



AIA Global Technology Fund

December 2015

Investment Objective

To achieve above average long term capital growth by investing in an international portfolio of shares in companies involved in high technology industries.

Key Fund Facts

Launch Date: 11 December 2000

Launch Price: S\$ 1.000

Manager of ILP Funds: Templeton Asset Management Limited

Name of Underlying Fund: Franklin Templeton Investment Funds - Franklin Technology Fund

Manager of Underlying Fund: Franklin Advisers Inc.

Sales Charge (For Cash and SRS): 5% (included in bid-offer spread)

Sales Charge (For CPF OA): 3%

Pricing Frequency: Daily

Subscription: Cash, CPF (OA) and SRS

Management Fees: 1.50% p.a. of Net Asset Value

Bid: S\$ 1.14 As of 31 October 2015

Offer: S\$ 1.2 As of 31 October 2015

Fund Size: S\$ 79,474,660 As of 31 October 2015

Underlying Fund Size: US\$ 1,011.0m* As of 31 October 2015

Manager's Commentary*

As of 31 October 2015

Source: Templeton Asset Management Limited

Market Review

US equities rallied in October with the biggest monthly gain in four years on hopes that stimulus actions from foreign central banks would boost their respective economies. Widespread fears about global growth, particularly the economic slowdown in China, appeared to moderate, and hints of more quantitative easing measures from the European Central Bank also helped lift equities. Meanwhile, US monetary policy was poised to diverge from such easing measures, with the US Federal Reserve issuing a statement near month-end that explicitly mentioned the possibility of an interest-rate hike in December. Several large merger and acquisition deals and better-than-expected earnings reports from bellwether industrial and technology firms further underpinned market sentiment, as did a rebound in crude oil prices. The third-quarter corporate earnings season was past the halfway point by month-end; though upside surprises were common, many US companies reported contractions in earnings and revenues. US equity indices also rallied despite a resurgence of economic headwinds in October, such as a stronger trade-weighted US dollar and softer readings for several key US economic indicators, including those pertaining to the labour market, retail sales, consumer confidence, factory activity and overall economic output in the third quarter.

All 10 major US equity sectors traded higher, including strong results in materials, energy and IT, while utilities and consumer staples lagged. Large-capitalisation stocks soundly topped mid-cap equities, both of which outperformed the small-cap tier. By investment style, investors appeared to favour growth equities over their value-oriented counterparts regardless of company size. Across the world, developed markets in the Far East and Pacific Rim generally outperformed the United States, which itself outpaced widespread gains in Europe. US equities also exceeded the overall advances of emerging and frontier markets.

Performance Review

During a strong month for the IT sector in general, nearly all of the Fund's industry allocations produced absolute gains in October that largely erased the cumulative declines the Fund had experienced during the August-September selloff. Internet software and services holdings, as well as those in Internet retail, had especially large returns and contributed to overall performance. In relative terms, the Fund outperformed its benchmark index as stock selection and an overweighting in Internet software and services were beneficial, as was the Fund's off-index exposure to the Internet retail industry; though tied directly to the IT sector, this industry group is in fact part of the consumer discretionary sector along with other, more traditional retailers. Within the Internet retail industry, the Fund was buoyed by outsized returns in an off-index position. Above-average returns for several overweighted stakes extended the Fund's measure of relative outperformance within the industry, as did a significant underweight position in one particular stock, the shares of which traded lower in October. Our two holdings in the Internet retail space also enjoyed much higher-than-average returns as many of the industry's major players reported excellent third quarter earnings results that often surpassed analysts' consensus expectations.

To a lesser extent, further relative gains were achieved in the IT consulting and other services industry, as well as in the semiconductors industry, with the relative outperformance in both cases owing to stock selection and underweighting. Both industries tended to lag their industry peers within the IT sector throughout October. Significant overweighting and favourable stock selection in the specialized REITs (real estate investment trusts) industry aided returns versus the index, too, with one off-index position providing most of the relative gain. Stock selection was also instrumental to our outperformance within the systems software industry, based in part on our avoidance of one particular stock and a sizable advance for one overweighted stake, which saw a surge in quarterly revenues due in part to strong results in its "intelligent cloud" business segment. In general, we saw a number of large, established IT firms, including those cited above, drive the equity market's positive sentiment in October as investors began to recognize their dominance in essential services that both fuel and extract value from the rising digital economy.

Conversely, modest levels of relative underperformance occurred in the technology hardware, storage and peripherals; communications equipment; and application software industries, mostly due to stock selection. In the hardware and storage space, the absence of one particular stock in the portfolio was detrimental since its stock price jumped by more than 40%, as was our overweighted position in declining shares of another company. The omission of another stock was a drag on the Fund's relative outcome in the communications equipment industry, along with declines for one overweighted investment. Other notable detractors were spread around the portfolio, most of which tended to reduce our overall gains in industries not mentioned above. One standout detractor was a provider of network security solutions for enterprises, service providers and government organizations worldwide. A sharp selloff in its shares greatly reduced our overall level of relative outperformance in the systems software industry.

Other, milder individual detractors for the month included declines for a few overweighted positions in the semiconductors segment; an underweighting in one stock in the electronic manufacturing services segment; and a steep decline for an off-index stock, our sole holding in the life sciences tools and services industry (which is part of the health care sector). Although this stock's shares have suffered a steep selloff in recent months, we believe it continued to hold longer-term potential among companies situated at the intersection of health care and advanced technology. The company, which develops technology and kits for use in the field of genetic research and sequencing, is one of the leading players in one of the fastest-growing technologies in research—next-generation DNA sequencing. As medical science seeks to uncover the links between genetics and disease to come up with precise treatments, gene sequencing—which makes a blueprint of the body's molecular structure—is likely to continue to have a critical role. For its part, this company provides researchers and diagnostic companies with the advanced tools needed for facilitating the process, including sequencing instruments and related consumables such as reagents and microarrays. Finally, and aside from the Fund's active equity investments, our average cash position of roughly 5.5% also hindered relative performance during October's broad-based rally.

Portfolio Positioning

Franklin Technology Fund's investment objective is to achieve capital appreciation by investing at least two-thirds of its assets in equity securities of companies expected to benefit from the development, advancement and use of technology. The Fund invests in securities of large, well-established companies, as well as small- to medium-sized companies, we believe offer potential emerging-growth opportunities. The investment strategy is a growth approach that employs intensive, bottom-up, fundamental research of companies we believe possess quality management, robust growth prospects, strong market positioning, high or rising profit margins, and good return on capital investment. Fund investments are primarily in the IT sector, which averaged 79.8% of the portfolio in October, down from an average of 82.7% in the third quarter. During the month, the Fund's IT exposure was most heavily allocated to the software, semiconductors and semiconductor equipment, Internet software and services, and IT services industries. The Fund held much smaller exposures to other sectors, including consumer discretionary, industrials, health care, financials and telecommunication services. The Fund continues to invest primarily in US-based companies.

Outlook & Strategy

To construct portfolios capable of riding through periods of market difficulty and delivering over the longer term, we leverage the bottom-up research of investment professionals across the Franklin Equity Group. This approach focuses on identifying companies we believe can capitalize on secular trends to create sustainable growth, regardless of the disparate pace of growth we see across global economies. Companies in the industrials and other sectors that are utilizing new capabilities or technology to transform well-established products are some of the compelling opportunities identified by the team's research. One such firm makes custom-designed sensors and controls for automotive and general industrial end markets. Driven by an increased focus on safety and the environment, along with the need for greater efficiencies, the use of sensors in automobiles, trucks, heavy vehicles and consumer appliances is growing rapidly. Automobile applications, for example, include position sensing for vehicle safety, engine temperature sensing for preventative measures and speed sensing for fuel consumption efficiency, which are all large and underpenetrated markets. Emerging markets are also a source of growth potential for the firm as sensor use per vehicle in such countries is historically lower than in the developed world.

Technology themes broadly tied to factory automation have also revealed some interesting investment opportunities. To address the need for greater productivity in the developed world and rising manufacturing standards in emerging markets as the cost of labour rises, select companies focused on automation possess strong long-term prospects, in our view. Within such markets, a software-centric firm we like makes machine vision systems, which provide quality control and optimize production processes on an automated production line. Machine vision is still relatively underpenetrated in its use, and new end markets with particularly strong growth rates are in logistics, driven by e-retailers seeking greater efficiency in distribution centers, and in consumer electronics, as manufacturers producing at large volumes try to gain a competitive advantage through quality and speed of production.

We will continue to attempt to identify companies that we think are best positioned, through innovation and/or differentiated intellectual property, potentially enabling them to generate superior growth and profitability over the long term. Within the IT space, a wide variety of companies continue to look compelling to us based on key themes. They include suppliers of cloud computing services that provide scalability, flexibility and cost savings, as well as suppliers of cyber security infrastructure and services that could benefit from greater technology spending in this area. Other potential opportunities are linked to wireless data growth, SSDs (solid-state hard drives) in servers and notebook computers, the proliferation of e-commerce, the "Internet of things," LED lighting, the adoption of SaaS (software-as-a-service) products, and 3D printing. A recent hot topic in the sector is transaction security, and we are also looking at firms that can benefit from the shift away from old magnetic strip credit cards to NFC (near field communications) and chip-and-pin based cards as well as the upgrade to payment terminals that use these technologies.

Finally, for the remainder of 2015 we expect to see ongoing opportunities for mergers and acquisitions—much as we did throughout the first 10 months of the year so far—that could serve to consolidate and strengthen IT and other sectors. We have also observed an increase in technology companies returning cash to shareholders through dividends and share repurchase programs. These conditions contribute to our positive multi-year outlook for the IT sector. In the meantime, the Fund is positioned with a long-term objective of capital appreciation by investing in companies we expect to benefit from the development, advancement and use of technology, regardless of market predictability. We also see the market and economic environment today as quite different from how it was in the late 1990s, when everyone seemed to be chasing anything "dot com" on pure speculation. We believe the long-term outlook is positive for the IT sector, and we think valuations heading into November were still fairly reasonable despite the October rally.

Performance

Bid-to-bid, net dividends reinvested, SGD, from Inception to

As of 31 October 2015

Source: AIA Singapore

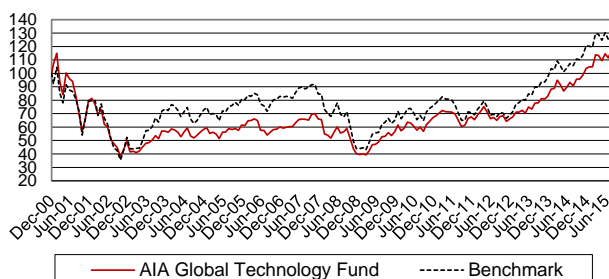
Period	1 Month	3 Months	6 Months	1 Year	3 Year^	5 Year^	10 Year^	Since Inception^
Fund (bid-to-bid)	7.45%	2.24%	9.72%	21.79%	23.11%	13.25%	7.62%	1.23%
Benchmark	6.50%	2.40%	6.21%	16.63%	25.74%	12.35%	5.69%	1.90%

AIA Global Technology Fund

Note: Performance of the fund is in SGD without taking into consideration the fees and charges payable through deduction of premium or cancellation of units and with net dividends reinvested.

^ Annualised returns

Current benchmark: Merrill Lynch 100 Technology Index



Top 10 Holdings (Equity Holding)*

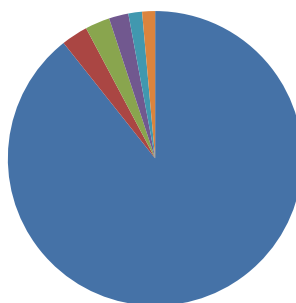
As of 31 October 2015

	Holdings
AMAZON.COM INC	4.27%
ALPHABET INC	3.16%
ELECTRONIC ARTS INC	2.60%
FACEBOOK INC	2.47%
EQUINIX INC	2.44%
SALESFORCE.COM INC	2.31%
MASTERCARD INC	2.25%
TEXAS INSTRUMENTS INC	2.08%
APPLE INC	2.07%
FIDELITY NATIONAL INFORMATION SERVICES INC	2.06%
TOTAL	25.70%

Country Allocation*

As of 31 October 2015

Countries	Holdings
United States	89.32%
China	2.91%
Netherlands	2.71%
Singapore	2.14%
Sweden	1.50%
United Kingdom	1.42%
Total	100.00%



■ United States 89.32% ■ China 2.91% ■ Netherlands 2.71%
■ Singapore 2.14% ■ Sweden 1.50% ■ United Kingdom 1.42%

*Information from the Luxembourg-registered Franklin Templeton Investment Funds – Franklin Technology Fund
Source : Franklin Advisers Inc.

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E. & O. E.

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