## AIA Monthly Market and Unit Linked Fund update

#### For the month of February 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)	2.3%	1.8%	1.6%	1.5%	1.5%	2.9%
Annual Effective Growth Rate						
1 year	7.5%	9.5%	10.2%	9.5%	-	6.8%
3 years	0.6%	5.4%	8.5%	8.0%	-	-3.5%
5 years	5.2%	7.4%	8.5%	8.1%	1	3.1%
7 years	2.5%	5.8%	8.3%	7.9%	-	-2.5%
From Inception - CAGR	12.3%	12.0%	10.3%	9.8%	-	9.3%

Note: past performance is not an indication of future performance  $% \left( 1\right) =\left( 1\right) \left( 1\right) \left$ 

#### Disclaimer

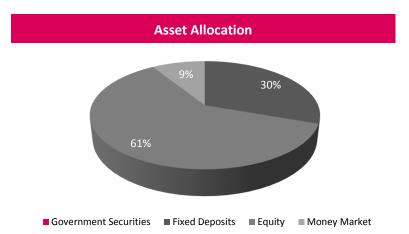
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<sup>\*</sup>The Stable Money Market fund was introduced on 21 Apr 2017.

#### 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 28/02/2018 2006\* 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018\*\* 28.34 Unit Price 11.92 11.98 9.42 17.32 32.17 30.16 32.30 36.52 36.12 38.06 38.64 39.54 6.4% 19.2% 7.1% 17.8% -4.0% -1.1% Growth (%) 0.5% -21.4% 83.9% 95.7% -11.9% 7.0% 2.3%

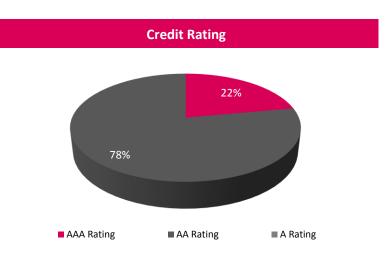
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### Equity Allocation

Sector	%
Banks, Finance and Insurance	70
Diversified Holdings	12
Manufacturing	11
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

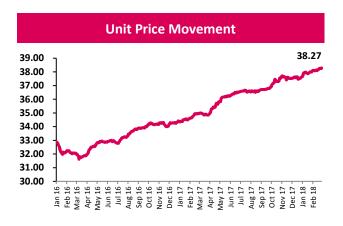
\*Note: In alphabetical order



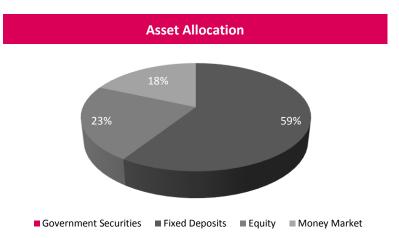
Note: The credit rating is presented as at month end for investments in fixed deposits, and does not include ratings for equity investments. All ratings are by Fitch Ratings Lanka.

- The <u>annual average growth rate</u> of the unit price for the Growth fund is <u>12.3% per year</u>, since the unit linked fund was started.
- The unit price has increased by 2.3% for the period 01 Jan 2018 to 28 Feb 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 inc	eption – 02,	/05/2006 to	31/12/2006	**Period	from 31/12/	/2017 to 28/	02/2018
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	38.27
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%	1.8%

Note: past performance is not an indication of future performance

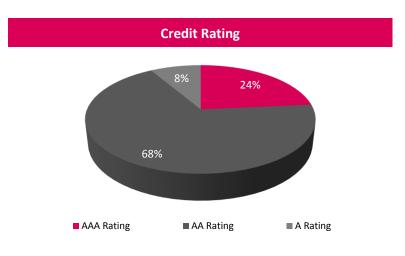
# Sector%Banks, Finance and Insurance67Diversified Holdings14Manufacturing11Construction and Engineering6Hotels and Travels2

**Equity Allocation** 

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)

Total



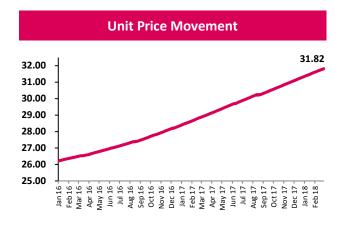
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The <u>annual average growth rate</u> of the unit price for the Balanced fund is <u>12.0% per year</u>, since the unit linked fund was started.

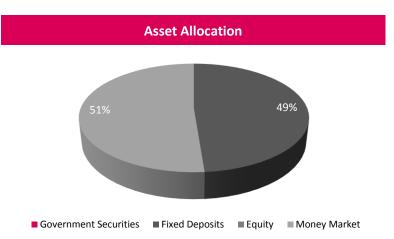
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The unit price has increased by 1.8% for the period 01 Jan 2018 to 28 Feb 2018.

#### Your fund performance: Secure fund



Note: past performance is not an indication of future performance

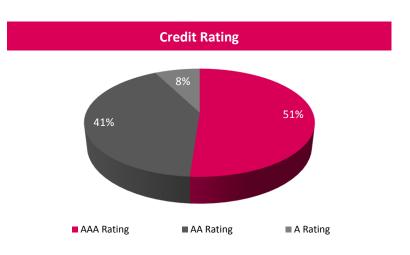


Note: The asset allocation for the fund is presented as at month end. The future asset allocation may change based on market conditions and investment strategy.

Unit Price Growth (as a percentage) *Since inception – 02/05/2006 to 31/12/2006							**Period	from 31/12,	/2017 to 28,	/02/2018			
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	31.82
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%	1.6%

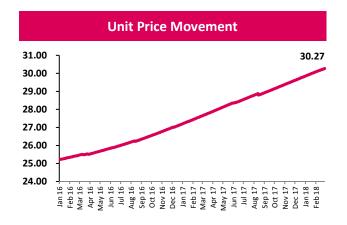
Note: past performance is not an indication of future performance

- 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 1.6% for the period 01 Jan 2018</u> to 28 Feb 2018.

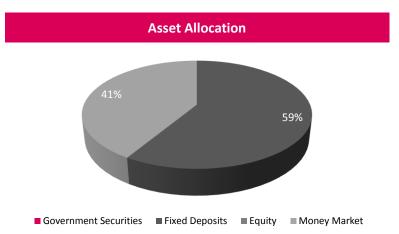


Note: The credit rating is presented as at month end for investments in fixed deposits, and does not include ratings for equity investments. All ratings are by Fitch Ratings Lanka.

#### Your fund performance: Protected fund



Note: past performance is not an indication of future performance

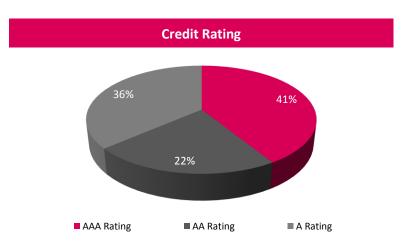


Note: The asset allocation for the fund is presented as at month end. The future asset allocation may change based on market conditions and investment strategy.

Unit Price Growth (as a percentage) *Since inception – 02/05/2006 to 31/12/200							31/12/2006	**Period	from 31/12,	/2017 to 28/	/02/2018		
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	30.27
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%	1.5%

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 1.5% for the period 01 Jan 2018 to 28 Feb 2018.

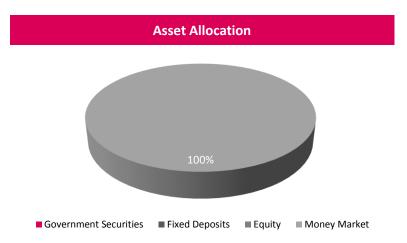


Note: The credit rating is presented as at month end for investments in fixed deposits, and does not include ratings for equity investments. All ratings are by Fitch Ratings Lanka.

#### Your fund performance: Stable Money Market fund



Note: past performance is not an indication of future performance



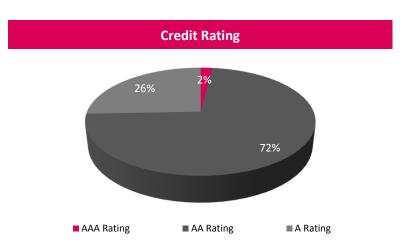
Note: The asset allocation for the fund is presented as at month end. The future asset allocation may change based on market conditions and investment strategy.

#### Unit Price Growth (as a percentage) \*Since inception – 21/04/2017 to 31/12/2017 \*\*Period from 31/12/2017 to 28/02/2018 2006 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017\* 2018\*\* Year 2007 Unit Price 10.62 10.78 1.5%

Note: past performance is not an indication of future performance

Growth (%)

- The Stable Money Market fund was introduced on 21 Apr
- The unit price has increased by 1.5% for the period 01 Jan 2018 to 28 Feb 2018.



6.2%

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 2011



Note: past performance is not an indication of future performance

#### Major events during the month

- Central Bank raised LKR 113 billion by issuing treasury bills and LKR 80 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 increased to 9.45% by end of the month against 8.90% in Jan 2018.

#### 364-day T-bill: Since 01 Jan 2017



Note: past performance is not an indication of future performance

#### Inflation: Since 01 Jan 2015



#### **Market Update: Stock Market**

## 6,552

ASPI Movement: Since 01 Jan 2010

# 6,900 6,700 6,500 5,700 5,500 6,700 5,500 6,700 6,500 6,700 6,500 6,700 6,500 6,700 6,500 6,700

#### ASPI Performance (as a percentage)

9,000

8,000

7,000

6,000 5,000

4.000

3,000

2,000

1,000

\*Since inception - 02/05/2006 to 31/12/2006 \*\*Period from 31/12/2017 to 28/02/2018

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	6,551.78
Growth (%)	5.8%	12.6%	19.6%	13.9%	8.1%	5.9%	8.5%	10.5%	6.9%	5.8%	7.9%	2.3%	2.9%

#### Highlights of the performance

- The annual average growth rate of ASPI is 9.3% per year.
- The ASPI has increased by 2.9% for the period of 01 Jan 2018 to 28 Feb 2018.

#### **Market Update: Stock Market**

#### For the month

Description	Feb-2018	Jan-2018
All Share Price Index (ASPI)	6,552	6,476
ASPI growth for the month	1.2%	1.7%
Total market turnover (LKR Mn)	19,513	17,458
Market Capitalisation (LKR Bn)	3,046	2,961
PE Ratio (times)	11.1x	10.7x

#### Highlights of the month

- The equity market performance grew by 1.2% in Feb 2018 with higher foreign purchases.
- The ASPI increased by 2.9% over the period 01 Jan 2017 to 28 Feb 2018.
- Foreign investors brought LKR 2.0 billion on a net basis in Feb 2018, resulting in a net inflow of LKR 6.1 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
- NESTLE
- HNB
- COLD STORES
- MELSTACORP
- HEMAS HOLDINGS
- SAMPATH BANK

#### Fund manager's outlook



#### Fixed income outlook

- The benchmark 364 day Treasury bill rose by 59 basis points to 9.5%, while longer term bond yields picked up across the board during the month of February 2018.
- Foreigners have been net sellers of treasury securities during the month of February.
- Expected increases in US interest rates coupled with higher oil prices are expected to add pressure on domestic rates. Given the volatility witnessed we will invest in shorter tenure instruments.

#### Equity outlook

- ASPI gained 1.2% while the more liquid S&PSL 20 Index declined by 0.8% for February 2018.
- Net foreign buying on the bourse remained buoyant at over LKR 2.0 billion net for the month of February.
- Earnings are expected to be under pressure with the implementation of the Inland Revenue Act (w.e.f 01 April 2018).
- Moreover, post local government elections, foreign investors are expected to closely monitor political developments in Sri Lanka.
- We plan to maintain the current low allocations to equity.

#### **About AIA**

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More than **30 million**individual
policies



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