AIA Global Technology Fund

July 2021

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

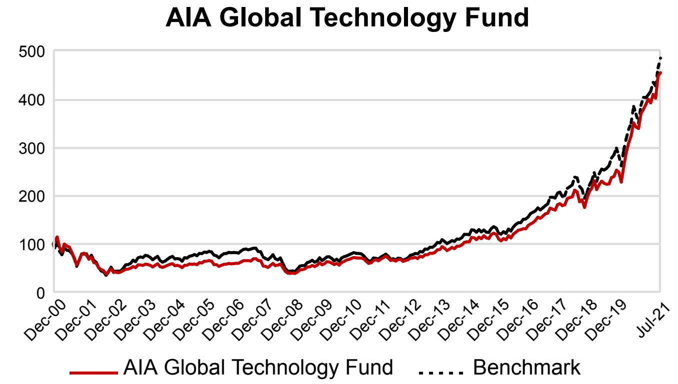
(As of 31 July 2021)

Launch Date	11 December 2000	**Subscription**	Cash, CPF(OA) and SRS
Launch Price	SGD 1.000	**Sales Charge (For Cash and SRS)**	Up to 5%*
Manager of ILP Sub-Fund	Templeton Asset Management Limited	**Sales Charge (for CPF OA or SA)**	0% (wef 1 Oct 2020)
Name of Underlying Fund(s)	Franklin Templeton Investment Funds - Franklin Technology Fund	**Pricing Frequency**	Daily
Manager(s) of Underlying Fund(s)	Franklin Advisers Inc.	**Management Fees**	1.50% p.a. of Net Asset Value
Risk Classification	Higher Risk	**Bid**	SGD 4.324
		Offer	SGD 4.552
		Fund Size	SGD 654.4M

Performance

(As of 31 July 2021)

Period	1 Month	3 Months	6 Months	1 Year	3 Year^	5 Year^	10 Year^	Since Inception^
Fund (bid-to-bid)	1.41%	10.96%	16.77%	40.25%	31.98%	30.35%	21.53%	7.62%
Benchmark	4.34%	11.53%	20.28%	38.23%	29.66%	29.02%	21.35%	7.96%



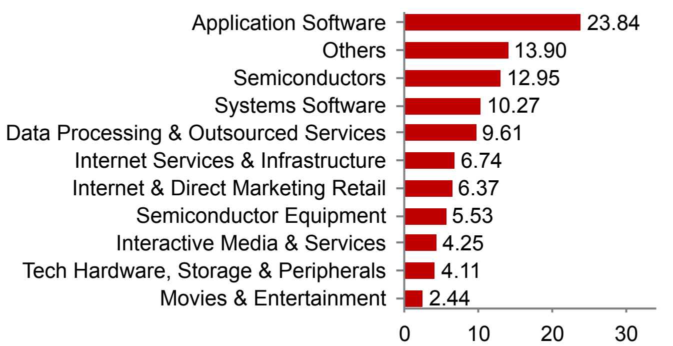
Source: AIA Singapore

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.

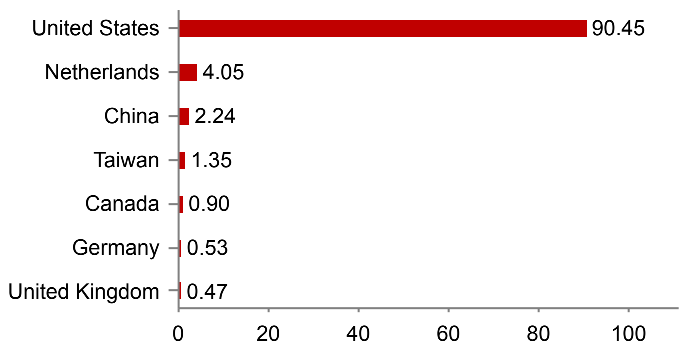
Sector Allocation (%)

(As of 31 July 2021)



Country Allocation (%)

(As of 31 July 2021)



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 July 2021)

	Holdings (%)
MICROSOFT CORP	4.69
AMAZON.COM INC	4.32
APPLE INC	4.11
NVIDIA CORP	2.96
PAYPAL HOLDINGS INC	2.76
VISA INC	2.74
SERVICENOW INC	2.59
ALPHABET INC	2.55
MASTERCARD INC	2.37
WORKDAY INC	2.07
TOTAL	31.16

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

Manager's Commentary

(As of 31 July 2021)

MARKET OVERVIEW

•Global equity markets overall edged up slightly during July 2021 on mixed underlying results. Though there were bright spots in certain regions, stock markets were largely dampened by concerns that the swiftly spreading Delta variant of the coronavirus would dent the economic recovery. Information technology (IT) stock returns were generally ahead of the broader market index averages, and they finished July in fourth place amongst the 11 major equity sectors. Within the benchmark MSCI World IT Index, 12 out of 13 industries traded higher, contrasting with a slightly negative result for semiconductor stocks following a robust rally in 2021's second quarter. Most notably, a selloff in Chinese technology stocks accelerated in July, as investors unnerved by China's widening crackdown on Internet companies and other industries sold down their holdings of many popular stocks.

PORTFOLIO PERFORMANCE

The fund underperformed its MSCI World/Information Technology benchmark in July. The Off-Benchmark Exposure Interactive Media and Services and Internet and Direct Marketing Retail. Most of the Stock selection is Application Software. The Significant Underweight to Technology Hardware, storage and Peripherals and underweight to Semiconductors.

Contributors

•Semiconductors (Stock Selection, Underweight)

•Application Software (Stock Selection)

Detractors

•Internet and Direct Marketing Retail (Off-Benchmark Exposure).

•Interactive Media and Services (Off-Benchmark Exposure).

•Technology Hardware, Storage and Peripherals (Significant Underweight)

OUTLOOK

•Our recent interactions with investors and clients convince us that the market is attempting to gauge the durability of IT and communication services sector growth in this increasingly post-crisis world. Discussions with sector participants and technology buyers give us confidence that our investment thesis is on track. Specifically, we believe that COVID-19 accelerated the Digital Transformation (DT) opportunity, which we believe is just getting started, and that growth will be robust for many years as businesses and their customers seek to build upon the new digital skills they acquired during the crisis. The extended pandemic taught businesses, employees, customers, patients and students that they could be more productive and have more balanced lives using the new digital skills they built during the crisis. Given this dynamic, we do not anticipate that the world will return to the pre-pandemic norms. Instead, we expect businesses to operationalise and scale what worked during the crisis, abandon what did not, and continue to iterate.

•We expect consumers to continue to embrace new commerce tools and to increasingly prefer digitally augmented experiences. Simply put, we believe that the pandemic crisis was still the beginning of our society's digital transformation—not the beginning, middle and end of it. If this proves true, we believe the fundamental growth we saw during the crisis for a subset of companies and themes will broaden and extend as the world re-opens further. Our discussions with many of the companies we follow suggest to us that this is exactly what is happening. Heading into August, our analysis indicated IT sector valuation was elevated in absolute terms across all sub-industries, but we believe the levels were reasonable in relative terms. Given this dynamic, we have been much more careful about adding to names trading at or above our analysts' base case scenarios. We continue to see improving quality in the sector—e.g., a growing number of companies with data moats, platform business models, growing recurring revenue sources, strong balance sheets and strong overall margins based on EBITDA (earnings before interest, taxes, depreciation and amortisation).

•Despite the recent volatility tied to re-opening (as pandemic restrictions continue to lift), rising interest rates and increased inflation expectations, we believe the sector offers solid exposure to strong secular opportunities relating to DT and its supporting sub-themes including: artificial intelligence, machine learning and data analytics, new commerce, software as a service, secure cloud computing, digital customer engagement, fintech and digital payments, the internet-of-things and next-generation electrification, 5G wireless network communications, cyber security, and the future of work. Risks we are monitoring still include COVID-19. With vaccines now being aggressively deployed, we believe enterprises are starting to feel more confident about their prospects and will subsequently invest more in all things tech. This certainly includes DT, where the fund is well-positioned, but also more cyclical areas of IT, where the fund is less well-positioned. Given this dynamic, but also a desire to stay focused on our DT investment strategy, we have been looking for strong DT winners with solid cyclical leverage into which we can deploy incremental funds.

•The US-China trade situation is another key area of risk. With US President Joe Biden in the early stages of his administration we have yet to hear a detailed China trade strategy. That said, signs are pointing to the administration holding the line on what the Trump administration secured, while also offering some olive branches for engagement.

•The regulatory environment is also being monitored for forward risks. We are paying close attention to the US and EU investigations into the business practices of key digital leaders, including Alphabet (Google), Amazon, Facebook and Apple (all of which are owned by the fund). In the US, the appointment of Lina Khan to head the Federal Trade Commission is particularly concerning to us given her aggressive views on Big Tech, and her stated desire to do away with the current "consumer harm" test in US anti-trust jurisprudence. We have also been surprised by the aggressiveness with which China has sought to exert more control over its Big Tech names. Alibaba, a big position for the fund, has been most impacted as first the ANT Financial IPO was cancelled over business model concerns and then China indicated it would be investigating various Alibaba business practices. We are anticipating further actions against Tencent (held by the fund) and were surprised to see China take such an aggressive stance with Didi (new to the fund) following its successful IPO.

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.