Unit Price Growth (as a percentage) *Since inception – 02/05/2006 to 31/12/2006							**Period	from 31/12	/2017 to 30,	/06/2018			
Year	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018**
Unit Price	10.83	11.91	13.04	15.74	17.97	19.09	20.75	23.02	24.76	26.21	28.37	31.32	32.84
Growth (%)	8.3%	10.0%	9.5%	20.7%	14.2%	6.2%	8.7%	10.9%	7.6%	5.9%	8.2%	10.4%	4.9%

Note: past performance is not an indication of future performance

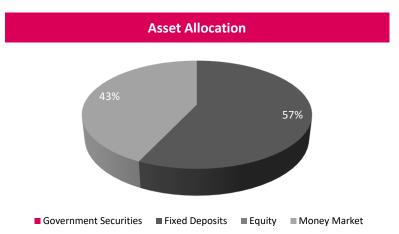
- The <u>annual average growth rate</u> of the unit price for the Secure fund is <u>10.3% per year</u>, since the unit linked fund was started.
- The unit price has <u>increased by 4.9% for the period 01 January</u> 2018 to 30 June 2018.



Your fund performance: Protected fund



Note: past performance is not an indication of future performance

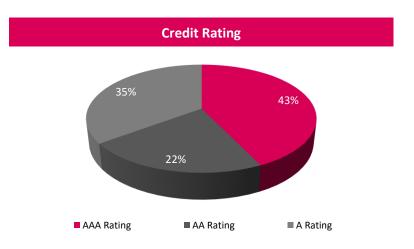


Note: The asset allocation for the fund is presented as at month end. The future asset allocation may change based on market conditions and investment strategy.

Unit Price Growth (as a percentage) *Since inception – 02/05/2006 to 31/12/2006							**Period	from 31/12,	/2017 to 30,	/06/2018			
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	31.16
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%	4.5%

Note: past performance is not an indication of future performance

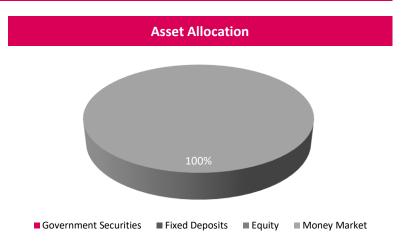
- The <u>annual average growth rate</u> of the unit price for the Protected fund is <u>9.8% per year</u>, since the unit linked fund was started.
- The unit price has performed better than the guaranteed gross return every year.
- The unit price has increased by 4.5% for the period 01 January 2018 to 30 June 2018.



Your fund performance: Stable Money Market fund



Note: past performance is not an indication of future performance

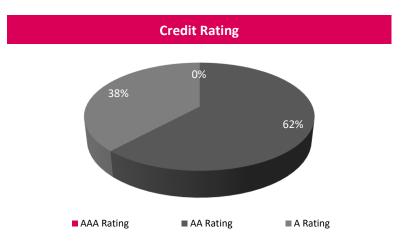


Note: The asset allocation for the fund is presented as at month end. The future asset allocation may change based on market conditions and investment strategy.

51	555	Since interprise: -1, 5 , 152; to 52, 12, 202; to 61, 52;											
Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017*	2018**
Unit Price	-	-	-	-	-	-	-	-	-	-	-	10.62	11.14
Growth (%)	-	-	-	-	-	-	-	-	-	-	-	6.2%	4.9%

Note: past performance is not an indication of future performance

- The Stable Money Market fund was introduced on 21 April 2017.
- The <u>annual average growth rate</u> of the unit price for the Protected fund is <u>9.5% per year</u>, since the unit linked fund was started
- The unit price has <u>increased by 4.9% for the period 01 January 2018 to 30 June 2018.</u>



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

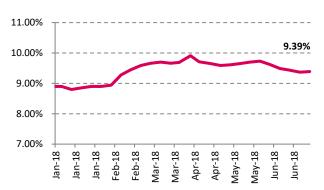


Note: past performance is not an indication of future performance

Major events during the month

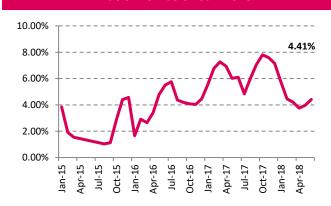
- Central Bank raised LKR 58 billion by issuing treasury bills and LKR 90 billion by issuing treasury bonds.
- Central Bank policy rates play a key role in determining the direction and level of market interest rates. The Central Bank maintained policy rates unchanged during the month, a reflection of its intent.
- Short term interest rates were volatile over the month. For example, the benchmark 364-day Treasury bill rate decreased to 9.39% by end of the month against 9.73% in May 2018.

364-day T-bill: Since 01 Jan 2018



Note: past performance is not an indication of future performance

Inflation: Since 01 Jan 2015



Market Update: Stock Market

9,000 8,000 7,000 6,000 1,000

ASPI Movement: Since 01 Jan 2018 6,195 6.900 6,700 6,500 6,300 6,100 5,900 5,700 5,500 Jan 18 Jan 18 Feb 18 18 Feb 18 Jan In ш

ASPI Performance (as a percentage)

*Since inception - 02/05/2006 to 31/12/2006 **Period from 31/12/2017 to 30/06/2018

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	6,194.63
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%	-2.7%

Highlights of the performance

- The annual <u>average growth rate</u> of ASPI is <u>8.6% per year</u>.
- The ASPI has increased by -2.7% for the period of 01 January 2018 to 30 June 2018.

Market Update: Stock Market

For the month

Description	Jun-2018	May-2018
All Share Price Index (ASPI)	6,195	6,398
ASPI growth for the month	-3.2%	-2.0%
Total market turnover (LKR Mn)	11,587	15,742
Market Capitalisation (LKR Bn)	2,894	2,989
PE Ratio (times)	10.4x	10.7x

Highlights of the month

- The equity market performance decreased by 3.2% in June 2018 with low retail activity.
- The ASPI decreased by 2.7% over the period 01 January 2017 to 30 June 2018.
- Foreign investors brought LKR 50 million on a net basis in June 2018, resulting in a net outflow of LKR 1.3 billion during the year to date 2018.

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

- JKH
- CEYLON TOBACCO
- COMMERCIAL BANK
- DIALOG
- HNB
- NESTLE
- COLD STORES
- SAMPATH BANK
- HEMAS HOLDINGS
- MELSTACORP

Fund manager's outlook



Fixed income outlook

- The benchmark 364-day Treasury bill rates declined for the month of June by 34 basis points to 9.39%.
- Foreign holding in LKR denominated debt continued to decrease to LKR 295 billion.
- Market liquidity remained negative LKR 33.7 billion. Inflation for the month of June increased to 4.4% from 4.0% reported in May 2018.
- The increase in the US interest rates coupled with widening trade deficits (LKR 3.9 billion) is expected to add pressure on local interest rates

Equity outlook

- YTD the ASPI declined by -2.74% while the more liquid S&P Sri Lanka index has lost 7.70%.
- The lackluster sentiment is expected to continue in the immediate short term due to political uncertainty coupled with weaker disposable income weighing on corporate earnings growth.
- Foreigners were net sellers on the bourse selling LKR 1.3 billion as of 30 June 2018.
- Given higher US rates and stronger US dollar there has been foreign selling from emerging markets which is expected to impact Sri Lanka as well.

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More than **30 million**individual
policies



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