

# INVESTOR

## AIA's Monthly Investment Market and Unit Linked Fund Update

For the month of December 2021

### 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	S&P SL20
Since 01 Jan 2021 (YTD)	25.0%	15.9%	4.5%	4.3%	4.6%	80.5%	60.5%
Annual Effective Growth Rate							
1 year	25.0%	15.9%	4.5%	4.3%	4.6%	80.5%	60.5%
3 years	7.8%	8.6%	7.2%	6.9%	7.4%	26.4%	10.5%
5 years	5.4%	8.0%	8.4%	8.0%	-	14.4%	3.9%
7 years	3.0%	6.6%	8.0%	7.6%	-	7.6%	0.5%
From Inception - CAGR	10.4%	10.9%	9.7%	9.2%	8.2%	11.3%	4.3%

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 authorized 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 authorized agents.

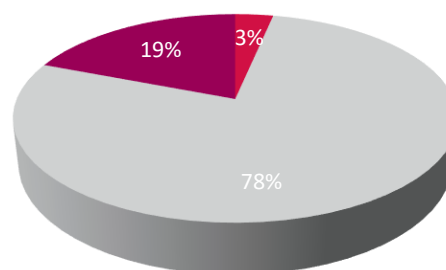
# Your fund performance: Growth fund

## 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 31/12/2020 to 31/12/2021

Year	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021**
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	37.51	46.88
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%	-2.7%	25.0%

Note: past performance is not an indication of future performance

## Equity Allocation

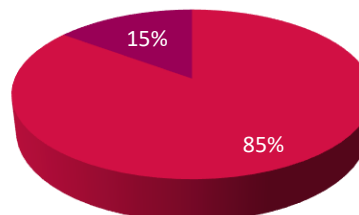
Sector	%
Capital Goods	30%
Banks	24%
Transportation	12%
Materials	9%
Food Beverage and Tobacco	5%
Diversified Financials	5%
Food & Staples Retailing	4%
Utilities	4%
Software & Services	4%
Telecommunication Services	2%
<b>Total</b>	<b>100%</b>

## Top Equity Holdings\*\*\*

Access Engineering PLC	Hayleys PLC
Commercial Bank of Ceylon	John Keells Holdings PLC
Distilleries Company of SL	Royal Ceramic Lanka PLC
Expolanka Holdings PLC	Sampath Bank PLC
Hatton National Bank PLC	Vallibel Power Erathna PLC

\*\*\*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 25.0% for the period 01 January 2021 to 31 December 2021.
- The fund performance of the Growth fund reflects the investment philosophy and investment strategy of the Company where a long-term investment strategy is adopted by maintaining the fund's allocation to equity in fundamentally sound liquid blue-chip counters that are listed on the Colombo Stock Exchange. During 2021, whilst the CSE's ASPI and SL S&P 20 reflected comparatively higher returns, these were primarily driven by a few counters that recorded exceptional returns mainly based on retail trading activity. The performance of the Growth fund is broadly in line with the price performance of the counters that meets the investment criteria of the portfolio.

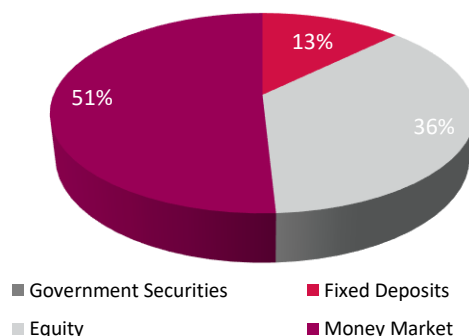
## Your fund performance: Balanced fund

### Unit Price Movement



Note: past performance is not an indication of future performance

### Asset Allocation



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 31/12/2020 to 31/12/2021

Year	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021**
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	43.68	50.63
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%	11.2%	2.0%	15.9%

Note: past performance is not an indication of future performance

### Equity Allocation

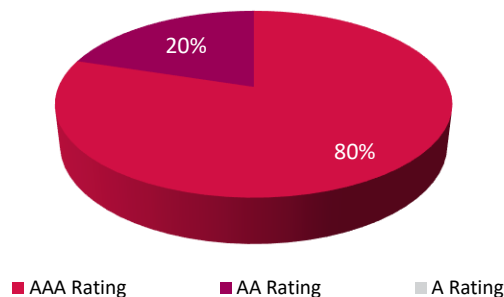
Sector	%
Capital Goods	29%
Banks	21%
Transportation	14%
Materials	10%
Diversified Financials	6%
Software & Services	5%
Food Beverage and Tobacco	5%
Utilities	5%
Food & Staples Retailing	4%
Telecommunication Services	3%
Total	100%

### Top Equity Holdings\*\*\*

Access Engineering PLC	hSenid Business Solutions
Chevron Lubricants PLC	John Keells Holdings PLC
Commercial Bank PLC	People's Leasing Company
Expolanka Holdings PLC	Royal Ceramic Lanka PLC
Hatton National Bank PLC	Sampath Bank PLC

\*\*\*Note: (In alphabetical order)

### Credit Rating

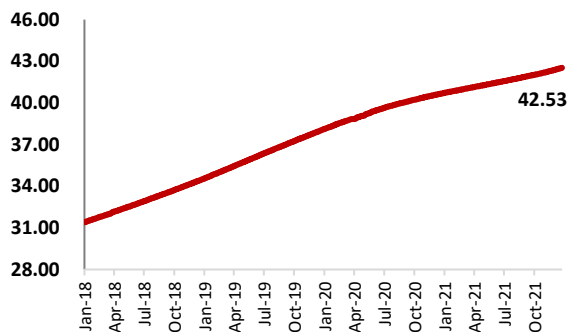


Note: The credit rating is presented as at month end for investments in fixed deposits and does not include ratings for equity investments. All ratings are by Fitch Ratings Lanka.

- The annual average growth rate of the unit price for the Balanced fund is 10.9% per year, since the unit linked fund was started.
- The unit price has increased by 15.9% for the period 01 January 2021 to 31 December 2021
- The fund performance of the Balanced fund is in line with the investment philosophy and investment strategy of the Company where a long-term investment strategy is adopted. The Balanced fund maintains its allocated exposure to equity by investing in fundamentally sound liquid blue-chip counters that are listed on the Colombo Stock Exchange. During 2021, whilst the CSE's ASPI and SL S&P 20 reflected comparatively higher returns, these were primarily driven by a few counters that recorded exceptional returns mainly based on retail trading activity. The performance of the Balanced fund's equity investments is broadly in line with the price performance of the counters that meets the investment criteria of the portfolio.

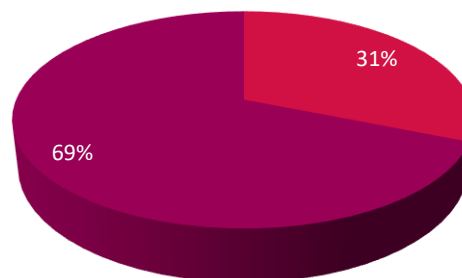
## Your fund performance: Secure fund

### 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)

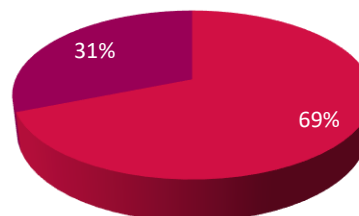
\*Since inception – 02/05/2006 to 31/12/2006 \*\*Period from 31/12/2019 to 31/12/2021

Year	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021**
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	40.68	42.53
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%	6.9%	4.5%

Note: past performance is not an indication of future performance

- The annual average growth rate of the unit price for the Secure fund is 9.7% per year, since the unit linked fund was started.
- The unit price has increased by 4.5% for the period 01 January 2021 to 31 December 2021.

### Credit Rating

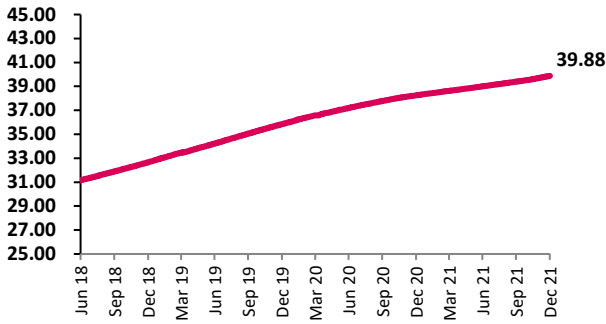


■ AAA Rating ■ AA Rating ■ A Rating

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.

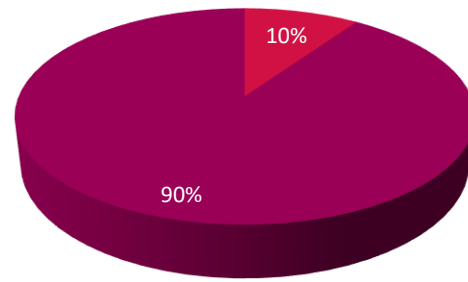
# Your fund performance: Protected fund

## 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)

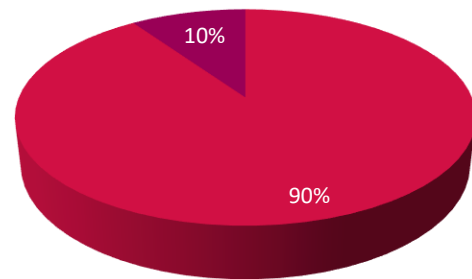
\*Since inception – 02/05/2006 to 31/12/2006 \*\*Period from 31/12/2020 to 31/12/2021

Year	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021**
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	35.58	38.25	39.88
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%	6.7%	4.3%

Note: past performance is not an indication of future performance

- The annual average growth rate of the unit price for the Protected fund is 9.2% per year, since the unit linked fund was started.
- The unit price has increased by 4.3% for the period 01 January 2021 to 31 December 2021.

## Credit Rating

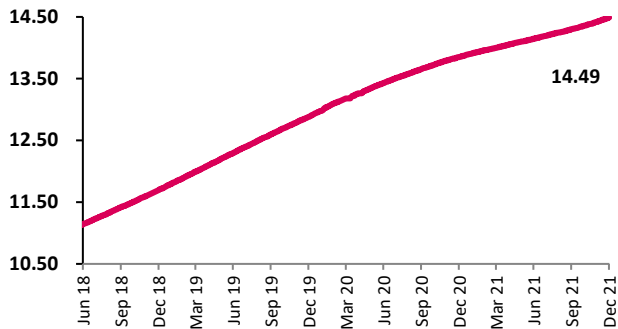


■ AAA Rating ■ AA Rating ■ A Rating

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.

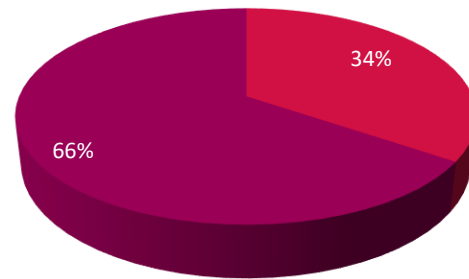
## Your fund performance: Stable Money Market fund

### 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)

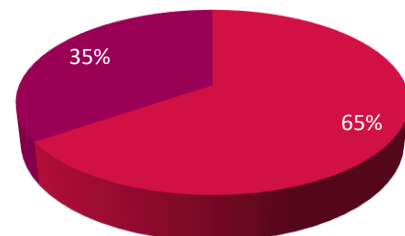
\*Since inception – 21/04/2017 to 31/12/2017 \*\*Period from 31/12/2019 to 31/12/2021

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017*	2018	2019	2020	2021**
Unit Price	-	-	-	-	-	-	-	-	-	-	-	10.62	11.70	12.88	13.85	14.49
Growth (%)	-	-	-	-	-	-	-	-	-	-	-	6.2%	10.2%	10.1%	7.5%	4.6%

Note: past performance is not an indication of future performance

- The annual average growth rate of the unit price for the Protected fund is 8.2% per year, since the unit linked fund was started.
- The unit price has increased by 4.6% for the period 01 January 2021 to 31 December 2021.

### Credit Rating



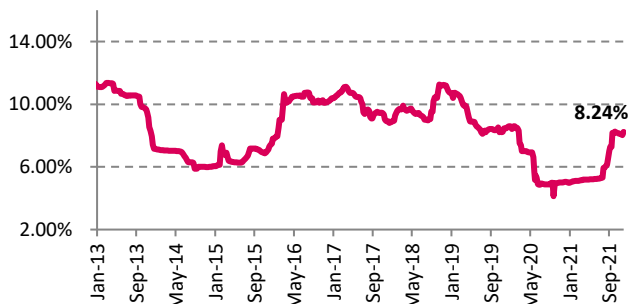
■ AAA Rating ■ AA Rating ■ A Rating

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## Market Update: Interest Rates

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

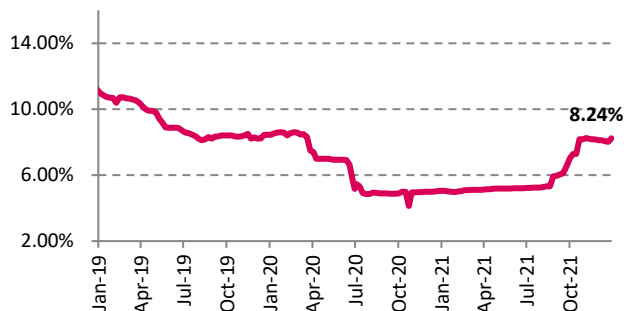
### 364-day T-bill: Since 01 Jan 2013



Source- CBSL weekly reports

Note: Past performance is not an indication of future performance

### 364-day T-bill: Since 01 Jan 2019



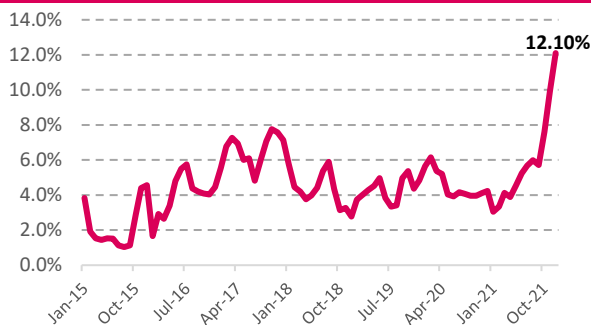
Source- CBSL weekly reports

Note: Past performance is not an indication of future performance

### Major events during the month

- Headline inflation was recorded at 12.0% for December due to high impact from food inflation (22.0% YoY).
- Official foreign reserves assets witnessed a rise to USD 3.1 billion by end December from USD 1.6 billion in November 2021.
- The unemployment rate increased slightly to 5.2% in the third quarter of 2021 from 5.1% in the second quarter of 2021.
- GDP for the period contracted by 1.5% for the third quarter of 2021, resulting from economic closure during the quarter.

### Inflation: Since 01 Jan 2015



Source- Department of Census and Statistics-Sri Lanka

## Market Update: Stock Market

### ASPI Movement: Since 01 Jan 2013



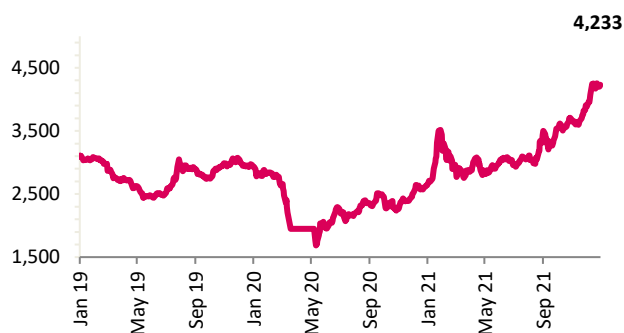
### ASPI Movement: Since 01 Jan 2019



### S&P SL Movement: Since 01 Jan 2013



### S&P SL Movement: Since 01 Jan 2019



Year	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021**
ASPI	2,723	2,541	1,504	3,386	6,637	6,074	5,644	5,913	7,299	6,894	6,228	6,369	6,052	6,129	6,774	12,226
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%	10.5%	80.5%
S&P SL 20	-	-	-	-	-	-	3,085	3,264	4,089	3,626	3,496	3,672	3,135	2,937	2,638	4,233
Growth (%)	-	-	-	-	-	-	8.4%	5.8%	25.3%	-11.3%	-3.6%	5.0%	-14.6%	-6.3%	-10.2%	60.5%

Note: past performance is not an indication of future performance

\*The S&P SL20 index was introduced on 18 June 2012. Inclusions in the S&P 20 index are rebalanced on a bi-annual basis.

## Highlights of the performance

- The annual average growth rate of ASPI is 11.3% per year and S&P SL20 index is 4.3% per year, since the unit linked funds were first started.
- The ASPI & S&P SL20 indices have increased by 80.5% and 60.5% for the period of 01 January 2021 to 31 December 2021, respectively. These returns are primarily driven by a few counters that recorded exceptional returns based on retail trading activity.

## Market Update: Stock Market

### For the month

Description	Nov-21	Dec-21
All Share Price Index (ASPI)	11,441	12,226
ASPI growth for the month	12.57%	6.87%
S&P SL 20 Index	3,876	4,233
S&P SL 20 growth for the month	4.50%	9.22%
Total market turnover (LKR Millions)	153,390	149,092
Market Capitalisation (LKR Billions)	5,106	5,489
PE Ratio (times)	13.89x	13.63x

### 10 Companies with highest market Capitalisation on the CSE as of 31 December 2021

- EXPOLANKA HOLDINGS PLC
- LOLC HOLDINGS PLC
- BROWNS INVESTMENTS PLC
- JOHN KEELLS HOLDINGS PLC
- COMMERCIAL LEASING & FINANCE PLC
- CEYLON TOBACCO COMPANY PLC
- LOLC DEVELOPMENT FINANCE PLC
- HAYLEYS PLC
- DIALOG AXIATA PLC
- COMMERCIAL BANK OF CEYLON

### Highlights of the month

- The ASPI and S&P SL20 have witnessed growth of 6.9% and 9.2% respectively for the month of December. The markets have seen a portion of this growth from a few selected companies.
- Foreigners had continued to exit the markets with net outflow of LKR 2.3 billion for the month of December and LKR 51 billion for 2021.
- The market has seen large volumes traded for the month of December with a total market turnover of LKR 149.1 billion.
- The market capitalisation has witnessed a steady increase over the period and marginal decline in the P/E Ratio to 13.6 times.
- Given the notable index movement via a few counters (with low public float), CSE Board has decided to revise the index calculation methodology from full market capitalisation-weighting to public float-adjusted market capitalisation weighting. This is expected to be effective from 24 January 2022.



**Investment strategy:** AIA Sri Lanka maintains a prudent investment strategy for its investment portfolios, in line with its investment philosophy and guidelines as set out in the investment policy. The Company advocates a long-term investment strategy supporting long-term growth. The equity strategy is driven by in-depth research with emphasis on growth and sustainability of earnings whilst principles such as liquidity, solvency and corporate governance also play a significant role in stock selection.



### Fixed income outlook

- The benchmark 364-Day Treasury bill rate increased to 8.39% in January 2022 from 8.02% in December 2021. Money market liquidity level continued to decline as it dropped below negative LKR 300 Billion as at December 2021, while CBSL holding of Government securities stood at LKR 1.42 Trillion. Fitch ratings downgraded Sri Lanka's long-term foreign currency Issuer Default Rating to 'CC' from 'CCC' due to their view of an increased probability of a default event. As a result, interest rates increased across the yield curve, where the medium-term T-bond yields recorded a steep incline compared to the short and the long-term yields.
- Expanding budget deficit, increasing demand for private sector credit and rising inflation rate are expected exert pressure on interest rates during the first half of 2022. Additionally, external debt repayments due in 2022 coupled with heavy reliance on domestic funding sources to finance the budget deficit may further exacerbate pressure exerted on the currency and interest rates.

### Equity outlook

- The All Share Price Index (ASPI) and S&P SL 20 index continued to record gains in December 2021 as the two main indices appreciated by 6.87% and 9.22% respectively. Despite weak macro fundamentals prevailing in the country, the investor sentiment continued to improve mainly due to the undesired fixed income yields and lack of alternative investment opportunities. The retail participation increased as investors continued to seek for investment opportunities to hedge against the expected currency depreciation.
- We expect the stock market to be range bound during the first quarter of 2022, where the current momentum and sentiment may be affected by the rising interest rates and expected depreciation of the currency.

# About AIA

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



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MACAU

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KOREA

1990  
TAIWAN

2000  
VIETNAM

2001  
INDIA

2012  
SRI LANKA

2013  
MYANMAR

2015  
CAMBODIA

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**US\$1.58 trillion**

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of history in Asia

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