AIA Japan Balanced Fund

November 2022

Investment Objective

This fund seeks to achieve long-term capital appreciation through investment primarily in equities and equity-related securities of Japanese companies, as well as stable income with capital preservation through investments in primarily fixed income securities of high credit quality issuers, denominated primarily in SGD, in such proportion as the manager deems fit.

Key Fund Facts

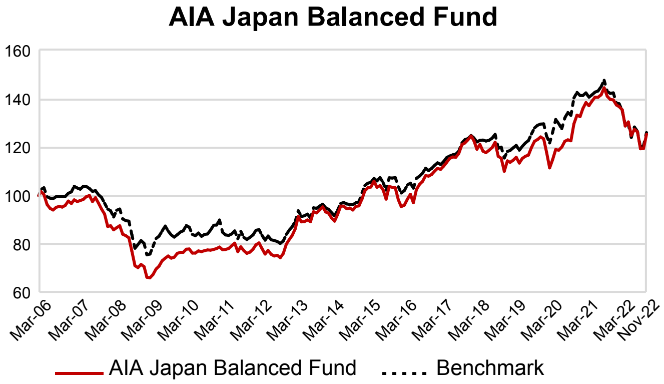
(As of 30 November 2022)

Launch Date	9 March 2006	**Subscription**	Cash, CPF(OA & SA) and SRS
Launch Price	SGD 1.000	**Sales Charge (For Cash and SRS)**	Up to 5%*
Manager of ILP Sub-Fund	AIA Investment Management Private Limited	**Sales Charge (for CPF OA or SA)**	0% (wef 1 Oct 2020)
Name of Underlying Fund(s)	**Equities:** Nikko AM Shenton Japan Fund **Fixed Income:** AIA Investment Funds – AIA Singapore Bond Fund	**Pricing Frequency**	Daily
		Management Fees	1.50% p.a. of Net Asset Value
		Bid	SGD 1.191
		Offer	SGD 1.254
Manager(s) of Underlying Fund(s)	Nikko Asset Management Asia Limited and AIA Investment Management Private Limited	**Fund Size**	SGD 15.0M
Risk Classification	Medium to High Risk		

Performance

(As of 30 November 2022)

Period	1 Month	3 Months	6 Months	1 Year	3 Year^	5 Year^	10 Year^	Since Inception^
Fund (bid-to-bid)	4.93%	-0.83%	-3.95%	-10.32%	0.59%	0.58%	5.12%	1.36%
Benchmark	4.47%	-0.37%	-2.63%	-11.39%	-0.76%	0.47%	4.49%	1.40%



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: AIA Investment Management Private Limited (w.e.f 1 November 2017), Current Underlying Manager (Equities): Nikko Asset Management Asia Limited (w.e.f 27 June 2011), Current Underlying Manager (Fixed Income): AIA Investment Management Private Limited (w.e.f. 13 July 2021), (4) Current benchmark: 60% TOPIX Index & 40% Markit iBoxx SGD Overall Index TR (w.e.f.13 July 2021), * W.e.f 1 May 2017 net total return index methodology is used, prior to 1 May 2017, price index methodology was used. (5) Previous benchmark: 60% TOPIX* Index & 40% JP Morgan Sing Govt Bond Index All*

The combined benchmark is reflective of the fund's investment focus

Past Performance is not necessarily indicative of future performance.

Sector Allocation - Equities

(As of 30 November 2022)

Top 5 Sectors	Holdings (%)
Consumer Discretionary	24.30
Industrials	24.00
Communication Services	11.30
Information Technology	10.10
Financials	8.90
TOTAL	78.60

Source: Nikko Asset Management Asia Limited, Information from the underlying Nikko AM Shenton Japan Fund

Top Holdings

(As of 30 November 2022)

Top 5 (Equities)	Holdings (%)
SONY GROUP CORPORATION	4.80
NINTENDO CO., LTD.	3.60
HITACHI,LTD.	3.50
MITSUI & CO.,LTD	3.40
TOYOTA MOTOR CORP.	3.40
TOTAL	18.70

Top 5 (Fixed Income)	Holdings (%)
Singapore (Government Of) 2.875% 01/07/2029	4.43
Singapore (Govt of) 3.375% 01/09/2033	4.36
Singapore (Government Of) 2.125% 01/06/2026	4.32
Singapore Government Bond 2.25% 01/08/2036	4.17
Singapore Government 2.875% 01/09/2030	3.98
TOTAL	21.26

Source for Equities: Nikko Asset Management Asia Limited, Information from the underlying Nikko AM Shenton Japan Fund
Source for Fixed Income: AIA Investment Management Private Limited, Information from the underlying AIA Investment Funds – AIA Singapore Bond Fund

Manager's Commentary - Equities

(As of 30 November 2022)

The Japanese equity market rallied overall in November, tracking a rise in US equities on the back of better-than-expected inflation prints, which prompted expectations that the US Federal Reserve would slow the pace of its rate hikes. This was further supported by remarks made at the US Federal Open Market Committee meeting which suggested a deceleration of rate hikes. Of the 33 Tokyo Stock Exchange sectors, 24 sectors rose, with Marine Transportation, Wholesale Trade, and Banks posting the strongest gains. Meanwhile, 9 sectors declined, including Precision Instruments, Rubber Products, and Oil & Coal Products.

The Fund outperformed the benchmark's monthly return of 6.18% in SGD terms. Both sector allocation and stock selection contributed to performance. In terms of sectors, the overweight in Other Products and Transportation Equipment and the underweight in Chemicals detracted from performance, but this was offset by the positive contribution from the underweight in Precision Instruments and Services, as well as the overweight in Wholesale Trade.

In terms of stocks, positive contributors included sportswear manufacturer Asics, major trading house Mitsui & Co., electronics and game/ entertainment conglomerate Sony Group, and industrial machinery maker Kawasaki Heavy Industries whose share prices rose. Meanwhile, detractors included marine civil engineering firm Penta-Ocean Construction, game and console maker Nintendo, apparel retailer United Arrows, and department store operator J.Front Retailing as their share prices declined.

We maintain our view that undervalued Japanese stocks have significant upside potential. For now, we prefer a cautious stance as inflation seems likely to persist. It appears that an economic downturn has been largely priced in, so we will look out for signs of the timing for a rebound going forward. We are increasingly confident that the Japanese equity market will break free of the boxed range it has been moving in, and generate significant alpha for our strategy.

Manager's Commentary - Fixed Income

(As of 30 November 2022)

Activity data released in November confirmed a broad-based economic slowdown across regions. The global PMI survey showed further contraction, with weaknesses in both manufacturing output and new orders. Global exports also retreated in the month, especially in Asia. Monetary policy is increasingly restrictive in most countries (with the noticeable exceptions of China and Japan) with central bankers generally rejecting the need to pause and reiterating their unconditional commitment to fighting inflation.

The US labour market remained strong, with low levels of unemployment and robust job creations. As headline inflation remains way above target, the Fed retains its restrictive bias and is expected to hike rates further in the next few policy meetings. However, market expectations seem to have changed amid weaker than expected CPI print for October and the rapid decline in property prices. Furthermore, activity surveys (PMI, regional Fed surveys and ISM) are pointing towards a quick deterioration, except for services. Regional Feds assessment for their respective districts were also consistent with an economy gradually entering into recession.

In China, general sentiment improved in November on the back of mounting signs that the strict zero-Covid prophylactic measures are going to be eased, providing some relief to households and the business sector. Meanwhile, economic data remained underwhelming, especially retail sales and industrial production, while property prices dropped further and exports shrank due to soft foreign demand. Authorities stepped up their effort to stabilize the property market by easing the funding conditions of property developers and cutting (-25bp) the reserve requirement ratio of major banks.

US Treasury yields fell in November as inflation surprised to the downside and investors seemed to anticipate a quicker disinflation in 2023, reducing long term inflation premia. 5yr/10yr/30yr UST yields were down 49bp/44bp/43bp respectively. A 50bp rate hike is expected in December, while peak rate is expected around 5.00% in May 2023, despite strong labour market data. Like in the US, 30yr underperformed slightly in the UK, Germany and Australia amid strong gains in the belly. Overall, long end US bonds outperformed European and Australian bonds. The Fund returned 1.76% in November, underperforming the benchmark by 15bps. Lower SGS yields across the month caused the government segment to detract performance due to the Fund's shorter duration positioning vis-a-vis the benchmark. That said, corporates segment partially offset the drag due to curve change and selection effects.

Source: Nikko Asset Management Asia Limited for equities and AIA Investment Management Private Limited *for fixed income*

*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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