

# INVESTOR

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

For the month of July 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)	10.6%	7.9%	2.5%	2.3%	2.5%	19.9%	16.1%
Annual Effective Growth Rate							
1 year	27.9%	18.8%	4.7%	4.6%	5.0%	58.5%	40.5%
3 years	2.9%	6.7%	8.0%	7.6%	8.1%	9.7%	-2.8%
5 years	3.4%	7.2%	8.8%	8.4%	-	4.9%	-2.2%
7 years	2.3%	6.2%	8.1%	7.7%	-	2.5%	-2.9%
From Inception - CAGR	9.8%	10.7%	9.8%	9.4%	8.5%	8.7%	0.8%

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.

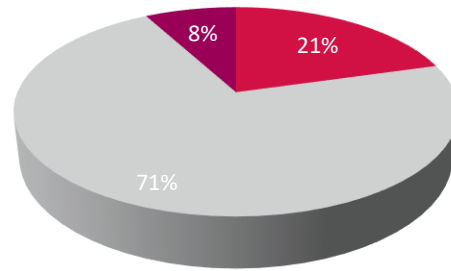
# Your fund performance: Growth fund

## 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 31/07/2021

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	41.48
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%	10.6%

Note: past performance is not an indication of future performance

## Equity Allocation

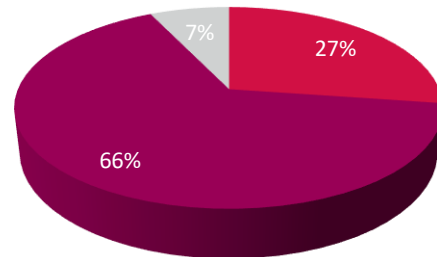
Sector	%
Banks	45%
Capital Goods	27%
Diversified Financials	7%
Food Beverage and Tobacco	7%
Food and Staples Retailing	6%
Utilities	5%
Telecommunication Services	3%
Total	100%

## Top Equity Holdings\*

Access Engineering	National Development Bank
Cargills (Ceylon)	People's Leasing Company
Commercial Bank	Royal Ceramic Lanka
Dialog Axiata	Sampath Bank
Distilleries Company SL	Seylan Bank
Hatton National Bank	Vallibel Power Erathna
John Keells Holdings	

\*Note: In alphabetical order

## Credit Rating



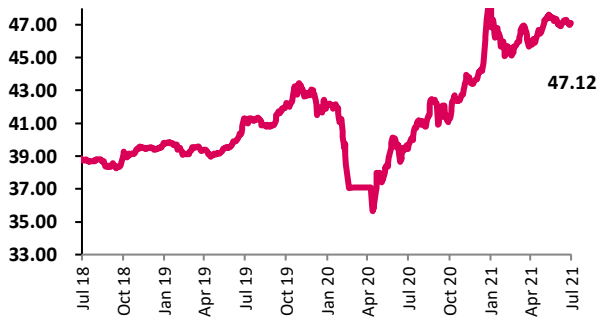
■ AAA Rating ■ AA Rating ■ A Rating

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 9.8% per year, since the unit linked fund was started.
- The unit price has increased by 10.6% for the period 01 January 2021 to 31 July 2021.

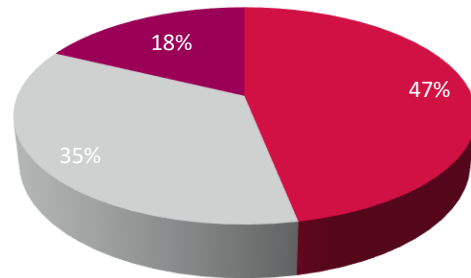
## Your fund performance: Balanced fund

### 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 31/12/2020 to 31/07/2021

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	47.12
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%	7.9%

Note: past performance is not an indication of future performance

### Equity Allocation

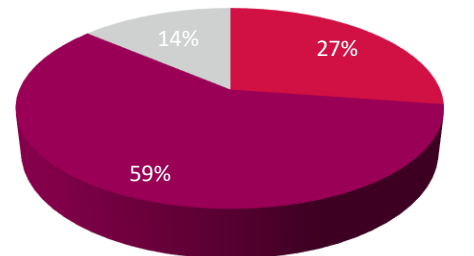
Sector	%
Banks	46%
Capital Goods	29%
Diversified Financials	8%
Food Beverage and Tobacco	6%
Food and Staples Retailing	4%
Utilities	4%
Telecommunication Services	3%
Total	100%

### Top Equity Holdings\*

Access Engineering	John Keells Holdings
Cargills Ceylon	National Development Bank
Commercial Bank	People's Leasing Company
Dialog Axiata	Royal Ceramic Lanka
Distilleries Company of SL	Sampath Bank
Hatton National Bank	Vallibel Power Erathna

\*Note: (In alphabetical order)

### Credit Rating



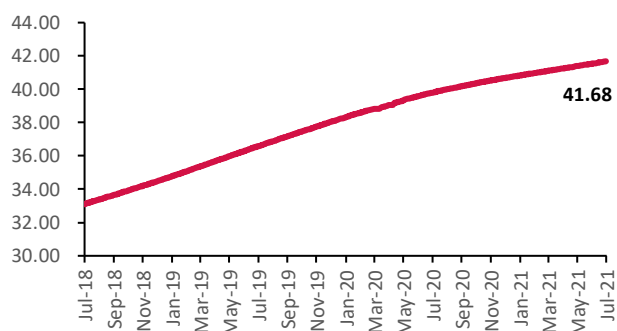
■ AAA Rating ■ AA Rating ■ A Rating

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 10.7% per year, since the unit linked fund was started.
- The unit price has increased by 7.9% for the period 01 January 2021 to 31 July 2021.

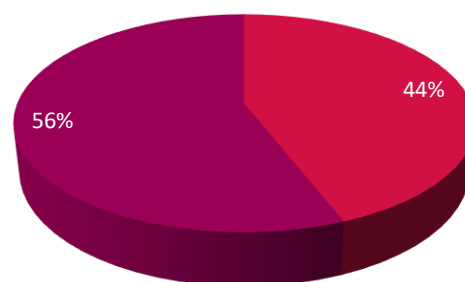
## Your fund performance: Secure fund

### 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)

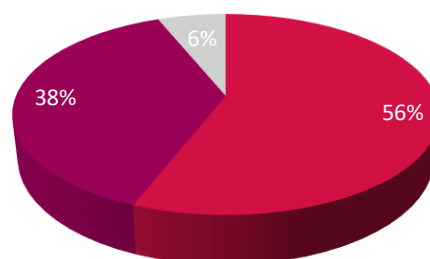
\*Since inception – 02/05/2006 to 31/12/2006 \*\*Period from 31/12/2020 to 31/07/2021

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	41.68
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%	2.5%

Note: past performance is not an indication of future performance

- The annual average growth rate of the unit price for the Secure fund is 9.8% per year, since the unit linked fund was started.
- The unit price has increased by 2.5% for the period 01 January 2021 to 31 July 2021.

### Credit Rating

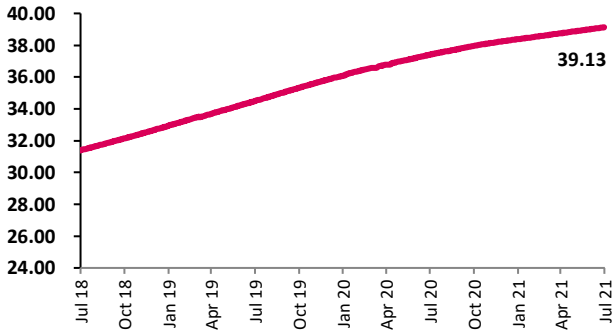


■ AAA Rating ■ AA Rating ■ A Rating

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.

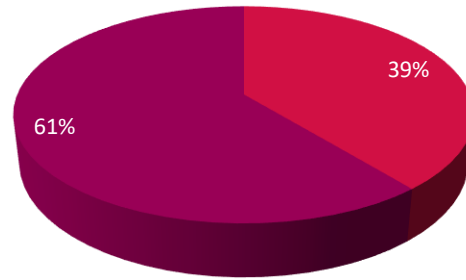
# Your fund performance: Protected fund

## 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

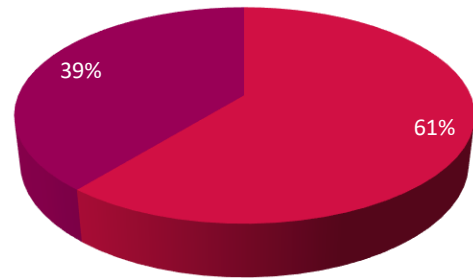
\*\*Period from 31/12/2020 to 31/07/2021

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	39.13
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%	2.3%

Note: past performance is not an indication of future performance

- The annual average growth rate of the unit price for the Protected fund is 9.4% per year, since the unit linked fund was started.
- The unit price has increased by 2.3% for the period 01 January 2021 31 July 2021.

## Credit Rating

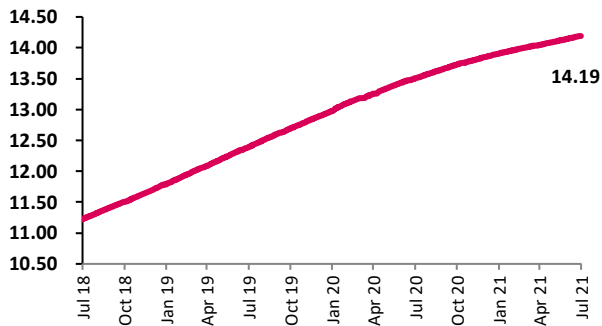


■ AAA Rating ■ AA Rating ■ A Rating

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.

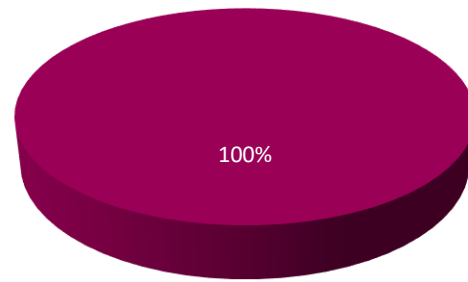
# Your fund performance: Stable Money Market fund

## 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)

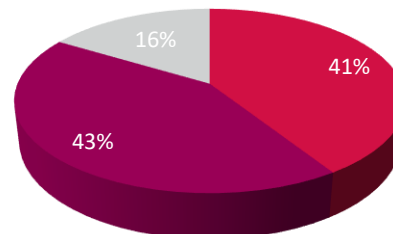
\*Since inception – 21/04/2017 to 31/12/2017 \*\*Period from 31/12/2020 to 31/07/2021

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	14.19
Growth (%)	-	-	-	-	-	-	-	-	-	-	-	6.2%	10.2%	10.1%	7.5%	2.5%

Note: past performance is not an indication of future performance

- The annual average growth rate of the unit price for the Protected fund is 8.5% per year, since the unit linked fund was started.
- The unit price has increased by 2.5% for the period 01 January 2021 to 31 July 2021.

## Credit Rating



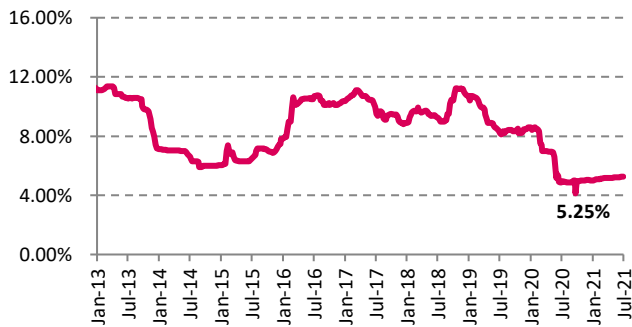
■ AAA Rating ■ AA Rating ■ A Rating

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.

## Market Update: Interest Rates

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

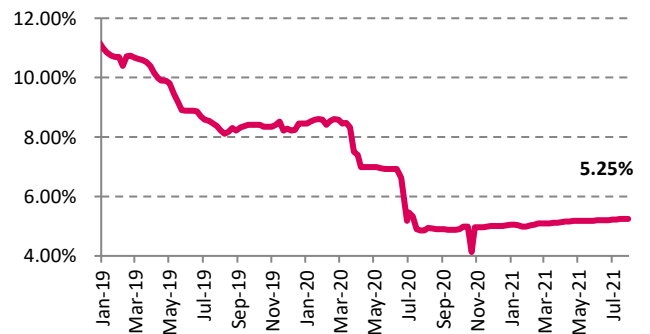
### 364-day T-bill: Since 01 Jan 2013



Source- CBSL weekly reports

Note: Past performance is not an indication of future performance

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



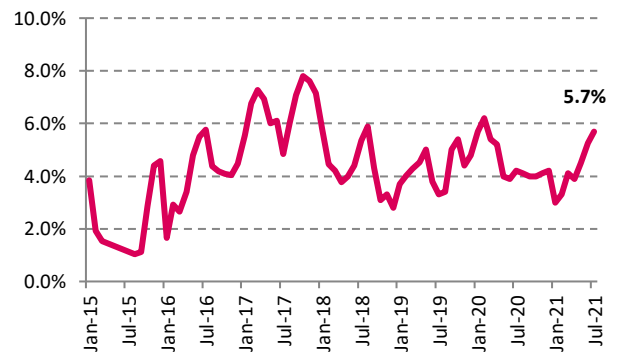
Source- CBSL weekly reports

Note: Past performance is not an indication of future performance

### Major events during the month

- There were no changes in policy rates in July 2021. However, in August, the Central Bank decided to increase Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) by 50 basis points to 5.00% and 6.00% respectively.
- Central Bank raised LKR 175 billion through treasury bills and LKR 133 billion through treasury bonds during the month in the primary auctions.
- An upward movement in the yield curve was identified in July 2021.

### Inflation: Since 01 Jan 2015



Source- Department of Census and Statistics-Sri Lanka

## Market Update: Stock Market

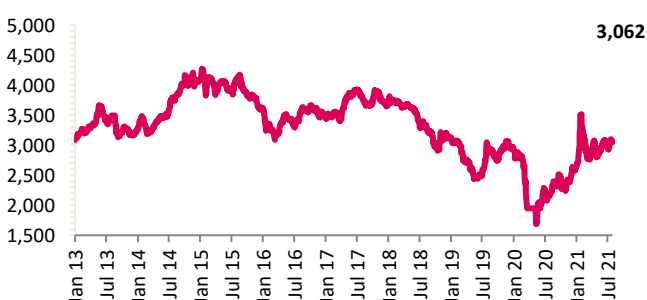
### ASPI Movement: Since 01 Jan 2013



### 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	8,120
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%	19.9%
S&P SL 20	-	-	-	-	-	-	3,085	3,264	4,089	3,626	3,496	3,672	3,135	2,937	2,638	3,062
Growth (%)	-	-	-	-	-	-	8.4%	5.8%	25.3%	-11.3%	-3.6%	5.0%	-14.6%	-6.3%	-10.2%	16.1%

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 8.7% per year and S&P SL20\* index is 0.8% per year, since the unit linked funds were first started.
- The ASPI & S&P SL20 indices have increased by 19.9% and 16.1% for the period of 01 January 2021 to 31 July 2021 respectively.

## Market Update: Stock Market

### For the month

Description	Jun-2021	Jul-2021
All Share Price Index (ASPI)	7,837	7,837
ASPI growth for the month	5.87%	3.61%
Total market turnover (LKR Millions)	46,473	53,813
Market Capitalization (LKR Billions)	3,470	3,598
PE Ratio (times)	10.59x	10.49x

### 10 Companies with highest market Capitalization on the CSE as of 31 July 2021

- LOLC HOLDINGS PLC
- EXPOLANKA HOLDINGS PLC
- JOHN KEELLS HOLDINGS PLC
- LOLC DEVELOPMENT FINANCE PLC
- COMMERCIAL LEASING AND FINANCE PLC
- BROWNS INVESTMENTS PLC
- COMMERCIAL BANK OF CEYLON PLC
- DIALOG AXIATA PLC
- DISTRILLERIES COMPANY OF SRI LANKA PLC
- NESTLE LANKA PLC

### Highlights of the month

- The equity market recorded a strong growth in July 2021 where the benchmark ASPI index and the blue-chip constituent S&P SL index increased by 3.6% and by 3.2% respectively, during the month.
- Foreign selling continued to be on the higher side where net foreign divestments from equities amounted to LKR 34.6 billion for the first seven months of 2021.



**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

- Interest rates continued its gradual incline as the benchmark 364 – day Treasury bill rate increased to 5.28%. Despite the authorities imposing travel restrictions during the month of June 2021, private sector credit recorded a growth of 12.9% compared to the corresponding month of the previous year. Further, Inflation (based on CCPI) increased to 5.7% in July 2021.
- Policymakers continued to utilize loose monetary policy measures to maintain interest rates at current levels, to stimulate the economy, while reducing the cost of borrowing in the month of July. Overnight market liquidity levels recorded a drastic reduction during July 2021, as Sri Lanka was due large foreign debt repayments (including the ISB) within the month. CBSL holding of Government securities exceeded LKR 1.1 Trillion as at end July 2021.
- Given our expectation of higher inflationary and exchange rate pressures towards the latter part of 2021 and the government's heavy reliance on domestic sources of funding, we expect interest rates to increase gradually towards the fourth quarter of 2021. However, the continuous threat arriving from the pandemic will impact the velocity of the interest rates trajectory in the medium term.

### Equity outlook

- The two main indices, ASPI and S&P SL 20, gained 3.61% and 3.16% respectively, during the month of July 2021. There were predominantly two catalysts for the main indices to gain traction. Market participant optimistic expectation of improved corporate earnings for 2Q2021 and the policymaker initiatives to improve the vaccination drive. However, the overall market was more sentiment driven as retail and HNI interest was observed to be in speculative and trading counters.
- Weak macroeconomic fundamentals of the country resulted in continuous foreign selling as net foreign selling exceeded LKR 34 billion as at end July 2021 and dampened the performance of the banking and blue-chip shares in the Colombo Stock Exchange.
- We continue to expect the Equity market to be range bound during 2021 driven by low interest rates and limited alternative investments.

# About AIA

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



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THAILAND

1947  
PHILIPPINES

1948  
MALAYSIA

1957  
BRUNEI

1972  
AUSTRALIA

1981  
NEW ZEALAND

1982  
MACAU

1984  
INDONESIA

1987  
KOREA

1990  
TAIWAN

2000  
VIETNAM

2001  
INDIA

2012  
SRI LANKA

2013  
MYANMAR

2015  
CAMBODIA

A total Sum Assured of over  
**US\$1.58 trillion**

**100 years**  
of history in Asia

**18**  
geographical markets

More than  
**34 million**  
individual policies

More than  
**16 million**  
group scheme members



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