AIA Global Technology Fund

November 2023

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 30 November 2023)

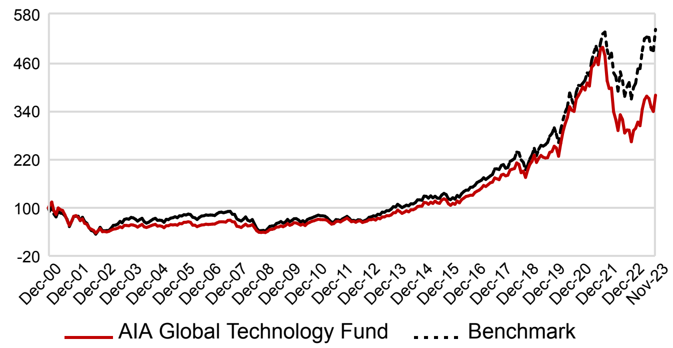
Launch Date	11 December 2000	**Subscription**	Cash, CPF(OA) and SRS
Launch Price	SGD 1.000	**Pricing Frequency**	Daily
Manager of ILP Sub-Fund	Templeton Asset Management Limited	**Management Fees**	1.50% p.a. of Net Asset Value
Name of Underlying Fund(s)	Franklin Templeton Investment Funds - Franklin Technology Fund	**Bid Price**	SGD 3.609
		Offer Price	SGD 3.799
Manager(s) of Underlying Fund(s)	Franklin Advisers Inc.	**Fund Size**	SGD 621.2M
Risk Classification	Higher Risk		

Performance

(As of 30 November 2023)

Period	1 Month	3 Months	6 Months	1 Year	3 Year^	5 Year^	10 Year^	Since Inception^
Fund (bid-to-bid)	11.91%	2.27%	10.06%	29.59%	0.88%	14.67%	16.44%	5.98%
Benchmark	10.75%	3.86%	10.81%	32.02%	11.92%	20.54%	18.77%	7.65%

AIA Global Technology Fund



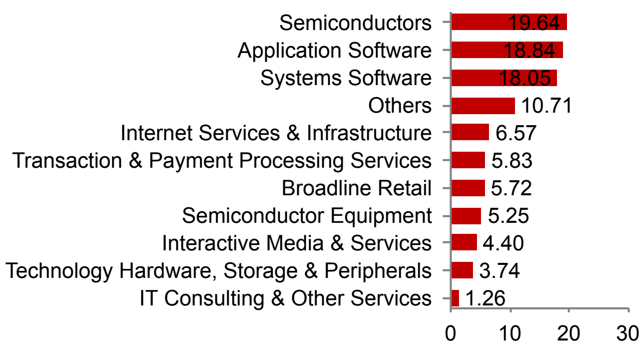
Source: AIA Singapore

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 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.

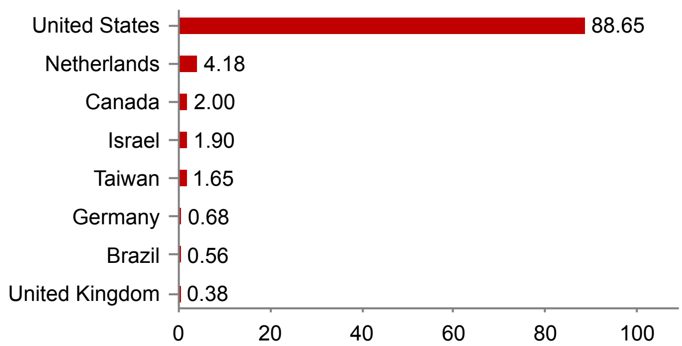
Sector Allocation (%)

(As of 30 November 2023)



Country Allocation (%)

(As of 30 November 2023)



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 30 November 2023)

	Holdings (%)
NVIDIA CORP	7.99
MICROSOFT CORP	7.69
AMAZON.COM INC	5.72
APPLE INC	3.74
SERVICENOW INC	3.31
MASTERCARD INC	3.23
SYNOPSYS INC	3.07
ASML HOLDING NV	2.64
ADOBE INC	2.60
INTUIT INC	2.35
TOTAL	42.34

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

Manager's Commentary

(As of 30 November 2023)

MARKET OVERVIEW

Global equities rallied strongly in November after three consecutive monthly declines as cooling inflation and signs of economic moderation or slowdown in several developed market regions raised investor optimism about the potential end to major central banks' policy tightening cycles. Resilient economic data and softening but still fairly solid employment data in several regions, particularly in the United States, reinvigorated investor expectations for an economic soft landing, further supporting risk appetite. Global manufacturing activity continued to contract in November, while global services activity expanded. As measured by MSCI indices in US-dollar terms, developed market equities slightly outperformed a global index, while emerging market and frontier market equities lagged it. In terms of investment style, global growth stocks significantly outperformed global value stocks, which nonetheless posted solid gains for the month. Driven in part by AI (artificial intelligence) trends, investor optimism in information technology (IT) companies returned following three months of cooling sentiment.

In the United States and globally, IT posted double-digit percentage gains that surpassed all 10 other equity sectors and retained the top position in the year-to-date sector rankings. Although communication services sector companies were still in second place thus far in 2023, their November gains were good enough only for a seventh-place finish ahead of utilities, health care, consumer staples and energy. To a large degree, technology's ever-evolving ability to impact all sectors of the economy continued to gather momentum as many businesses' previous idea of "fast" has transformed into "faster" given the growth in speed, scale and efficiencies linked to technology. November saw another wave of tech policy developments in the United States that held the potential to impact the economy and portfolio strategies.

AI, in particular, dominated the headlines as investors digested the implications of (1) a historic US presidential executive order from the Office of Management and Budget (OMB) offering guidance to help federal agencies implement new governance structures and advance AI innovation; (2) the joint release of a non-binding international agreement amongst 18 countries that aims to keep AI safe throughout development and deployment cycles; (3) US President Joe Biden meeting with Chinese President Xi Jinping to discuss numerous tech-related issues, including the dangers posed by the use of AI in military operations; and (4) state-level progress in the United States as the California Privacy Protection Agency released draft regulations for businesses using AI, including a host of consumer protections. Another subject that saw movement in November was internet access and connectivity as the US Federal Communications Commission (FCC) finalised rules to prevent digital discrimination in access to broadband services. The Biden administration also released a National Spectrum Strategy that includes four pillars to strengthen US innovation, security and collaboration. Heading into December, US Congressional lawmakers were facing a tight deadline to reconcile the House and Senate versions of the National Defense Authorization Act, which currently includes provisions related to children's online safety, AI, and semiconductor manufacturing. PORTFOLIO PERFORMANCE

The fund outperformed its MSCI World/Information Technology Benchmark. The off-Benchmark Exposure to Broadline Retail and Health care Technology, and Stock Selection to Application Software and Lack of Exposure to Electronic Components.

Contributors• Systems Software (Underweight, Stock Selection)• Internet Services and Infrastructure (Significant Overweight)• Technology Hardware, Storage and Peripherals (Significant Underweight)

Detractors• Application Software (Stock Selection)• Broadline Retail (Off-Benchmark Exposure)• Health Care Technology (Off-Benchmark Exposure)

OUTLOOK

• With IT sector volatility picking back up during the summer and early-autumn months, we continued to position the fund for a potential stabilisation in sector fundamentals in the near term and robust secular growth in the long term, driven by AI, cloud, and our other eight key "digital transformation" (DT) sub-themes. We balance this view against our assessment of fuller equity valuations relative to the beginning of the year as investors contemplate recovery expectations and AI tailwinds.

• Fundamentally, the third-quarter 2023 corporate earnings season delivered results that were mostly in line with our expectations, but it also drove a wide dispersion of stock performance outcomes, making it tough to conclude that any industry categorically exceeded or missed the market's consensus expectations. There were early signs of stabilisation in enterprise spending, with the all-important public cloud vendors—Amazon's AWS (Amazon Web Services), Microsoft's Azure and Alphabet's Google Cloud Platform (GCP)—seeing indications that customers' cloudspending optimisation may be nearing an end. This is positive not just for these vendors, but also for many of the cloud enablers we hold in the infrastructure and application software spheres. We would emphasise that the recovery is still in the early stages. For instance, while headcount reductions in the IT sector have eased, incremental hiring remains slow, and seat-based software businesses (e.g., fund holdings Workday, Atlassian and monday.com) are still being impacted by this normalisation process.

• Elsewhere in IT, the semiconductor business cycle is showing nascent signs of improvement though it is still proving to be sub-optimal, except for AI deployments in data centres, with companies offering mixed outlooks depending on end-market exposure and the prospect of further sanctions against China. Consumer tech feels a bit less certain than enterprise, in our view. While digital-advertising and e-commerce spending continues to stabilise, we recognise there's still plenty of worry out there, with various concerns at the forefront of investors' minds (e.g., persistent inflation, rising consumer debt, student loan repayments, poor housing fundamentals and China's waning consumer demand).

• Putting it all together, we remain positive about our portfolio positioning heading into the final days of 2023 and first quarter 2024. The fund is currently more heavily weighted towards enterprise technology vis-à-vis consumer, and we anticipate a faster pace of enterprise IT spending next year after 2023's shakeout. While we remain multi-thematic in our portfolio construction, we continue to put disproportionate focus on AI given the magnitude of investment dollars flowing to this core theme across all sectors of the market.

• We have received plenty of AI infrastructure supply datapoints to date, but we're expecting more AI demand datapoints to emerge in the coming weeks and months as Microsoft's Office CoPilot rolled out in early November, while several other software vendors were on the verge of rolling out their own generative AI features. Our expectation is that the demand will eventually justify the current level of AI capex (capital expenditure), but we're also eager to put this thesis to the test in the next couple of years. GenAI and the year-to-date performance of the "Magnificent 7" tech giants has also prompted more dialogue around the future performance of such mega-capitalisation bellwether companies versus the rest of the tech space.

Like other market participants, we have little doubt that certain mega caps (e.g., fund holdings NVIDIA and Microsoft, amongst others) stand to potentially benefit greatly. If history repeats, companies that execute well will avail themselves of what is distinctly specific to them (i.e., unmatched user reach, capex budgets and data corpuses) to define the new “standards” of the AI era (as Google did with search many years ago, and as fund holding Apple did with iPhone/iOS during the mobile era). That said, once those standards are created, the process of “pie expansion” begins, allowing many other companies up and down the market-cap spectrum to capture value as they apply those standards to their idiosyncratic domains (e.g., the cumulative market cap of software-as-a-service and internet businesses built on top of AWS is a pretty big number). There are many examples like these across the fund’s portfolio, and we’re eager to watch how they play out—while being ever mindful that all investment cycles require a healthy dose of expectations management.

• We believe the fund remains well positioned for an expected bottoming in IT sector fundamentals after several quarters of growth deceleration stemming from post-COVID digestion and macroeconomic uncertainty. We’re not yet through these headwinds. Cloud computing and related software providers are still experiencing a deceleration in growth. However, absent a worst-case-scenario for the macroeconomy, we think we’re past the halfway mark on this deceleration and believe enterprise IT spending can experience stabilisation. The fund maintains significant exposure to enterprise technology businesses, which we believe stand to benefit from this stabilisation.

• Risks we are monitoring include the potential for a “pause” in AI momentum, during which limited amounts are spent by enterprises— the ultimate paying customers of AI-enabled software—as they first seek to understand the “what, why, when and how” around this long-term opportunity. The latter scenario could weigh on “AI-winner” stock valuation multiples, and we own several of these in the fund. We’ve been managing this risk by trimming positions during perceived waves of investor exuberance, but we also don’t want to overdo it. If a real, trillion-dollar platform shift is underway (and there are certainly early signs of this), it’s essential that we maintain meaningful, diversified exposure to those AI-focused (and AI-adjacent) companies that we believe are well-positioned to capture value. This includes current holdings in categories such as data centre semiconductors and networking, chip manufacturing and equipment, EDA (electronic design automation) software, cloud services providers, data analytics platforms, software developer tools, and data-rich application software providers. Some portfolio holdings across these categories may face volatility as the slope of the AI adoption curve gets worked out.

• Another risk we are monitoring involves the evolution of export restrictions between China and the rest of the world, and the United States in particular—especially after the introduction of Huawei’s (not held by the fund) latest mobile phone, which has more advanced technology and may encourage the United States government to impose a new set of more aggressive sanctions.

• While we remain cautiously bullish on AI (including machine learning and analytics), it is but one of our 10 DT sub-themes. We continue to actively invest across our remaining nine DT sub-themes: new commerce; digital media transformation and the rise of the metaverse; digital customer engagement; secure cloud and SaaS (software as a service); fintech and digital payments; electrification and autonomy; IoT (Internet of Things); cybersecurity; and the future of work.

• We continue to believe DT is a multi-trillion-dollar opportunity as it enables a widening array of companies to leverage software and data to better understand their customers and business processes, as well as various technologies to radically transform how they operate. Furthermore, with evidence that DT drives improved productivity and deeper customer relationships, we believe companies are now operationalising and scaling what worked during the COVID crisis and extending their DT initiatives into other parts of their operations.

• In our long-term view, the most important aspect is still “quality,” which we define as companies with strong, improving competitive positions, experienced/talented management teams with a proven track record of execution, premium-level financial strength and strong unit economics—along with an awareness about the costs they are imposing on the environment and society, adding to signs that an appropriate corporate governance structure is in place.

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.