AIA Global Bond Fund

August 2023

Investment Objective

This fund seeks to maximise total returns in Singapore Dollar terms over the longer term by investing in a portfolio of high quality debt securities of Singapore and major global bond markets such as the G10 countries and Australia and New Zealand.

Key Fund Facts

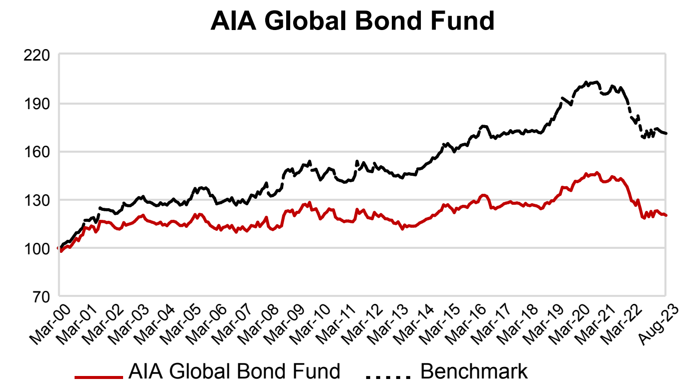
(As of 31 August 2023)

Launch Date	18 March 2000	**Subscription**	Cash, CPF(OA & SA) and SRS
Launch Price	SGD 1.000	**Pricing Frequency**	Daily
Manager of ILP Sub-Fund	Legg Mason Asset Management Singapore Pte. Limited	**Management Fees**	0.95% p.a. of Net Asset Value
		Bid	SGD 1.143
Name of Underlying Fund(s)	Legg Mason Western Asset Global Bond Trust	**Offer**	SGD 1.204
		Fund Size	SGD 34.9M
Manager(s) of Underlying Fund(s)	Legg Mason Asset Management Singapore Pte. Limited		
Risk Classification	Low to Medium 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)	-0.61%	-1.21%	0.70%	-3.54%	-5.95%	-0.95%	0.62%	0.79%
Benchmark	-0.22%	-0.95%	1.12%	-2.48%	-5.16%	-0.18%	1.62%	1.85%



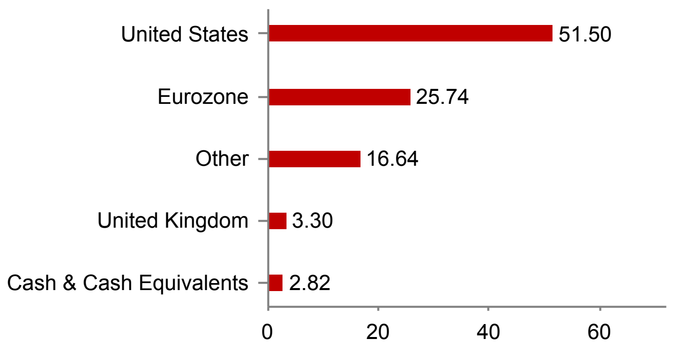
Source: AIA Singapore

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: Legg Mason Asset Management Singapore Pte. Limited (w.e.f 10 February 2014) (4) Current benchmark: FTSE World Govt Bond Index ex Japan (Hedged to S$) (w.e.f 10 February 2014) (5) Previous benchmark: FTSE* World Govt Bond (Unhedged) (1 July 2006 - 9 February 2014) *W.e.f 31 July 2018, the name of the index has been changed from Citi to FTSE.*

Past Performance is not necessarily indicative of future performance.

Country Allocation (%)

(As of 31 August 2023)



Source: Legg Mason Asset Management Singapore Pte. Limited, Information from the underlying Legg Mason Western Asset Global Bond Trust

Top Holdings

(As of 31 August 2023)

	Holdings (%)
US Treasury N/B 1.250% 30 Nov 2026|United States	12.56
Bundesrepub. Deutschland (Br) 1.75% 15 Feb 2024|Germany	6.66
Bundesrepub. Deutschland (Reg S) (Br) 0.50% 15 Aug 2027|Germany	6.24
US Treasury N/B 2.250% 15 Nov 2024|United States	5.19
US Treasury N/B 0.375% 31 Jan 2026|United States	3.99
Mex Bonds Desarr Fix Rt SER M 7.75% 13/11/2042|Mexico	3.67
US Treasury N/B 3.875% 30 Nov 2027|United States	3.27
US Treasury N/B 2.125% 29 Feb 2024|United States	3.23
US Treasury N/B 2.750% 15 Feb 2024|United States	2.55
US Treasury N/B 2.875% 15 May 2049|United States	2.37
TOTAL	49.73

Source: Legg Mason Asset Management Singapore Pte. Limited, Information from the underlying Legg Mason Western Asset Global Bond Trust

Manager's Commentary

(As of 31 August 2023)

What happened in the market?

During August 2023, risk assets were weaker and the majority of global government bond yields rose. A confluence of factors put upward pressure on yields: Fitch's downgrade of long-term US debt to AA+, a higher-thanexpected US Treasury (UST) issuance announcement as well as lingering impact of the Bank of Japan's (BoJ's) decision to unexpectedly soften its yield curve control (YCC) stance at the end of July. Concerns over an excess supply of government bonds translated into weak auction results for long-dated USTs, which also steepened global yield curves. Government bond yields partially retraced their move higher later in the month as softer economic data across key developed markets (DMs) reduced the pressure for central banks to hike rates further.

In the US, a preliminary reading of the August Purchasing Managers' Index (PMI) came in at 50.4 against consensus expectations for 51.5 and 52 previously. The services component notably declined while manufacturing remained in contraction territory. Consumer Price Index (CPI) data moderated as expected. Headline and core inflation measures rose 0.2% month-over-month (MoM) for a second consecutive month respectively. Employment data indicated that the labour market may be cooling faster than originally thought.

At the annual central bank symposium at Jackson Hole, Federal Reserve (Fed) Chair Jerome Powell delivered little in the way of surprises. With respect to future rate decisions, he highlighted the need to "proceed carefully" based on the "totality of the data and the evolving outlook and risks". Chair Powell reiterated that the Fed is prepared to raise interest rates further to maintain the Fed's 2-percent inflation target but acknowledged that interest rates are already at restrictive levels. At the end of the month, investors expected that the Fed will leave interest rates unchanged at the upcoming meeting on September 19-20, with some possibility of another rate hike later this year.

In Europe, headline inflation across the eurozone marginally surpassed expectations primarily driven by energy prices. Preliminary August PMI data for the eurozone pointed to a sharp decline in the previously resilient services sector, which moved unexpectedly into contraction. Rhetoric from the European Central Bank (ECB) was largely balanced; at the end of the month, markets had priced in a small chance of an additional hike by the central bank. In the UK, the Bank of England (BoE) hiked the Bank Rate by 25 basis points (bps), in line with expectations although two members of the committee voted to hike by 50 bps. There was a notable change in the policy statement noting that "the current monetary stance is restrictive". The Reserve Bank of Australia (RBA) kept its policy rate on hold for the second consecutive meeting, as had been expected.

There were concerning signals out of China; a stream of weaker-than-expected economic activity readings and renewed fears over the domestic property sector prompted intervention by authorities in an attempt to support growth. Emerging market (EM) bond performance was plagued by the challenging growth outlook in China and higher UST yields. Local EM government bond yields largely underperformed as did hard currency EM government bonds where spreads widened. The macroeconomic backdrop weighed on corporate bond performance during the month. Global investment-grade spreads ended the month a few basis points wider. Resilient US economic data in the face of sluggish activity in Europe and persistent worries around the Chinese economy saw the US dollar strengthen over the month.

What happened in the fund?

An underweight to Japanese duration contributed. A bias to be overweight to the front-end of key DM government bond yield curves added to returns as yield curves steepened. The overweight to local Mexican government bonds and overweight to hard currency EM government bonds detracted. The overweight to Norwegian Krone and Sweden Krone also detracted.

What did the portfolio manager do?

Portfolio tactically traded core European duration, adding following the rise in yields before cutting again later in the month.

What is the outlook?

In line with our expectations, global growth is downshifting and the disinflation process is clearly underway, albeit unevenly. Lessening bottleneck pressures, financial stability concerns contributing to tighter credit conditions in the US and Europe, and softer manufacturing and services demand worldwide are helping to alleviate price pressures globally. These trends, combined with the major central banks continuing to advocate for restrictive monetary policy for an extended period, should further temper growth and inflation. In such a scenario, we expect DM government bond yields to trend lower and the US dollar to weaken modestly. These factors should act as a tailwind for EM, where central banks are closer to the end of the tightening cycle relative to the developed world, and valuations are compelling. Spread sectors such as high-yield, bank loans and select areas of the mortgage-backed securities (MBS) space also offer compelling yield but we acknowledge that credit markets remain vulnerable to unanticipated shifts in macro-related sentiment, geopolitical developments and the risk of central bank overtightening.

Source: Legg Mason Asset Management Singapore Pte. Limited

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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