

# INVESTMENT APPROACH



HEALTHIER, LONGER,  
BETTER LIVES

## Investment Objectives

The Company's primary investment principle is to achieve optimal levels of risk-adjusted return for policyholders and shareholders over the long-term while:

- i) preserving capital;
- ii) maintaining adequate solvency and liquidity levels;
- iii) remaining in line with our risk management and asset-liability management objectives; and
- iv) ensuring full compliance with applicable regulations and internal policies.

The Company aims to produce stable and sustainable income and returns, mainly through investments in long duration fixed income instruments. The Company also invests a portion of its portfolio in other asset classes, such as public equities, private equities and real estate as part of our strategic asset allocation process to generate higher returns.

Below is a breakdown of our portfolio by asset type as at 31 December 2021 and the composition of our investment returns (includes investment income, realized and unrealized gains and losses).

	Life Funds (S\$'m)*	Overseas Branch Insurance Operations (S\$'m)	General Fund (S\$'m)	Shareholders' Fund (S\$'m)	Total (S\$'m)
<b>Investment Portfolio</b>					
<b>TYPE OF ASSET</b>					
<b>Equity securities</b>	20,167	243	-	8	20,418
- Listed equity securities other than CIS	4,139	41	-	-	4,180
- Unlisted CIS	15,062	197	-	-	15,259
- Listed CIS	826	5	-	-	831
- Unlisted equity securities other than CIS	140	-	-	8	148
<b>Debt securities</b>	34,654	471	21	8	35,154
- Government debt securities	11,082	158	12	8	11,260
- Qualifying debt securities	20,866	284	4	-	21,154
- Other debt securities	2,706	29	5	-	2,740
<b>Others</b>	1,429	18	-	1	1,448
	<b>56,250</b>	<b>732</b>	<b>21</b>	<b>17</b>	<b>57,020</b>
<b>Investment Returns<sup>†</sup></b>					
<b>SOURCE OF RETURNS</b>					
Equity securities	1,623	(6)	-	(3)	1,614
Debt securities	(417)	(11)	-	-	(428)
Others	(4)	1	-	(2)	(5)
	<b>1,202</b>	<b>(16)</b>	<b>-</b>	<b>(5)</b>	<b>1,181</b>

\* Life Funds include Investment Linked Funds

† Includes investment income, realized and unrealized changes due to market movements and FX

### **Policies and Processes**

The Board bears the ultimate responsibility for the formulation, approval and establishment of the asset-liability management and corporate investment policy of the Company. The Company's Investment Committee (IC) is a management committee which the Board has delegated the authority to manage, maintain and monitor the investment assets of the insurance funds of the Company. The IC is also responsible for ensuring that the investment policy and the fund mandates of the Company are implemented in an appropriate manner.

The asset-liability management and corporate investment policy is formulated based on the needs of its insurance business and reflects relevant regulatory requirements. The formulation and implementation of the asset-liability management and corporate investment policy is an ongoing process, which includes a formal annual review by the Board on the asset-liability management strategies endorsed by the Asset-Liability Management Committee (ALCO), overall risk tolerance, long-term risk-return requirements and solvency position, following review and recommendation by the IC.

Strategic Asset Allocation (SAA) targets and Tactical Asset Allocation (TAA) ranges are proposed by the ALCO and approved by the Board. The SAA targets are set to reflect the long term investment objectives of the Company, while the TAA defines a range around the SAA targets within which investment managers can operate to reduce risk and / or benefit from market opportunities in the near term.

The Company only takes risks that it and the AIA Group understand and can manage effectively. Investment in any securities, financial instruments and other investment titles must follow the relevant policies, principles, processes and procedures for the respective asset class established by AIA Group Investment department and AIA Group Risk department. The Company will only invest in securities and geographic markets where it and the Group has the expertise, resources, systems and infrastructure to ensure that it is able to evaluate the risk, price and monitor each investment. Where it or the AIA Group does not have expertise or resources, the Company will outsource the management to a third party manager and the Company and AIA Group will ensure that it has the expertise and resources to evaluate and select the appropriate manager and carry out regular performance monitoring.

### **Investment Valuation, Sensitivity and Accounting**

Financial assets are carried at fair value. The fair value of listed financial instruments is based on the quoted market prices at the balance sheet date. The quoted market price used is the closing bid price.

The fair value of unlisted bonds is obtained from brokers' quotes and private pricing services while unlisted equities are based on the net asset values of the underlying investments.

As at 31 December 2021, a 10% rise/fall in equity prices would result in 2.37% increase/decrease in the value of the Company's total assets (excluding investment linked contracts). A 50 basis point fall/rise in interest rates would result in 3.69% increase/decrease in the value of the Company's total assets (excluding investment linked contracts).

All investments are carried at fair value for both solvency (as mandated by the Insurance (Valuation and Capital) Regulations 2004 and financial reporting purposes), except for the investment in subsidiaries. Investment in subsidiaries is carried at fair value for solvency reporting (RBC) but carried at cost for both local financial reporting (SFRS) and group financial reporting (IFRS).