AIA Acorns of Asia Fund

August 2023

Investment Objective

This fund seeks to achieve long-term capital appreciation as well as stable income, by investing in Asian (excluding Japan) equities; and fixed income securities denominated primarily in SGD, in such proportion as the Manager deems fit.

Key Fund Facts

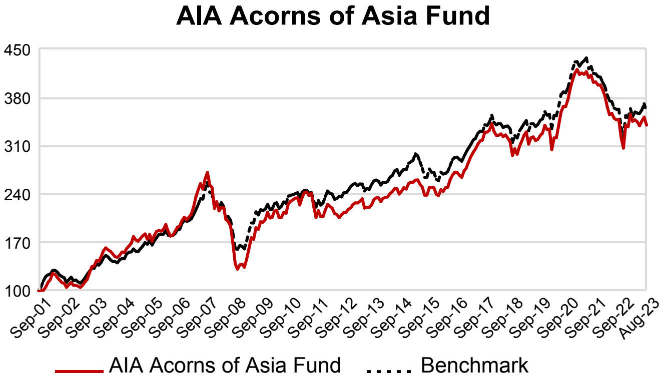
(As of 31 August 2023)

Launch Date	31 August 2001	**Subscription**	Cash, CPF(OA & SA) and SRS
Launch Price	SGD 1.000	**Pricing Frequency**	Daily
Manager of ILP Sub-Fund	AIA Investment Management Private Limited	**Management Fees**	1.50% p.a. of Net Asset Value
Sub-Manager of ILP Sub-Fund	**Equities:** Schroder Investment Management (Singapore) Ltd **Fixed Income:** AIA Investment Management Private Limited	**Bid**	SGD 3.231
		Offer	SGD 3.402
		Fund Size	SGD 1,240.0M
Risk Classification	Medium to High Risk		

Performance

(As of 31 August 2023)

Period	1 Month	3 Months	6 Months	1 Year	3 Year^	5 Year^	10 Year^	Since Inception^
Fund (bid-to-bid)	-3.32%	0.31%	-1.61%	-2.42%	-2.53%	1.15%	4.41%	5.74%
Benchmark	-3.26%	0.56%	1.98%	-1.15%	-2.58%	1.16%	3.82%	6.01%



Notes (1) Performance of the fund is in SGD on a bid to bid basis with net dividends reinvested, without taking into consideration the fees and charges payable through deduction of premium or cancellation of units (2) ^ denotes annualised returns (3) Current Manager: AIA Investment Management Pte Ltd (w.e.f 1 September 2017) (4) Current benchmark: 60% MSCI AC Asia ex-Japan Index (DTR Net) & 40% Markit iBoxx SGD Overall Index TR. (w.e.f 4 January 2021) (5) Previous benchmark: 60% MSCI AC Asia ex Japan Index DTR Net & 40% JP Morgan Sing Govt Bond Index All (w.e.f 1 May 2016), 60% MSCI AC Far East Free ex Japan Index DTR Net & 40% JP Morgan Sing Govt Bond Index All (Inception to 30 April 2016)

The combined benchmark is reflective of the fund's investment focus

Past Performance is not necessarily indicative of future performance.

Source: AIA Singapore

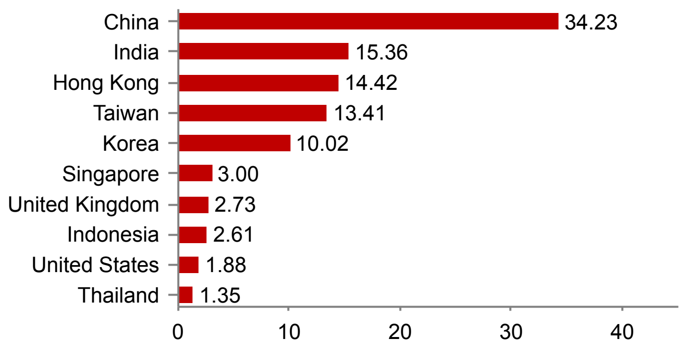
Sector Allocation - Equities

(As of 31 August 2023)

Top 5 Sectors	**Holdings (%)**
Info Tech	23.95
Financials	23.06
Consumer Discretionary	19.90
Industrials	8.82
Real Estate	6.05
TOTAL	81.78

Country Allocation - Equities (%)

(As of 31 August 2023)



Source: AIA Investment Management Private Limited

Top Holdings

(As of 31 August 2023)

Top 5 (Equities)	Holdings (%)
TAIWAN SEMICONDUCTOR MANUFAC	5.78
SAMSUNG ELECTRONICS CO LTD	4.61
TENCENT HOLDINGS LTD TENCENT HOLDINGS LTD	3.02
ICICI BANK LTD ICICIBC	2.30
STANDARD CHARTERED PLC ORD USD0.50	1.65
TOTAL	17.36

Top 5 (Fixed Income)	Holdings (%)
SINGAPORE GOV'T SIGB 3 3/8 09/01/33	2.62
SINGAPORE GOV'T SIGB 2 5/8 08/01/32	1.91
SINGAPORE GOV'T SIGB 2 1/4 08/01/36	1.73
SINGAPORE GOV'T 2.75% SIGB 01/04/42	1.65
SINGAPORE GOV'T SIGB 2 7/8 07/01/29	1.62
TOTAL	9.53

Source: AIA Investment Management Private Limited

Manager's Commentary - Equities

(As of 31 August 2023)

Market Summary

Asian equities recorded a sharply negative performance in August, with all markets in the MSCI AC Asia ex Japan index ending the month in negative territory. The Philippines, China and Hong Kong were the weakest index markets. Declines in India, Indonesia and Malaysia were more modest.

Chinese stocks experienced sharp declines in August, with the country's property sector performing particularly poorly as investors doubt that Beijing will deliver enough stimulus to put the world's second-largest economy back on track. Although China's official PMI manufacturing index edged up in August, it marked the fifth straight month of contraction, pointing to continued weakness. China has sought to boost confidence in the country's flagging stock market by cutting stamp duty levied on share transactions and slowing the pace of initial public offerings in Shanghai and Shenzhen, which can draw liquidity away from the wider market and weigh on share prices.

Share prices in Hong Kong were also sharply lower in August as weaker Chinese manufacturing and property sector woes weakened investor sentiment. Korea also witnessed a sharp fall in share prices, as weaker factory output and slowing retail sales in the country spooked investors, particularly those from overseas. Shares in Taiwan tumbled despite the strong guidance seen from the US technology sector, which failed to offset the risk-off sentiment globally amid disappointing China activities and higher US treasury yields which weighed on the broader technology sector.

Performance Review

Asian equities retreated in August as investors took profit following the rally in July. China and Hong Kong were among the worst performers as the soft macro prints and a gradual policy delivery remained a key overhang to the market. Meanwhile, the more resilient macro data in the US and an uptick in inflation led to concerns over further tightness in financial conditions, and saw large sell-offs in the broader equity market. Against such backdrop, the fund registered a negative return, but moderately outperformed the target benchmark during the period. At the regional level, stock selection across China and Hong Kong were the key contributors to relative performance, while overweight in Hong Kong and selection within Singapore trimmed some outperformance. From a sector perspective, stock selection across financials, industrials and technology were notably positive, while selection in consumer-related and communication has lagged.

At the individual stock level, the ongoing normalization of cross-border travels has underpinned a strong return of luxury luggage maker, Samsonite. The company's shares continued to edge higher following its strong sales growth across its core brands with faster growth in higher margin brands. India was another market where the resilient domestic consumption provided a tailwind to retail mall operator Phoenix Mills which saw strong leasing occupancy and rental income growth. In China, biopharmaceutical company, Hutchmed (China), rose, bolstered by 1H23 results beat driven by strong uptake of drug applications in Fruquintinib and Surufatinib. Oil refiner Sinopec also added to performance following its 2Q earnings results, with potential improvement across its refining and marketing inventory gains in 3Q. Elsewhere, Indonesia's Bank Mandiri traded higher on the back of its solid YTD results where the bank continued to deliver solid ROE, driven by consistent improvement in both credit costs and operating costs.

On the negative side, investor concerns around lacklustre consumption and weak macro prints saw our consumption-related names in China, including Toly Bread, Vipshop and Yum China, among the key detractors. In addition, hotel owner, H World, declined on worries over travel budget cuts among private enterprises due to weak economy dragging corporate earnings. The macro worries also weighed on share price for China Pacific Insurance despite reporting a solid set of results. Weaker investor sentiment also rippled to our real estate exposure in Hong Kong, including Kerry Properties and Swire Properties, exacerbated further by ongoing uncertainties in China's real estate sector and the weaker office demand in Hong Kong. Elsewhere, Singapore's internet name, SEA, was a notable drag on performance due to investor concerns on an increasingly competitive landscape in key ASEAN markets, which led the company to pivot from profitability to increasing investment to defend market share.

Market Outlook

August was another very difficult month for Asian equity markets, with regional indices giving back all of July's gains and establishing new lows for the year mid- month. The negative direction in markets continues to be led by the weakness in Hong Kong and China. Disappointing Chinese macroeconomic data and a lacklustre policy response is undermining confidence, not only in the near-term cyclical outlook, but also in longer-term growth forecasts. Geopolitical tensions between China and the US remain a serious overhang, and in the face of the weak growth outlook, international investors seem to be continuing to reduce or sell positions in local markets.

After the initial optimism concerning the rebound in economic growth following China's abandonment of Covid controls late last year, sentiment has steadily deteriorated in recent months. The market view has rapidly swung towards a new consensus that the pace of the recovery is disappointing and the scope for stimulus is limited. Perhaps most importantly, the property market and the broader construction industry have continued to deteriorate, with transaction volumes collapsing this year and prices under pressure as buyers step back from the market and deflationary expectations set in. Given these very visible problems in the property market, the debate among investors has moved away from China's cyclical upside potential towards a refocus on longer-term structural headwinds for growth. These include weak demographics, the large debt overhang at the local government level, property market weakness and elevated geopolitical risks.

Despite the weaker headline macroeconomic data and property market troubles, the bottom-up performance from most Hong Kong and China equities we own has been much more encouraging, as reflected in recent interim results. Share prices in China are not far off levels seen last year in the depths of the Covid restrictions, when the outlook was far more uncertain for most companies. Given this mismatch in share-price performance against fundamentals, and the current low expectations for the Hong Kong and China markets, we continue to see attractive opportunities in China on a bottom-up basis, despite the negative headlines.

Korean and Taiwanese equities have performed well this year, owing to gains in the key large-cap semiconductor stocks that dominate their indices. There has also been significant retail buying momentum in narrower market themes such as AI and battery supply chains that have captured the imagination.

Indian equities have proved more defensive than their Chinese counterparts in recent months. Sentiment towards the Indian economy and its longer-term potential remains very favourable at a time when China's fortunes are increasingly being questioned by investors. A healthy domestic growth outlook, an absence of geopolitical headwinds, scope to increase market share in global manufacturing at the expense of China and steady domestic fund inflows into local equity markets are all positive factors to the market.

After recent weakness, aggregate valuations for regional equities are back below longer-term average levels. As usual, there remains a significant spread in multiples between those stocks and sectors in favour, and the apparently 'deep value' on offer in less popular areas of the market. The former include markets such as India and Taiwan that have performed strongly this year, and the latter comprise markets such as Hong Kong and China. As recent months have shown, gains in Asian equities require a more stable global macroeconomic backdrop, less volatility in US-China relations and a more positive cyclical outlook for the Chinese economy to attract foreign fund flows.

Manager's Commentary - Fixed Income

(As of 31 August 2023)

The manager's commentary for fixed income can be found within the AIA Regional Fixed Income Fund Factsheet.

Source: Schroder Investment Management (Singapore) Ltd, for equities and AIA Investment Management Private Limited, for fixed income

Please refer to the Product Summary applicable to the investment-linked policy which you have purchased or intend to purchase for these applicable fees and charges.

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