AIA Japan Balanced Fund

July 2021

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 31 July 2021)

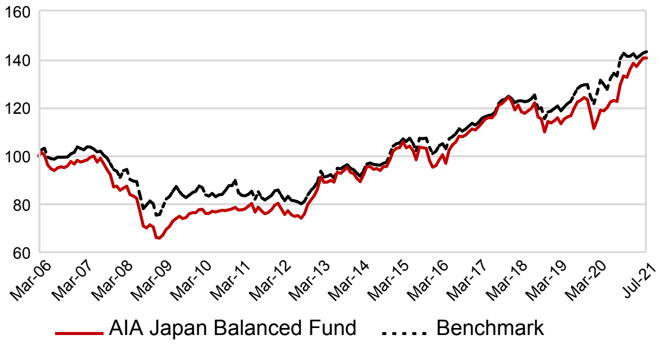
Launch Date	9 March 2006	**Subscription**	Cash, CPF(OA & SA) and SRS
Launch Price	SGD 1.000	**Sales Charge (For Cash and SRS)**	Up to 5%*
Manager of ILP Sub-Fund	AIA Investment Management Private Limited	**Sales Charge (for CPF OA or SA)**	0% (wef 1 Oct 2020)
Name of Underlying Fund(s)	**Equities:** 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 1.337
		Offer	SGD 1.408
Manager(s) of Underlying Fund(s)	Nikko Asset Management Asia Limited and AIA Investment Management Private Limited	**Fund Size**	SGD 17.1M
Risk Classification	Medium to High Risk		

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)	0.00%	2.61%	6.03%	17.18%	5.80%	6.52%	5.76%	2.24%
Benchmark	0.35%	1.91%	1.37%	12.26%	5.26%	5.98%	5.30%	2.37%

AIA Japan Balanced 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 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 31 July 2021)

Top 5 Sectors	Holdings (%)
Consumer Discretionary	23.60
Industrials	22.20
Financials	11.00
Information Technology	10.90
Communication Services	9.70
TOTAL	77.40

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

Top Holdings

(As of 31 July 2021)

Top 5 (Equities)	Holdings (%)
SONY GROUP CORPORATION	4.80
TOYOTA MOTOR CORP.	3.90
NINTENDO CO., LTD.	3.50
HITACHI,LTD.	3.50
MITSUBISHI UFJ FINANCIAL GROUP, INC.	2.40
TOTAL	18.10

Top 5 (Fixed Income)	Holdings (%)
Singapore(Govt) 3% 01/09/2024	5.02
Singapore Government 2.875% 01/09/2030	4.85
Singapore (Govt of) 3.375% 01/09/2033	4.49
Singapore (Govt) 3.5% 01/03/2027	4.20
Singapore (Government Of) 2.875% 01/07/2029	4.19
TOTAL	22.75

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 31 July 2021)

The Japanese equity market fell in July, weighed down by the announcement of a fourth state of emergency for the Tokyo area, which spurred worries that a domestic recovery would be delayed. Following this, investors took an increasingly risk-off approach. Of the 33 Tokyo Stock Exchange sectors, 11 sectors rose, with Marine Transportation, Insurance, and Fishery, Agriculture & Forestry posting the strongest gains. In contrast, 22 sectors declined, including Other Products, Pharmaceuticals, and Mining.

The Fund underperformed the benchmark's return of -0.35% in July. Sector allocation added to performance while stock selection detracted. In terms of sectors, the overweight in Transportation Equipment and Marine Transportation as well as the underweight in Information & Communications added to performance, offsetting the negative contribution from our overweight in Other Products and Mining as well as underweight in Precision Instruments.

At the stock level, the biggest positive contributors included outdoor equipment maker Snow Peak and electronics giant Sony Group. Our lack of exposure to telecom and investment company SoftBank Group also contributed positively on a relative basis given its weak performance during the month. In contrast, negative contributors included video game maker Nintendo and sporting goods maker Asics. Our nil holding of factory automation equipment maker Keyence also contributed negatively on a relative basis as its share price rose.

In Japan, vaccination efforts have accelerated and the Tokyo Olympics was held without incident. Although Japanese stocks have lagged US equities, we expect to see them gradually start to catch up. The current market environment should continue to provide a tailwind to actively managed Value strategies such as ours and we are confident that there is still potential to generate significant alpha. Looking ahead, we will take advantage of any short-term corrections in the market to actively invest into promising names.

Manager's Commentary - Fixed Income

(As of 31 July 2021)

General sentiment deteriorated in July as the Delta variant of coronavirus led to a surge in cases in most parts of the world, even in countries where more than 60% of the population is fully vaccinated. Global manufacturing PMIs edged down slightly in July while services were more adversely impacted by the resurgence in Covid cases. Overall activity was also dampened by lingering global supply chain disruptions, which are particularly visible in container shipping freight. Despite heightened cost-push inflation, consumer prices in most parts of the world are still well anchored and lower than their pre-Covid averages.

Economic reopening in the US led to strong economic momentum in July, although mounting concerns about the Delta coronavirus and persistently high inflation started to weigh on sentiment. Q2 GDP growth surprised to the downside but remained above potential. The labor market continued to improve in July with the rate of unemployment falling to 5.4%. At its July policy meeting, the Fed acknowledged progress in reducing unemployment and hinted at tapering its asset purchase program before year end. Meanwhile, discussions around a USD3.5 trillion public investment package continued.

Activity indicators in China continued to slow down in July. Personal consumption disappointed while private investment was soft amid regulatory crackdown and relatively restrictive credit conditions, as well as supply-chain bottlenecks. Preventing property market imbalances and, more generally, excessive financial leverage, still seems to be the priority of Chinese authorities. Against this backdrop, consumer inflation remained particularly low, compared to high production costs.

Strong momentum in services continued to bolster European economies, despite rapid increases in Covid cases in the region. Q2 GDP came out stronger than expected in the Eurozone while leading indicators (PMI) for July were consistent with above potential GDP growth. However, the European Central bank ("ECB") retained its ultra-accommodative stance in July to anchor inflation expectations, as actual consumer inflation remained below central bank target.

US and European equity markets were boosted by supportive corporate earnings while Asian equity markets underperformed amid China technology sector regulatory concerns and spread of the Covid Delta variant. With the ECB's dovish strategy review and global growth concerns, global rates markets rallied in July. While the spread of Covid Delta variant remains a concern, a relatively shorter duration position is still preferred in view of faster global inoculation rate, global economic recovery, and higher inflation expectations.

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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