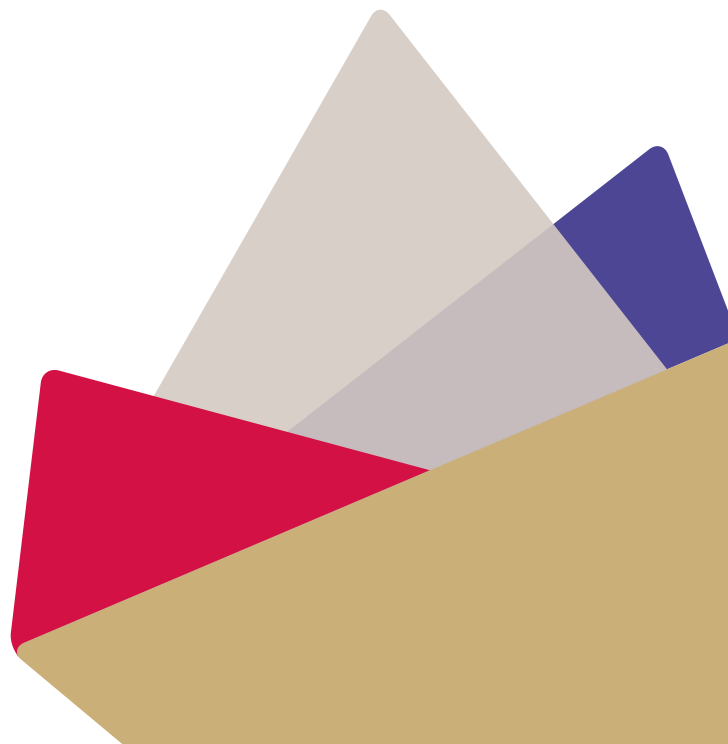


# **AIA Stewardship Funds Update**

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POWERING OUR CUSTOMERS' FINANCIAL WELLBEING

7 April 2025



## Trump’s Reciprocal Tariffs Sent Global Markets Plummeting

### Market Overview

Global markets experienced a sharp and broad-based sell-off following the worse than expected announcement of reciprocal tariffs on “Liberation Day”, as Trump attempts to reduce US’s trade deficits.

- Prior to the announcement, global markets were navigating a drawdown that began in February and staging a rebound
- However, the **reciprocal tariff announcements on 2<sup>nd</sup> April 2025 came in worse than expected, triggering swift repricing across asset classes**
- Equities across geographic regions plummeted, credit spreads widened significantly, and commodities fell sharply
- The sell-off has intensified in recent days, with even traditional safe-haven assets like gold selling off on Friday, 4 April 2025

## How is AIA Investments managing the Stewardship Funds?

### Defensively Positioned Ahead of “Liberation Day”

AIA Investments invests with a medium-to-long-term investment horizon and adopt a forward-looking approach to risk management.

- Leading to the announcement on 2<sup>nd</sup> April, our macro indicators have already indicated that market conditions have turned less benign
- Accordingly, risk exposure in the Stewardship Funds have been **progressively reduced prior to the sell-off**, and the Funds are currently **positioned defensively relative to their benchmarks/ reference indices**

● = Decrease/Underweight  
● = Increase/Overweight

AIA Stewardship Funds	Tactical Portfolio Actions Taken
Elite Adventurous Funds	● ~1% equities ● ~1% cash
Elite Balanced Funds	● ~2% equities ● ~1% cash
Elite Conservative Funds	● ~2% equities ● ~1% cash
Global Dynamic Income Fund	● ~1% equities ● ~2% high yield ● ~1% cash

Global Adventurous Income Fund	<ul style="list-style-type: none"> <li>● ~0.5% equities</li> <li>● ~2% cash</li> </ul>
Adventurous Index Funds	<ul style="list-style-type: none"> <li>● ~2% - 3% cash</li> </ul>

As of 04 April 2025

Within Equities, defensive tilts have been implemented into Elite Funds reflecting our less constructive medium-term outlook on US equities relative to the other regions:

Portfolio Positioning	Tactical Portfolio Actions Taken
<b>Manager Selection</b>	<ul style="list-style-type: none"> <li>● exposure to Growth Managers</li> <li>● exposure to Defensive &amp; Value-Oriented Managers</li> </ul>
<b>Regional Allocation</b>	<ul style="list-style-type: none"> <li>● US equities (the current stress point)</li> <li>● European equities</li> </ul>
<b>Sector Allocation</b>	<ul style="list-style-type: none"> <li>● Technology sector</li> <li>● HealthCare sector</li> </ul>

Actions have also been implemented in the Global Adventurous Income Fund to enhance its resilience amid market volatility:

Portfolio Positioning	Tactical Portfolio Actions Taken
<b>Multi-Asset fund Allocation</b>	<ul style="list-style-type: none"> <li>● allocation to the more defensively oriented multi-asset fund i.e. Franklin Income Fund</li> </ul>
<b>Equities Allocation</b>	<ul style="list-style-type: none"> <li>● equities</li> </ul>
<b>Cash Allocation</b>	<ul style="list-style-type: none"> <li>● to build buffer for dry powder</li> </ul>

## Investment Outlook & Strategy

Market volatility is likely to remain elevated as investors navigate global trade tensions and geopolitical uncertainties—particularly around the permanence of US tariffs and potential retaliatory actions by other economies.

In this environment, AIA Investments remains **vigilant** and **maintain reduced risk exposure while actively monitoring for favourable entry points**. Pre-Liberation Day indicators such as stable global purchasing manager index and strong earnings forecasts for US corporates suggest underlying growth resilience, which may help cushion external shocks.

# AIA Investments

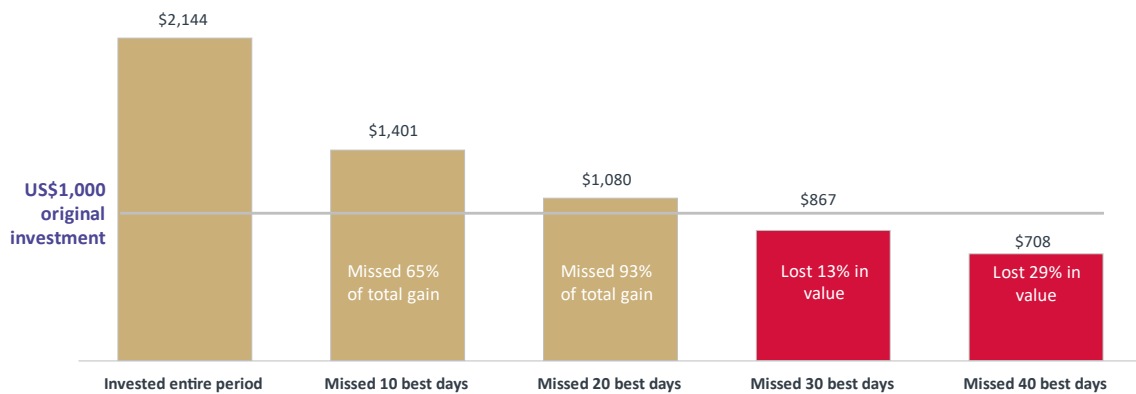
Valuations have become more attractive following the recent sell-off. **Historically, some of the strongest market rebounds occur shortly after sharp declines—missing these best days can significantly reduce long-term returns.**

AIA Investments remains **committed to our disciplined investment strategy—balancing near-term risks with medium-term growth opportunities.** Staying invested is key to capturing the upside, even in volatile times. Any attempt to time the market can end up missing market best days, affecting the overall performance at the end of the day.

## Missing the Best Days Could Be Costly

**Even if the market does decline, most of the stock market's best days have historically taken place during bear markets**

Value of a hypothetical US\$1,000 investment in MSCI ACWI (January 2014 – 31 December 2023)



Source: Capital Group. Value assume US\$1,000 investment on 31 December 2013 into MSCI ACWI (with net dividends reinvested). Past performance is not indicative of future performance.

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AIA Investments

# AIA Investments

## How are the Elite underlying funds positioned for current environment?

### I. AIA Global Select Equity Fund (Capital Group): *Managing Volatility and Opportunities*

Capital Group continues to focus on **long-term secular change** rather than short-term macro predictions:

- The portfolio has been **repositioned away from high-multiple growth stocks**, with increased exposure to HealthCare and Industrials—benefiting from trends such as decarbonisation and supply chain reconfiguration.
- Top performers include Mercado Libre and Spotify, while selective holdings like Vertex Pharmaceuticals and European industrial leaders (e.g., DSV, Schneider Electric) highlight diversified sources of return.
- Despite underweight exposure to popular areas like U.S. mega-cap tech, the portfolio has kept pace with global equity markets, demonstrating strength through **broader market participation (outside of Magnificent Seven)**.

With increasing trade barriers, particularly affecting global supply chains, Capital's **focus on operational adaptability and geographic diversification** is particularly well-suited for current environment.

### II. AIA Global Quality Growth Fund (Baillie Gifford): *Navigating the Return of Trump-Era Trade Policies*

Baillie Gifford has taken measured steps to **limit direct exposure to tariff-sensitive markets, especially China** and ensure portfolio resilience amid rising geopolitical tensions:

- Only **two China-based holdings remain** - Centre Testing and Meituan - both generating over 90% of their revenues domestically.
- Total exposure to Chinese revenues is 7.5%, below the benchmark (9.1%), and Staar Surgical, the only foreign-listed company with high China revenue exposure, was fully exited in February 2025.
- The portfolio is underweight U.S., holding only Microsoft and Alphabet from the "Magnificent Seven," and continues to back companies **demonstrating resilience, diversification, and adaptability**.
- Rather than reacting to political noise, the portfolio is tilted toward long-term global challenges (HealthCare, Sustainability, Finance) which are less impacted by tariff shocks or shifting administrations.

Baillie Gifford remains confident that **structural growth drivers** such as energy transition, personalised medicine, and inclusive financial systems will drive long-term performance—regardless of political leadership or policy noise.

### III. AIA New Multinationals Fund (Wellington Management): *Positioning for long-term growth amid macro uncertainty*

Wellington's approach is grounded in its 10+ year investment horizon, focusing on durable businesses that can self-navigate through macro volatility:

- The portfolio emphasizes **high returns on capital and strong stewardship** rather than macro timing.
- Prioritise companies with **global operating models** and **diversified revenue streams**, along with those actively nearshoring to reduce tariff and supply chain risks (e.g., Taiwan Semiconductor, Texas Instruments, Michelin).
- Portfolio changes are **valuation-driven**:
  - DBS Group was added when valuations were attractive and has since been trimmed after recent strong performance
  - Deere & Co was added during underperformance and has rebounded in 2025, prompting some profit-taking

The portfolio construction approach adds investment style diversity, designed to benefit across various phases of the market cycle.

#### Summary

The managers are taking measured, proactive steps to reduce exposure to tariff risk, mitigate dependence on concentrated mega-cap stocks. Portfolios have been **repositioned towards building more resiliencies, focusing on sectors like HealthCare, Sustainability and Industrials**, while also **enhancing geographic diversification and adaptability**.

These actions reflect **strong conviction** and **long-term discipline**, ensuring portfolios are well-positioned to navigate uncertainty while capturing potential long-term opportunities across market cycles.

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