October 2022

# MONTHLY FUND PERFORMANCE UPDATE
# AIA GLOBAL BOND FUND 5

## Investment Objective

The AIA Global Bond Fund 5 ("the Fund") will invest fully in a Singapore Dollar denominated underlying fund, namely Franklin Templeton Investment Funds - Templeton Global Bond Fund A (Mdis) SGD-H1 (the "Underlying Fund"). The Underlying Fund aims to maximise total investment return consisting of a combination of interest income, capital appreciation and currency gains by investing principally in a portfolio of fixed or floating rate debt securities and debt obligations issued by government or government-related issuers worldwide.

The Fund intends to make payouts on a quarterly basis. For the first 5 years from the Fund's inception date, the Fund will pay a fixed payout of 5 sen per unit per annum. In the event that payouts received from the Underlying Fund is insufficient to support the fixed payouts, we have the discretion to liquidate a portion of the Fund's investment in the Underlying Fund in order to meet that distribution requirement.

In the subsequent years, payout will be made annually if the Fund's Net Asset Value (NAV) exceeds RM1. The amount of payout declared, if any, may vary from year to year.

If payout is distributed to the policy owner, the NAV of the Fund will be reduced accordingly.

## Fund Details

| | | |
|---|---|---|
| Unit NAV (31 Oct 2022) | : | RM 0.81763 |
| Fund Size (31 Oct 2022) | : | RM 2.537 million |
| Fund Currency | : | Ringgit Malaysia |
| Fund Inception | : | 22 November 2012 |
| Offer Price at Inception | : | RM0.950 |
| Fund Management Charge | : | 1% p.a. of NAV |
| Investment Manager | : | AIA Bhd. |
| Basis of Unit Valuation | : | Net Asset Value |
| Frequency of Unit Valuation | : | Daily |

## Underlying Fund Details

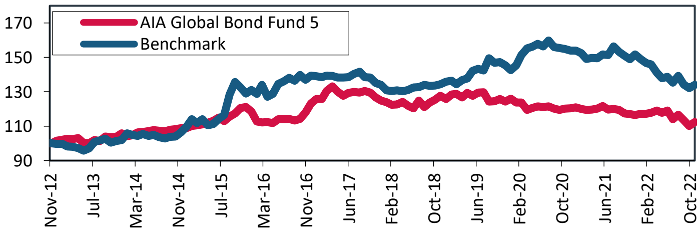
| | | |
|---|---|---|
| Name | : | Templeton Global Bond Fund Class A (Mdis) SGD-H1 |
| Type | : | Global Bond Fund |
| Investment Manager | : | Franklin Advisers, Inc. |

## Top Holdings

| | | |
|---|---|---|
| 1 | Korea Monetary Stabilization Bond, SR UNSECURED, Sr Unsecured, 2304, .905%, 4/02/23 | 8.29% |
| 2 | Government of Norway, 144A, Reg S, 3.00%, 3/14/24 | 5.17% |
| 3 | Korea Treasury Bond, senior note, .875%, 12/10/23 | 5.11% |
| 4 | Brazil Letras do Tesouro Nacional, BILLS, Unsecured, LTN, 1/01/25 | 4.70% |
| 5 | Brazil Letras do Tesouro Nacional, BILLS, Unsecured, LTN, 7/01/24 | 3.83% |

*Underlying fund data

## Historical Performance




| Cumulative Performance | 1-Mth | 6-Mth | 1-Year | 3-Year | 5-Year | Since Inception |
|---|---|---|---|---|---|---|
| Fund^ | 1.97% | -4.59% | -4.06% | -10.73% | -13.31% | 12.35% |
| Benchmark* | 1.35% | -2.88% | -10.05% | -8.94% | -3.04% | 34.00% |
| Excess | 0.62% | -1.71% | 5.99% | -1.79% | -10.27% | -21.65% |
| Underlying (~) | -0.73% | -11.43% | -12.70% | -19.57% | -20.82% | 27.15% |

*^ Calculation of past performance is based on NAV-to-NAV. This is strictly the performance of the investment fund, and not the returns earned on the actual premiums/contributions paid of the investment-linked product.*
**JP Morgan Global Government Bond Index (MYR Term) (Source: Bloomberg)*
*~Underlying fund performance (SGD Term)*
*Note: The total fund returns are inclusive of the payout, if applicable.*

**<u>Notice</u>: Past performance of the Fund is not an indication of its future performance.**

### Manager's Comments

This Fund is subject to exchange rate fluctuations, mainly against the Singapore dollar ("SGD") and therefore, Malaysian ringgit ("MYR") movements against foreign currencies will affect the performance of the Fund. MYR weakened against the SGD by 3.19% in October.

### Market Review

Inflation rates remained at or near multi-decade highs across multiple regions in October 2022. While inflation may have tentatively peaked in a few countries as energy prices have eased, it has continued to rise in others. Yields on developed market sovereign bonds were mixed during the month, pausing the trend of rising yields that had been in place for much of this year. The 10Y US Treasury ("UST") note's yield ended the month 22bps higher at 4.05% after having breached 4.30% earlier in the month.

On the monetary policy front, upside surprises to US inflation outcomes continued to lend a hawkish tilt to commentary from US Federal Reserve ("Fed") officials. US headline Consumer Price Index ("CPI") inflation slowed marginally further to 8.2% Year-on-Year ("YoY") in September from 8.3% in August and its 40-year high of 9.1% in June, but this was a more muted slowdown than the market had expected. Moreover, core inflation rose to a 40-year high of 6.6%, keeping concerns about inflation at the forefront. There was no scheduled Federal Open Market Committee ("FOMC") in October as a 3rd consecutive rate increase of 75 bps had been implemented at the September FOMC meeting, which brought the fed funds target rate range to 3.00%–3.25%. The higher for longer message continued to be conveyed through Fed officials' commentary and the Fed's dot plots.

The European Central Bank ("ECB") increased policy rates by another 75bps at its October meeting; the main refinancing operations rate is now 2.0%. It was revealed that 3 policymakers preferred a 50bps hike, and there was some softening in the tone of the statement while at the same time caution about signalling complacency. Further hikes were still indicated, and although the reference to doing so over several meetings that had been in the September statement was dropped, ECB President Christine Lagarde did say several more hikes were possible at the press conference following the meeting. Meanwhile. the Bank of Japan ("BoJ") continued to stand apart from the global policy tightening trend, retaining an unchanged stance at its October meeting. It has made no changes to policy this year, keeping the overnight interest rate at -0.1% and maintaining the yield target on the 10Y Japanese government bond at 0.0%. The BoJ indicated that it sees inflation higher in the medium term by noting risks to prices are skewed to the upside, and at the post-meeting press conference, BoJ Governor Haruhiko Kuroda noted that the 2% target would not be reached in a stable manner during the forecast horizon but is getting closer. He also indicated that the BoJ does not expect a rate hike anytime soon.

### Performance Review

For the month, the Fund's A (Mdis) USD shares returned -0.64%, and its benchmark, the JP Morgan Global Government Bond Index, returned -0.60%.

The Fund's positions in the Japanese yen ("JPY"), Indonesian rupiah ("IDR"), Chinese yuan ("CNY"), Indian rupee ("INR"), Ghanaian cedi ("GHS") and Colombian peso ("COP") detracted from absolute fund performance, while positions in the Brazilian real ("BRL"), Chilean peso ("CLP"), South Korean won ("KRW") and New Zealand dollar ("NZD") contributed. The Fund's cross-currency positions against the euro ("EUR") also contributed to absolute return, particularly the Norwegian krone ("NOK"). Duration exposures in Ghana and Colombia detracted from absolute fund results.

### Market Outlook

The Underlying Manager continues to expect inflation to remain above historical averages for the remainder of the year and into 2023, albeit for differing reasons in individual regions. In the US, a still-tight labour market and wage increases have been pressuring prices, whereas in Europe, inflation has been primarily driven by energy prices and supply-chain dislocations. However, inflation has likely peaked or is close to peaking in a number of countries, even though it is anticipated to remain high for some time yet. The Underlying Manager continues to closely monitor individual inflation drivers and outcomes in different regions and countries. The Russia-Ukraine war continues to generate uncertainty in global growth and financial markets. The conflict in Ukraine is likely to have heterogeneous impacts on economic momentum in different regions and countries. Substantial disruptions to the flow of food, energy and other commodities through Europe will have material impacts on its economic growth, with varying ripple effects for other parts of the world. On the rates front, while the global monetary tightening cycle continues to press forward as inflation pressures persist, the Underlying Manager is seeing signs of divergence creep in as early movers signal pauses and/or peaks in their cycles, while other central banks remain hawkish. While some developed market central banks have moved more aggressively in recent months to tighten policy, it's likely their rate hike cycle will have to continue for longer given low starting policy rates and persistent, above-target inflation. Developed Markets ("DM") sovereign bonds are thus likely to face continued headwinds. In contrast, certain Emerging Markets ("EM") that have been able to stay ahead of the curve by maintaining already high rates or hiking rates ahead of others (such as areas of Latin America) should be in a stronger position to weather the global tightening cycle and might even be able to start easing earlier. Others appear more vulnerable to persistent inflation and weaker fundamentals that may impede the ability to keep pace. Heterogeneity in fundamental conditions and monetary policy should create relative valuation opportunities amongst countries. The Underlying Manager views that the greatest areas of value in the sovereign bond markets are to be found in non-dollar assets, especially in specific local-currency EMs. EM assets that have already been priced for high inflation and rate hikes provide attractive risk-adjusted yields and should benefit when domestic inflation eventually peaks and begins to moderate. On a regional basis, areas of Asia continue to stand out from the EM pack, as the Underlying Manager expects Asia to remain an important driver for global growth.