

INVESTOR

AIA Monthly Market and Unit Linked Fund update

For the month of October 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 October

	Growth	Balanced	Secure	Protected	Stable MM	ASPI
Since 01 Jan 2018 (YTD)	-5.3%	3.4%	8.3%	7.8%	8.4%	-6.5%
Annual Effective Growth Rate						
1 year	-7.5%	3.4%	10.1%	9.4%	10.0%	-10.0%
3 years	-0.7%	5.7%	9.4%	8.8%	-	-5.4%
5 years	2.8%	6.4%	8.4%	7.9%	-	0.0%
7 years	3.5%	6.9%	8.7%	8.3%	-	-0.8%
From Inception - CAGR	10.9%	11.5%	10.3%	9.8%	9.6%	8.0%

Note: past performance is not an indication of future performance

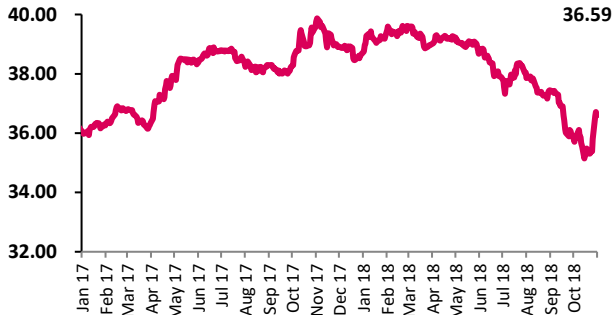
*The Stable Money Market fund was introduced on 21 Apr 2017.

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 authorised 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 authorised agents.

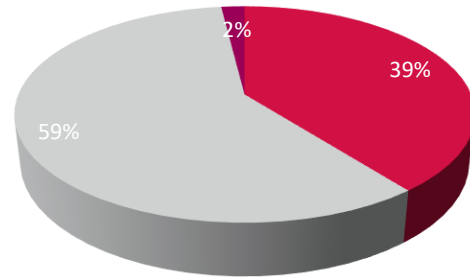
Your fund performance: Growth fund

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 31/12/2017 to 31/10/2018

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	36.59
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%	-5.3%

Note: past performance is not an indication of future performance

Equity Allocation

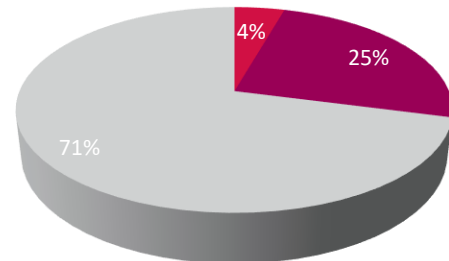
Sector	%
Banks, Finance and Insurance	73
Diversified Holdings	13
Manufacturing	7
Construction and Engineering	4
Hotels and Travels	3
Total	100

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



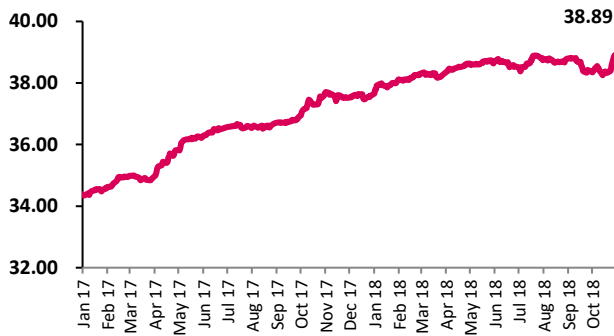
■ AAA Rating ■ AA Rating ■ A Rating

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 10.9% per year, since the unit linked fund was started.
- The unit price has decreased by 5.3% for the period 01 January 2018 to 31 October 2018.

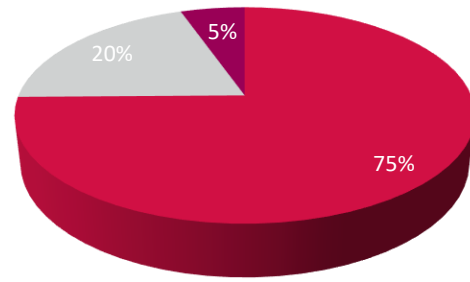
Your fund performance: Balanced fund

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 31/10/2018

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	38.89
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%	3.4%

Note: past performance is not an indication of future performance

Equity Allocation

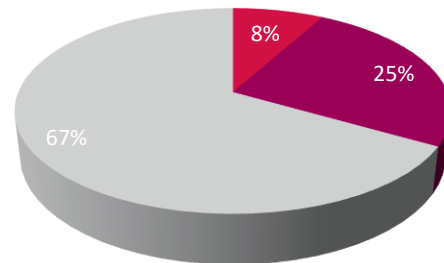
Sector	%
Banks, Finance and Insurance	70
Diversified Holdings	15
Manufacturing	8
Construction and Engineering	5
Hotels and Travels	2
Total	100

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

*Note: (In alphabetical order)

Credit Rating



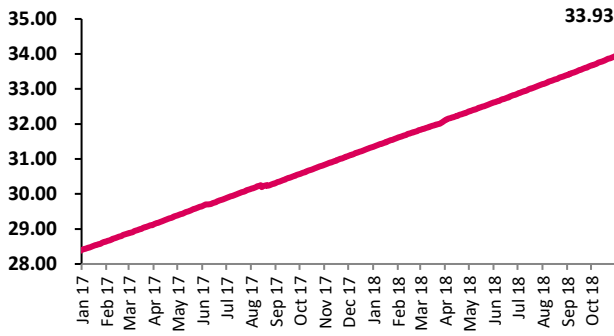
■ AAA Rating ■ AA Rating ■ A Rating

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 3.4% for the period 01 January 2018 to 31 October 2018.

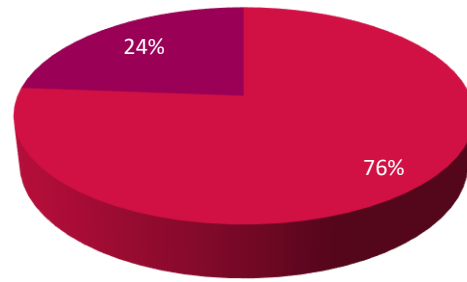
Your fund performance: Secure fund

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)

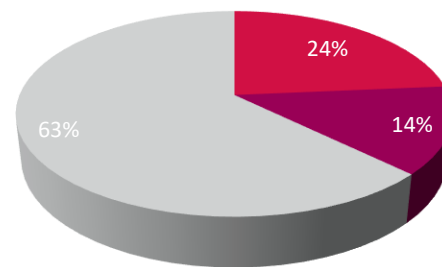
*Since inception – 02/05/2006 to 31/12/2006 **Period from 31/12/2017 to 31/10/2018

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	33.93
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%	8.3%

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 8.3% for the period 01 January 2018 to 31 October 2018.

Credit Rating

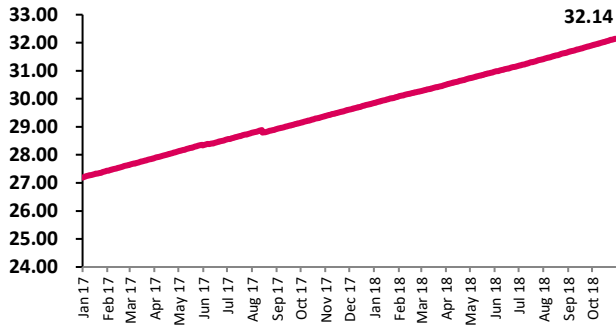


Legend: AAA Rating, AA Rating, A Rating

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.

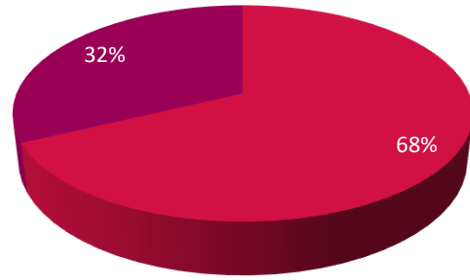
Your fund performance: Protected fund

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)

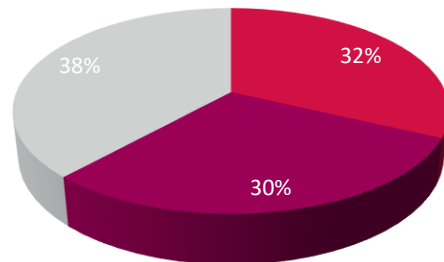
*Since inception – 02/05/2006 to 31/12/2006 **Period from 31/12/2017 to 31/10/2018

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	32.14
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%	7.8%

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 7.8% for the period 01 January 2018 to 31 October 2018.

Credit Rating

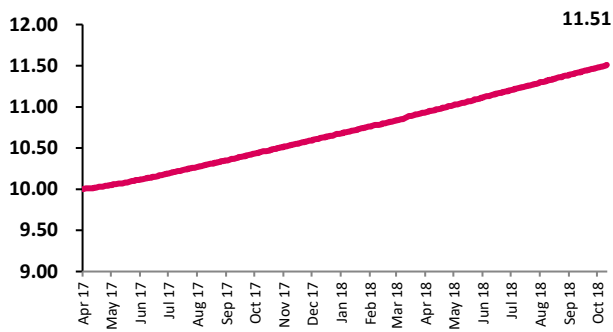


AAA Rating AA Rating A Rating

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.

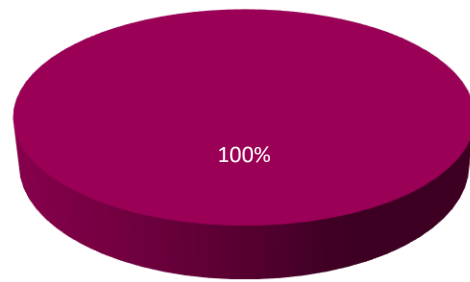
Your fund performance: Stable Money Market fund

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)

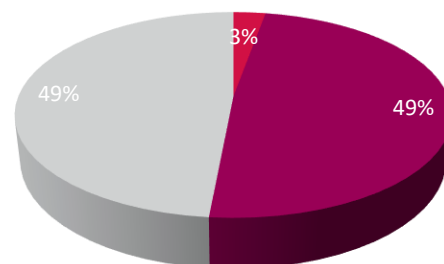
*Since inception – 21/04/2017 to 31/12/2017 **Period from 31/12/2017 to 31/10/2018

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017*	2018**
Unit Price	-	-	-	-	-	-	-	-	-	-	-	10.62	11.51
Growth (%)	-	-	-	-	-	-	-	-	-	-	-	6.2%	8.4%

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 8.4% for the period 01 January 2018 to 31 October 2018.

Credit Rating



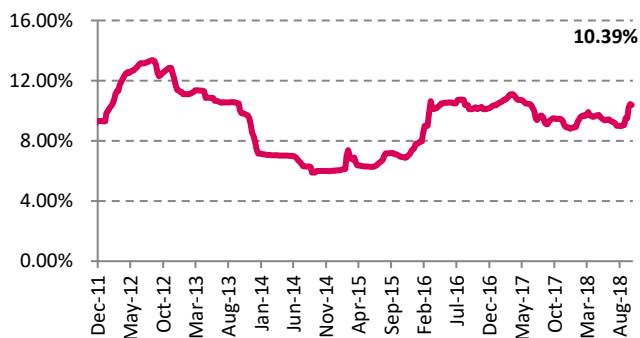
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Note: The credit rating is presented as at month end for investments in fixed deposits, and does not include ratings for equity investments. All ratings are by Fitch Ratings Lanka.

Market Update: Interest Rates

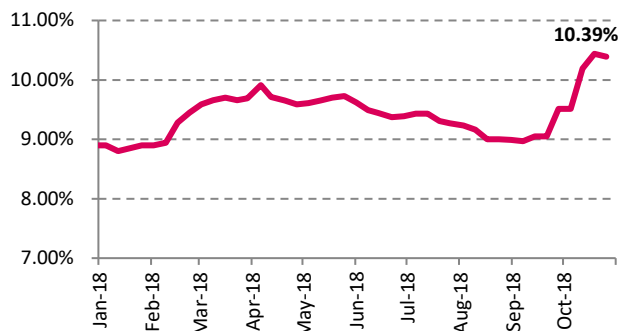
We use the 364-day T- Bill as an indicator of how interest rates move

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

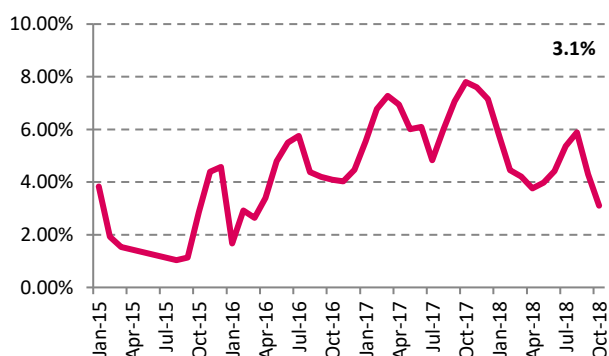


Note: past performance is not an indication of future performance

Major events during the month

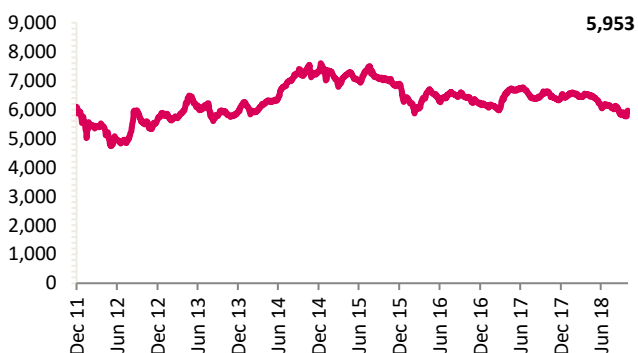
- Central Bank raised LKR 26 billion by issuing treasury bills and LKR 40 billion by issuing treasury bonds.
- Central Bank policy rates play a key role in determining the direction and level of market interest rates. The Central Bank maintained policy rates unchanged during the month, a reflection of its intent.
- Short term interest rates were volatile over the month. For example, the benchmark 364-day Treasury bill rate increased to 10.39% by end of the month against 9.51% in September 2018.

Inflation: Since 01 Jan 2015

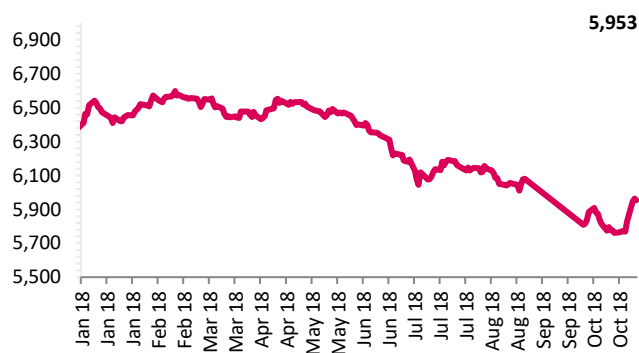


Market Update: Stock Market

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 31/10/2018

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	5,953.47
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%	-6.5%

Highlights of the performance

- The annual average growth rate of ASPI is 8.0% per year.
- The ASPI has decreased by 6.5% for the period of 01 January 2018 to 31 October 2018.

Market Update: Stock Market

For the month

Description	Oct-2018	Sep-2018
All Share Price Index (ASPI)	5,953.47	5,862.18
ASPI growth for the month	-1.6%	-3.6%
Total market turnover (LKR Mn)	17,609	10,916
Market Capitalization (LKR Bn)	2,793	2,753
PE Ratio (times)	9.4x	9.2x

Highlights of the month

- The equity market performance increased by 1.6% in October 2018.
- The ASPI decreased by 6.5% over the period 01 January 2017 to 30 October 2018.
- There was a negative foreign outflow of LKR 7.0 billion on a net basis in October 2018, resulting in a net outflow of LKR 12.8 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
- COLD STORES
- DISTILLERIES COMPANY OF SRI LANKA
- SAMPATH BANK
- MELSTACORP

Fund manager's outlook



Fixed income outlook

- Interest rates continued on its upward trajectory with the benchmark 364-day Treasury bill rate hovering around 10.39% while the money market liquidity situation continued to remain tight at a LKR 17 billion deficit.
- Secondary market bond rates remained higher due to foreigners exiting the rupee treasury market.
- Inflation for the month of October eased to 3.1% on account of lower food prices.
- In spite of benign inflation, we expect rates pressures to continue owing to the recent handouts expected to strain fiscal accounts and the new government expected to guard the rupee closely (which has been a part of their political rhetoric).

Equity outlook

- In a surprising move, on 26 of October 2018, President Maithripala Sirisena appointed Mahinda Rajapaksa as his premier. Local investors rallied positively to the news with the ASPI gaining 2.1% while the more liquid S&P SL 20 index gained by 2.9% from the 26th of October 2018 to month end.
- On a YTD basis, the ASPI is still in negative territory, losing 6.5% while the more liquid S&P SL index has lost 16.0% YTD.
- Foreigners remained net sellers topping LKR 12.8 billion and foreigner investors are expected to continue to be on the selling side.
- In contrast, recent exuberance on the Colombo Bourse was driven by local sentiment and local investors are expected to closely monitor the ongoing political developments.
- We expect the recent handouts provided to be consumer positive; however, the measures are expected to lead to higher fiscal slippage.
- The parliament is expected to reconvene on 14 November 2018 and we expect participants to remain on the sidelines until more clarity is seen in the parliamentary composition where a budget presentation / a vote of account is expected to set the tone.

About AIA

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

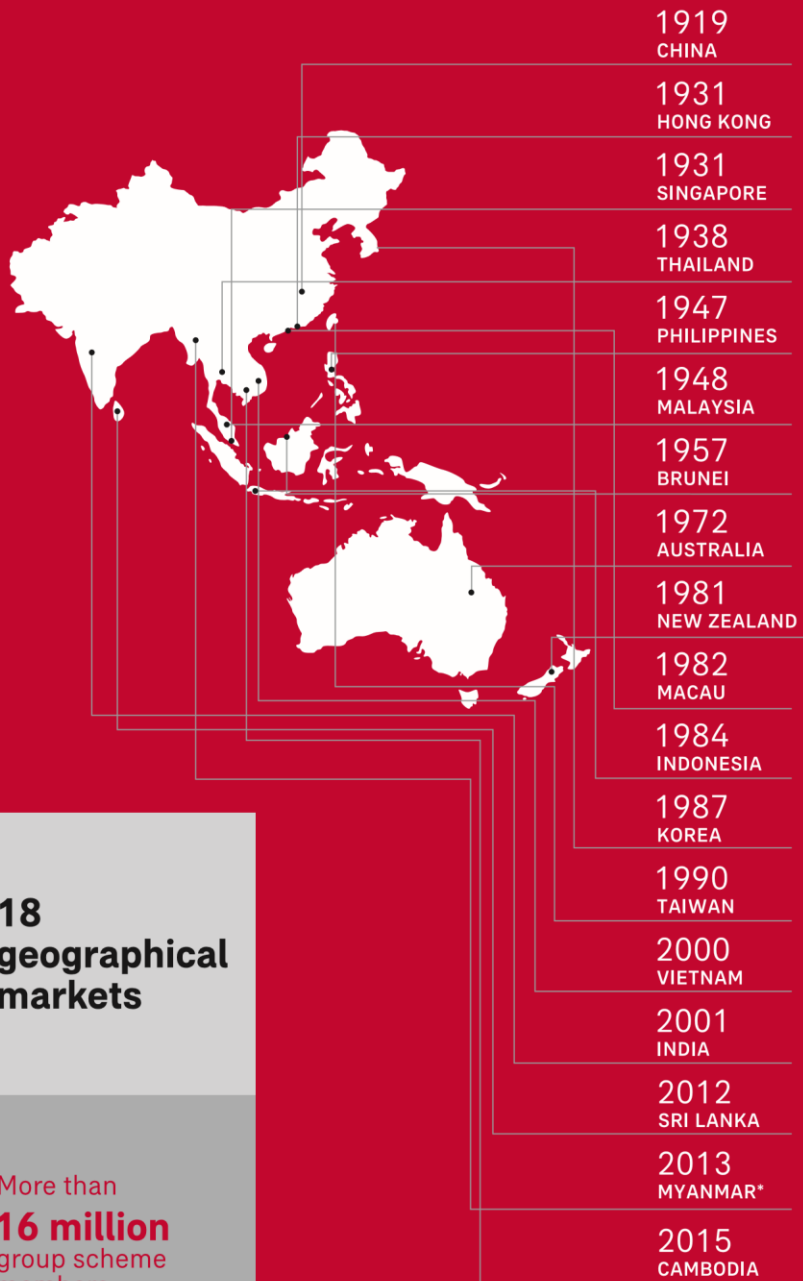
A total Sum Assured of over **US\$1 trillion**

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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