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BETTER LIVES

# AIA European Equity Fund

May 2019

## Investment Objective

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

**Launch Date:** 11 December 2000

**Launch Price:** S\$ 1.000

**Manager of ILP Fund:** Capital International, Inc.

**Name of Underlying Fund:** Capital Group European Growth and Income Fund (Lux)

**Manager of Underlying Fund:** Capital International Management Company Sàrl

**Sales Charge:** Up to 5%

**Pricing Frequency:** Daily

**Subscription:** Cash and SRS

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

**Bid:** S\$ 0.923 As of 31 March 2019

**Offer:** S\$ 0.972 As of 31 March 2019

**Fund Size:** S\$ 9,824,536 As of 31 March 2019

## Manager's Commentary

For 1st Quarter 2019

Source: Capital International Management Company Sàrl

### Economic and market backdrop

European stocks rose in concert with a global market rally despite ongoing signs of slowing economic growth in the 19-member eurozone. Stocks moved higher even as the UK failed to approve a plan to leave the European Union. The ECB boosted markets by announcing that it would restart the bank's stimulus programme in response to weakening economic data.

### Areas that helped the portfolio

Financials: Stock selection drove relative results. UK-based insurer Prudential climbed 12% as it issued solid financial-year results during the quarter, reporting healthy activity in Asia. Not holding UK-based large-cap bank HSBC was also beneficial as it lagged the broader market.

Industrials: Air travel companies dominated the top relative contributors, with Air France-KLM and Airbus both posting returns of more than 40% over the period. Airbus reported a strong set of full-year results for 2018, and also guided towards a 10% increase in aircraft deliveries for 2019.

### Areas that hurt the portfolio

Communication services: An overweight exposure hurt on a relative basis as the sector lagged the market. Positions in telecommunications company 1&1 Drillisch and free-to-air broadcaster ProSiebenSat.1 Media detracted after their share prices fell 29% and 18%, respectively.

Energy: Stock selection in the energy sector weighed on relative results. Despite posting a share price return of 8%, an overweight position in French oil major Total detracted as it failed to keep pace with the strong sector rally. Not holding Finland-based renewable fuel provider Neste Oil also detracted as its share price rose 41%.

### Outlook and strategy

The recent challenges facing Europe are not likely to be resolved in the near term: pressure on European stocks could continue amid slowing economic growth and uncertainty over Brexit; the US-China trade dispute still weighs heavily on Europe's trade-dependent economy; and upcoming elections amid increasing populist sentiment add pressure to the region. All eyes are on Germany as export orders and manufacturing PMIs have been falling since 2018. Activity could improve in 2019 but February manufacturing data was disappointing, suggesting a recovery could be some way off.

Nevertheless, there are reasons to be positive. Despite the downward revision to 2019 eurozone growth and inflation, the European Commission forecasts the slowdown is likely to be temporary and that growth should pick up in the second half of 2019 and into 2020. Relative valuations of European equities look cheaper than their US counterparts, while eurozone fiscal easing, lower oil prices (compared with 2018, although they have recovered somewhat in Q1 2019) and robust private sector balance sheets could lead to a stronger-than-expected 2019.

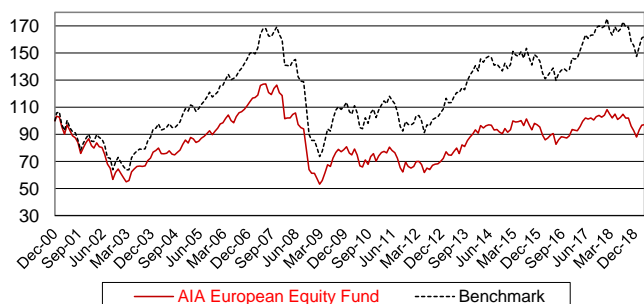
## Performance

As of 31 March 2019

Source: AIA Singapore

Period	1 Month	3 Months	6 Months	1 Year	3 Year <sup>^</sup>	5 Year <sup>^</sup>	10 Year <sup>^</sup>	Since Inception <sup>^</sup>
Fund (bid-to-bid)	0.44%	10.54%	-4.85%	-4.85%	3.65%	0.53%	5.70%	-0.16%
Benchmark	0.86%	10.15%	-4.10%	-0.55%	6.77%	2.54%	7.68%	2.68%

AIA European Equity Fund



Note: 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.  
<sup>^</sup> Annualised returns

Current benchmark: MSCI Europe Daily Total Return Net

## Top Holdings\*

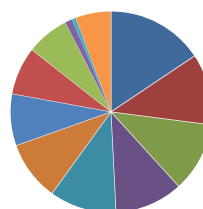
As of 31 March 2019

	Holdings (%)
British American Tobacco	4.4
Novartis	4.3
Prudential	4.0
Barclays	3.8
Total	3.7
Daily Mail & General Trust plc Class A	3.5
Royal Dutch Shell	2.9
Orsted	2.6
Aena SME SA	2.5
Pernod Ricard	2.5
<b>Total</b>	<b>34.2</b>

## Sector Allocation\*

As of 31 March 2019

	Holdings (%)
Financials	15.6
Materials	11.4
Consumer Staples	11.2
Utilities	10.9
Industrials	10.8
Consumer Discretionary	9.6
Communication Services	8.3
Energy	7.7
Health Care	6.9
Real Estate	1.2
Information Technology	0.6
Cash	5.7
<b>Total</b>	<b>100.0</b>

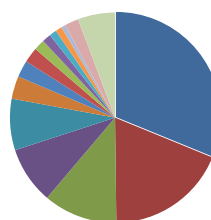


Financials 15.6	Materials 11.4
Consumer Staples 11.2	Utilities 10.9
Industrials 10.8	Consumer Discretionary 9.6
Communication Services 8.3	Energy 7.7
Health Care 6.9	Real Estate 1.2
Information Technology 0.6	Cash 5.7

## Country Allocation\*

As of 31 March 2019

Countries	Holdings (%)
United Kingdom	31.2
France	18.6
Germany	11.4
Switzerland	8.8
Spain	7.9
Portugal	3.5
Denmark	2.6
Ireland	2.4
Finland	1.7
Netherlands	1.4
Italy	1.1
Norway	1.0
Sweden	0.6
Other	2.1
Cash	5.7
<b>Total</b>	<b>100.0</b>



United Kingdom 31.2	France 18.6	Germany 11.4	Switzerland 8.8
Spain 7.9	Portugal 3.5	Denmark 2.6	Ireland 2.4
Finland 1.7	Netherlands 1.4	Italy 1.1	Norway 1.0
Sweden 0.6	Other 2.1	Cash 5.7	

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

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