AIA Global Technology Fund

August 2023

Investment Objective

This fund aims for above average long term capital growth by investing in an international portfolio of shares in companies involved in high technology industries.

Key Fund Facts

(As of 31 August 2023)

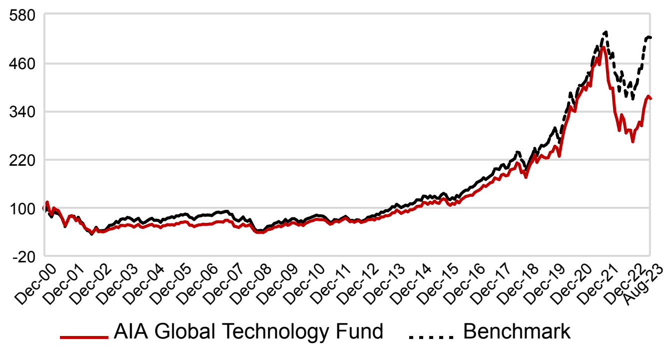
Launch Date	11 December 2000	**Subscription**	Cash, CPF(OA) and SRS
Launch Price	SGD 1.000	**Pricing Frequency**	Daily
Manager of ILP Sub-Fund	Templeton Asset Management Limited	**Management Fees**	1.50% p.a. of Net Asset Value
Name of Underlying Fund(s)	Franklin Templeton Investment Funds - Franklin Technology Fund	**Bid**	SGD 3.529
		Offer	SGD 3.715
Manager(s) of Underlying Fund(s)	Franklin Advisers Inc.	**Fund Size**	SGD 599.5M
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)	-1.56%	7.62%	24.79%	16.32%	1.89%	11.88%	16.89%	5.95%
Benchmark	-0.18%	6.69%	27.73%	25.74%	10.71%	16.97%	19.28%	7.40%

AIA Global Technology Fund



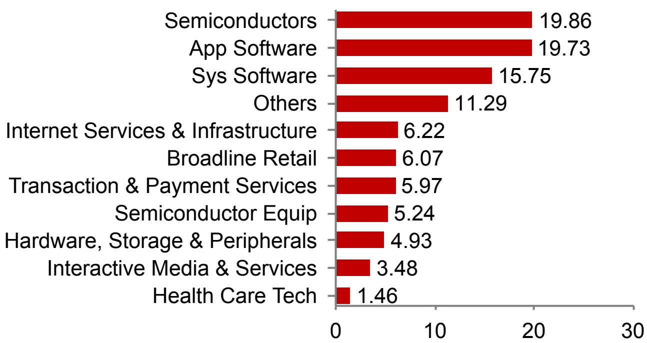
Source: AIA Singapore

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 benchmark: MSCI World Information Technology Index (w.e.f 30 September 2017) (4) Previous benchmark: Merrill Lynch 100 Technology Index (Inception to 29 September 2017)

Past Performance is not necessarily indicative of future performance.

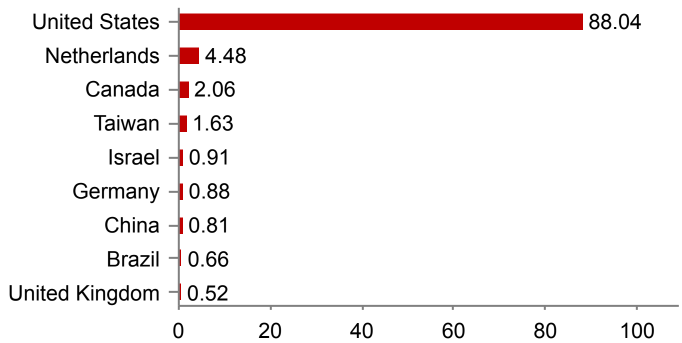
Sector Allocation (%)

(As of 31 August 2023)



Country Allocation (%)

(As of 31 August 2023)



Source : Franklin Advisers Inc., Information from the underlying Franklin Templeton Investment Funds – Franklin Technology Fund

For Country Allocation: Cash & Cash Equivalents are added into all countries equally.

Top Holdings

(As of 31 August 2023)

	Holdings (%)
NVIDIA CORP	8.07
MICROSOFT CORP	6.91
AMAZON.COM INC	5.62
APPLE INC	4.93
MASTERCARD INC	3.35
SERVICENOW INC	2.95
SYNOPSYS INC	2.69
ASML HOLDING NV	2.64
INTUIT INC	2.31
SALESFORCE INC	2.29
TOTAL	41.76

Source : Franklin Advisers Inc., Information from the underlying Franklin Templeton Investment Funds – Franklin Technology Fund

Manager's Commentary

(As of 31 August 2023)

MARKET OVERVIEW

Global equities declined in August 2023 due to investor concerns about Fitch Ratings' downgrade of US long-term debt, China's property market crisis and weak economic data, and higher sovereign bond yields. However, stocks advanced near August-end, trimming earlier declines, partly due to US Federal Reserve (Fed) Chair Jerome Powell's speech at the Jackson Hole Economic Symposium indicating the Fed "will proceed carefully" in deciding whether to tighten rates further or, alternatively, pause and wait for more data. As measured by MSCI indices in US-dollar terms, developed and frontier market equities fared better than a global index, while emerging market equities significantly underperformed it. In terms of investment style, global growth stocks declined but performed slightly
better than global value stocks.

After trailing most other global equity sectors in July, the information technology (IT) sector fared better than all but the energy and health care sectors in August. The communication services sector was just behind IT with a fourth-place finish despite notable weakness in the entertainment and wireless telecommunication services industries. Within IT, four out of six industries sold off while communications equipment and IT services posted gains. In contrast, IT sector returns were anchored to the downside by stocks in the electronic equipment, instruments and components industry, though technology hardware makers also fared poorly overall. In general, investors were looking for warning signs of an overheated market and have taken a more selective and cautious approach after IT stocks made market-leading gains in the first half of 2023, supported in large part by the initial wave of excitement over this year's breakthroughs in generative artificial intelligence (AI), which has led to a rush to develop new products, services and platforms that leverage AI. Market booms always carry some amount of investor hype. A recent FactSet study found that conference calls on first- and second-quarter 2023 financial results by S&P 500 firms showed a spike in the use of the term "AI" and a sharp decline in mentions of "ESG," which stands for environmental, social and governance factors. From a wider perspective, inflation and interest rates still loom large in the outlook, adding to concerns about potentially stretched equity valuations and lingering pessimism around corporate earnings in the latter half of 2023.

PORTFOLIO PERFORMANCE

The fund underperformed its MSCI World/Information Technology Benchmark. The off-Benchmark Exposure to Transaction and Payment Processing Services and Broadline Retail, and Stock Selection to Systems Software and Significant Underweight to Technology Hardware, Storage and Peripherals.

Contributors

- Technology Hardware, Storage and Peripherals (Significant Underweight)
- Broadline Retail (Off-Benchmark Exposure)
- Systems Software (Stock Selection)

Detractors

- Transaction and Payment Processing Services (Off-Benchmark Exposure)
- Internet Services and Infrastructure (Significant Overweight, Stock Selection)
- IT Consulting and Other Services (Underweight, Stock Selection)

OUTLOOK

We believe the fund remains well positioned for an expected bottoming in IT sector fundamentals after several quarters of growth deceleration stemming from post-COVID digestion and macroeconomic uncertainty. We're not yet through these headwinds. Cloud computing and related software providers are still experiencing a deceleration in growth. However, absent a worst-case-scenario for the macroeconomy, we think we're past the halfway mark on this deceleration and believe enterprise IT spending can experience stabilisation, potentially by the end of 2023. The fund maintains significant exposure to enterprise technology businesses, which we believe stand to benefit from this stabilisation. We also believe we're close to the end of the interest-rate hiking cycle, which should give IT sector valuations some breathing room.

That said, we also acknowledge higher embedded expectations in the IT sector relative to a quarter ago, and we have therefore become more selective from a valuation standpoint. For instance, we have reduced our position sizes in certain holdings that are now trading at or above our assessment of their intrinsic values, primarily in the software and semiconductor industries. However, we still see opportunities in businesses that have yet to participate in the recent sector recovery, and we have not meaningfully changed our active exposure to long-term secular growth categories.

Risks we are monitoring include the potential for near-term disappointment on two fronts. First, the general assumption that we're mostly past COVID digestion, cloud optimisation and tightening budgets may prove too optimistic. On this point, we remain conscious of expectations and sensitive to valuations, but we will also be on the lookout for opportunities to add to quality growth businesses should we get another tactical selloff during the third-quarter earnings season. Second, we may get a prolonged "pause" in AI momentum, during which limited amounts are spent by the ultimate paying customers of AI-enabled software (enterprises) as they first seek to understand the "what, why, when and how" around this long-term opportunity. The latter scenario could weigh on "AI-winner" stock valuation multiples, and we own several of these in the fund. We've been managing this risk by trimming positions during perceived waves of investor exuberance, but we also don't want to overdo it. If a real, trillion-dollar platform shift is underway (and there are certainly early signs of this), it's essential that we maintain meaningful, diversified exposure to those AI-focused (and AI-adjacent) companies that we believe are well-positioned to capture value. This includes current holdings in categories such as data centre semiconductors and networking, chip manufacturing and equipment, EDA (electronic design automation) software, cloud services providers, data analytics platforms, software developer tools, and data-rich application software providers. Some portfolio holdings across these categories may face volatility as the slope of the AI adoption curve gets worked out, and as we see early examples of "productisation" and monetisation from the likes of Microsoft (held by the fund) and others.

Another risk we are monitoring involves the evolution of export restrictions between China and the rest of the world, and the United States in particular. The increasingly difficult trade environment is expanding beyond unilateral chip/equipment restrictions, to key materials (e.g., gallium, germanium, rare earth minerals, etc.), and potentially to cloud services. • While we remain cautiously bullish on AI (including machine learning and analytics), it is but one of our 10 "digital transformation," or DT, sub-themes. We continue to actively invest across our remaining nine DT sub-themes: new commerce; digital media transformation and the rise of the metaverse; digital customer engagement; secure cloud and SaaS (software as a service); fintech and digital payments; electrification and autonomy; IoT (Internet of Things); cybersecurity; and the future of work.

We continue to believe DT is a multi-trillion-dollar opportunity as it enables a widening array of companies to leverage software and data to better understand their customers and business processes, as well as various technologies to radically transform how they operate. Furthermore, with evidence that DT drives improved productivity and deeper customer relationships, we believe companies are now operationalising and scaling what worked during the COVID crisis and extending their DT initiatives into other parts of their operations.

In our long-term view, the most important aspect is still "quality," which we define as companies with strong, improving competitive positions, experienced/talented management teams with a proven track record of execution, premium-level financial strength and strong unit economics—along with an awareness about the costs they are imposing on the environment and society, adding to signs that an appropriate corporate governance structure is in place.

Source: Templeton Asset Management 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.

AIA Singapore Private Limited (Reg No.201106386R)
1 Robinson Road, AIA Tower, Singapore 048542 Monday - Friday: 8.45am -5.30pm AIA Customer Care Hotline: 1800 248 8000 aia.com.sg