AIA European Equity Fund

August 2023

Investment Objective

This fund seeks to achieve long term capital appreciation through investment in equity and equity related securities of European issuers as represented by countries included in the MSCI Europe Index and opportunistically in other European markets, such as Poland, Hungary, Czech Republic, Greece, Turkey and Israel.

Key Fund Facts

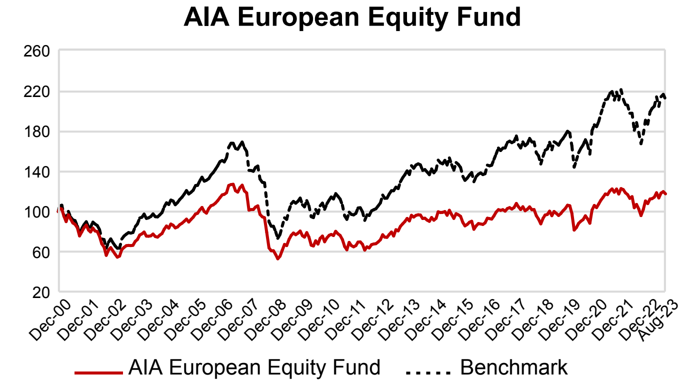
(As of 31 August 2023)

Launch Date	11 December 2000	**Subscription**	Cash and SRS
Launch Price	SGD 1.000	**Pricing Frequency**	Daily
Manager of ILP Sub-Fund	Capital Group Investment Management Pte. Ltd.	**Management Fees**	1.50% p.a. of Net Asset Value
		Bid	SGD 1.118
Name of Underlying Fund(s)	Capital Group European Growth and Income Fund (Lux)	**Offer**	SGD 1.177
		Fund Size	SGD 10.6M
Manager(s) of Underlying Fund(s)	Capital International Management Company Sàrl		
Risk Classification	Higher 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)	-1.84%	3.61%	4.19%	14.78%	7.06%	2.92%	3.81%	0.72%
Benchmark	-2.33%	3.39%	4.43%	18.59%	7.23%	4.58%	5.58%	3.35%



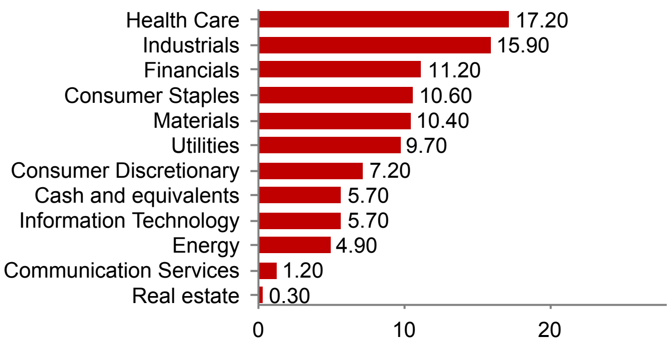
Source: AIA Singapore

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: Capital Group Investment Management Pte. Ltd. (w.e.f 3 May 2016) (4) Current benchmark: MSCI Europe Daily Total Return Net

Past Performance is not necessarily indicative of future performance.

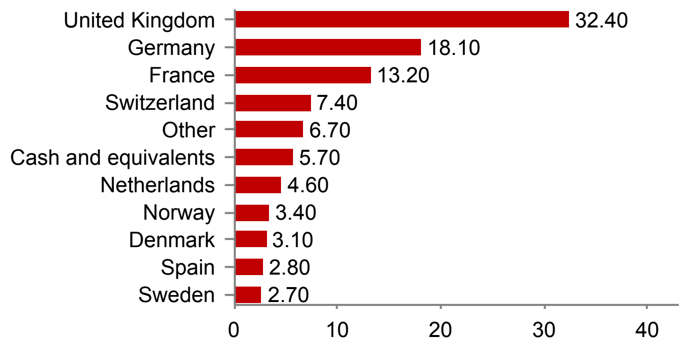
Sector Allocation (%)

(As of 31 August 2023)



Country Allocation (%)

(As of 31 August 2023)



Source : Capital International Management Company Sàrl, Information from the underlying Capital Group European Growth and Income Fund (Lux)

Top Holdings

(As of 31 August 2023)

	Holdings (%)
E.ON	4.20
Siemens Healthineers	4.10
Imperial Tobacco	4.00
Glencore	3.40
AstraZeneca	3.30
BAE Systems	3.00
National Grid	2.90
Next PLC	2.80
Novo Nordisk	2.80
Engie	2.60
TOTAL	33.10

Source : Capital International Management Company Sàrl, Information from the underlying Capital Group European Growth and Income Fund (Lux)

Manager's Commentary

(As of 31 August 2023)

Market review

European equities lost ground, with the consumer discretionary, information technology and materials sectors delivering the biggest losses. The energy sector was a rare bright spot, buoyed by higher oil and gas prices. The upcoming European Central Bank's decision on whether to hike interest rates in September appeared finely balanced. Despite fresh signs of deterioration for the eurozone economy, inflation remained stubbornly high.

The eurozone economy shrank for a third consecutive month, business survey data showed. The Hamburg Commercial Bank (HCOB) Eurozone Composite Purchasing Managers' Index (PMI) fell to 47.0 in August from 48.6 in July, marking the steepest pace of contraction since November 2020. Service sector output declined for the first time since December while the manufacturing sector continued to contract. Headline inflation defied economists' expectations for a decline in August, remaining unchanged from the prior month at 5.3%. Core eurozone inflation softened in line with market forecasts to 5.3% in August from 5.5% in July.

German business sentiment worsened. The ifo Business Climate Index slid to 85.7 in August from 87.4 in July, the fourth consecutive monthly decline. Both German managers' assessments of the current situation and their outlook for the coming months deteriorated. The HCOB German Composite PMI slumped to 44.7 in August from 48.5 the prior month, marking the sharpest contraction since the early days of the pandemic in May 2020.

Italian bank shares took a hit after Italy's government unveiled an unexpected windfall tax on banks' net interest income. However, they recouped much of their earlier losses after the government partially rowed back on the initiative by capping the levy at 0.1% of banks' total assets. Survey data showed Italy's private sector contracted for a second consecutive month, with the HCOB Italy Composite PMI falling to 48.9 in July from 49.7 in June.

UK equities retreated. Business survey data suggested the UK economy contracted in August for the first time since January, with the S&P Global/ CIPS UK Composite PMI declining to 47.9 from 50.8 in July. Nevertheless, separate survey data pointed to a modest improvement in consumer confidence in August. UK headline inflation fell to 6.8% in July from 7.9% in June, driven by lower energy prices, though core inflation remained unchanged at 6.9% in August. The Bank of England raised interest rates by 25 basis points to 5.25% following its August meeting.

Performance Contributors Stock selection in the industrials sector boosted relative returns. An above-index position in BAE Systems was helpful as the shares closed the month 8% higher. The UK-headquartered aerospace and defence company posted strong half-year 2023 results and upgraded its 2023 guidance thanks to an upturn in global government spending on military equipment. While the announcement that BAE Systems was to acquire Ball Aerospace caused some uncertainty mid-month, shares rallied again towards month-end on news of a significant contract win.

A below-index position, and to a lesser extent, the choice of stocks in the consumer discretionary sector contributed to results. In particular, not holding Netherlands-based consumer internet group Prosus helped as the stock fell 11%, in part due to the decline in Tencent shares following its report of disappointing quarterly earnings. Prosus owns more than a quarter of Tencent.

Performance Detractors

Stock selection in the health care sector weighed on relative returns. An above-index holding of medical device maker Siemens Healthineers hurt results as shares tumbled 12% over August. Fiscal third- quarter earnings missed forecasts, due in part to delivery delays at cancer treatment specialist Varian. Nevertheless, the company confirmed its outlook for the year.

The choice of stocks, and to a lesser extent, an above-index position in the materials sector detracted from relative results. Holding copper miner Antofagasta proved costly as shares lost 13%. Despite an increase in first-half profit, rising capital expenditure and the prevailing uncertainty in China weighed on shares.Antofagasta also reduced production forecasts, citing an ongoing drought and delays in the full commissioning of a desalination plant

Outlook & Strategy

The ECB rose interest rates to 4% - an all-time high and we are starting to see the impacts of higher interest rates and inflation feeding into the economy. Latest business surveys shows a marked deterioration in business activity in Europe. Manufacturing activity is particularly weak as underlying demand – both domestic and export – slows and inventories build. Housing construction is contracting too. The usually resilient services sector has seen activity sifted as the post pandemic boom fades and tighter monetary policy starts to impact the economy. This weakness could intensify as the tourist season ends. Nevertheless, consumer confidence has remained resilient as households benefit from tight labour markets and a boost to real incomes from lower headline inflation, both of which should help prevent a more severe downturn.

Despite near-term headwinds from a macroeconomic standpoint, it is important to separate European companies from the economy. Europe is home to many multinationals across sectors and industries with geographically diversified revenue streams, enabling them to thrive even in a tough economic environment. Valuations of European companies are trading at a historical discount to their US counterparts, with balance sheets in a strong position. Many companies in the region also pay dividends which can act as a stabilizing mechanism during periods of high market volatility. As such, an active approach is needed to conduct comprehensive analysis on company fundamentals. Against this backdrop, portfolio managers continue to focus on investing in seasoned European-based companies that have the potential to grow both earnings and dividends at a sustainable level, are run by robust management teams and have durable capital allocation policies to deliver long-term growth and income.

Source: Capital International Management Company Sàrl

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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