

AIA Asset Mandate

AIA International Limited:

AIA Hong Kong Par Fund

Issued by: AIA Hong Kong Investment Committee

31 August 2020

Version 4.0



**Version Control**

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| **Version** | **Amendments** | **Date** | **Approved by:** |
| 1.0 | New Investment Mandate | 30 June 2019 | Board of Directors of AIA Singapore Private Limited |
| 2.0 | Update “Definitions” for Convertible Bonds | 10 October 2019 | Board of Directors of AIA Singapore Private Limited |
| 3.0 | New SAA table format & update of Definitions to be consistent with Investment Glossary version 2.0 | 30 March 2020 | Board of Directors of AIA Singapore Private Limited |
| 4.0 | Update of SAA table | 31 August 2020 | Investment Committee of AIA Singapore Private Limited |



**Distribution List**

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| **Titles** |
| AIA Singapore Private Limited – Investment Committee |
| AIA Singapore Private Limited – Asset Liability Management Committee |
| Group Asset Liability Management Committee |
| Group Investment, Legal & Governance |
| AIA Singapore Private Limited – Head of Compliance |



# Subject

This Asset Mandate has been approved by the Investment Committee, AIA Singapore Private Limited and states the agreed requirements that govern the investment of the AIA Singapore Private Limited – AIA Hong Kong Par Fund (the “**Fund**”).

# Definitions

All capitalised terms shall align to the following definitions:

1. **“ABS”** means asset-backed securities;
2. **“Account”** means an arrangement within the investment system whereby assets are segregated and are held on behalf of an Investment Portfolio or Fund (as the case may be) to be used at the discretion of the responsible Portfolio Manager;
3. **“Affiliate”** is an entity directly or indirectly controlled by AIA Group Limited;
4. **“Agency Loans”** means Loans made to AIA insurance agents;
5. **“AIA AMC”** means an asset management company indirectly wholly-owned by AIA Group Limited, including the Group AMC, engaged in outsourced activities such as (without limitation) investment management and / or dealing;
6. **“AIA Business Unit”** means one or more entities that are managed by an AIA executive commonly, but not exclusively, bearing the title “CEO” and functionally reporting directly or indirectly to a member of the AIA Group Executive Committee;
7. **“Asia-Pacific Listed Equity Strategies”** means Investment Portfolios or Sub-Portfolios which predominantly invest in Listed Equity securities listed on an/the exchange(s) within the Asian Pacific Region;
8. **“Asian Pacific Region”** means Australia, China, Hong Kong, Indonesia, India, Japan, Korea (South), Macau, Malaysia, New Zealand, Philippines, Brunei, Cambodia, Vietnam, Singapore, Sri Lanka, Thailand and Taiwan;
9. **“Asset Class”** means a group of securities or other investments that exhibit similar characteristics and behave and can be traded in a similar manner in the relevant marketplace;
10. **“Asset Manager”** means the investment function within an AIA Business Unit, or another AIA entity, an AIA AMC or a third-party investment manager, as the case may be;
11. **“Asset Mandate”** means a document regarding the governance of the investment of assets constituting a Fund or Sub-Fund, which provides details including but not limited to, the Fund or Sub-Fund’s SAA/TAA, investment objective(s), investment strategy and applicable guidelines and restrictions;
12. **“Bank”** means a regulated financial institution which accepts deposits, creates credit and carries on lending and financing activities;
13. **“Bank Capital Securities”** means debt securities which form part of a Bank’s Tier 2 capital, including Hybrid Securities and Bank Subordinated Debt which has a minimum maturity term of five years;
14. **“Bank Issued Debt”** means any Fixed Income securities issued by a Bank, which are neither Bank Capital Securities nor Bank Subordinated Debt;
15. **“Bank Subordinated Debt”** means debt securities issued by a Bank, the payment priority for which (in the event of an insolvency of the Bank) is lower than ordinary debt securities issued by the same Bank;
16. **“Base Currency”** means the currency into which assets held in an Investment Portfolio are to be converted for the purposes of performance measurement;
17. **“Bills of Exchange”** means an unconditional order in writing, addressed by one person (the drawer) to another (the drawee) and signed by the person giving it, requiring the drawee to pay on demand or at a fixed or determinable future time, a specified sum of money to or to the order of a specified person (the payee) or to the bearer;
18. **“Bonds”** meansecurities in which an investor lends money to the Bond Issuer.  In return, the Bond Issuer, typically, for a defined period of time, pay coupons (interest) against the principal at a variable or fixed interest rate and repays the principal on or prior to a specified maturity date.

Bonds include Bank Capital Securities, Bank Issued Debt, Bank Subordinated Debt, Bills of Exchange, Callable Bonds, Covered Bonds, Exchange Traded Fund – Fixed Income, Fixed Rate Bonds, Index Bonds, Infrastructure Debt, Mutual Funds – Bonds, Perpetual Bonds, Preferred Shares - Bond Characteristics, Puttable Bonds, Sinkable Bonds, Structured Notes, Variable Rate Bonds and Zero Coupon Bonds;

1. **“Bond Characteristics”** typically include a coupon (interest) payment to be made by the Issuer periodically and a maturity date when Issuers would repay the principal. While coupon payment may be deferrable, failing to make coupon and/or principal payment according to the terms would constitute an event of default;
2. **“Business Trust”** means an unincorporated business organization with limited liability and created by declaration of trust;
3. **“Call Deposits”** means deposits of money in interest-bearing accounts with no specified period;
4. **“Callable Bonds”** means a type of Bond that allows the issuer the option to redeem the Bond prior to the final maturity date;
5. **“Cash Equivalents”** includes, but is not limited to Call Deposits, Certificates of Deposit, Commercial Paper, Fixed Time Deposits, Index Deposits, Money Market Mutual Funds and Negotiable Deposits;
6. **“Cash Equivalents > 1 Year”** means Cash Equivalents with more than one year to maturity from the time of purchase;
7. **“Cash and Cash Equivalents </= 1 Year”** means Trade Date Value and Cash Equivalents with one year or less to maturity from the time of purchase;
8. **“CDO”** means collateralised debt obligation;
9. **“CDO – Synthetic”** means CDOs that invest in Derivatives;
10. **“Certificate of Deposit”** means a certificate with a fixed maturity date and fixed interest rate, which would generally restrict access to the invested principal until the date of maturity;
11. **“CLO”** means a collateralised loan obligation;
12. **“CMBS”** means commercial mortgage-backed securities;
13. **“Collective Investment Scheme”** means a pooled group of assets where investors of the pool own a pro-rata share of economic interests of the assets according to the number of shares or units they own of the pool.  Such pools of assets include issuers commonly referred to as mutual funds, investment funds and managed funds, but does not include a pool of assets separated in an account as required by relevant insurance legislation and/or regulation;
14. **“Commercial Paper”** means unsecured Promissory Notes with a fixed maturity;
15. **“Commercial Property”** means Land and/or buildings utilised for commercial purposes;
16. **“Common Shares”** means listed shares of Issuers that typically carry voting rights;
17. **“Convertible Bonds”** means Bonds issued by Issuers that can be converted into shares in those companies during the life of the instrument, at the right (but not the obligation) of the holders;
18. **“Corporate”** means an Issuer that is not a Sovereign or a Government;
19. **“Corporate Bonds”** means a Bond issued by an Issuer, which is not a Supranational Issuer, Sovereign, Regional or Local Government;
20. **“Corporate Infrastructure”** means Infrastructure Equity and/or Infrastructure Debt which has been issued by a Corporate;
21. **“Corporate Loans”** means Loans other than Agency Loans, Intercompany Loans, Promissory Notes and Staff Loans;
22. **“Country”** means a jurisdiction generally recognized as a sovereign nation and shall also mean the Hong Kong Special Administrative Region, the Macau Special Administrative Region and the Republic of China (Taiwan) separately from the People’s Republic of China;
23. “**Country of Risk**” means the Country where the risk of investment is associated;
24. “**Country of Risk (Local)**” means the country which corresponds to that which issues the Base Currency of a relevant Fund, Sub-Fund, Investment Portfolio or Sub-Portfolio;
25. “**Country of Risk (Foreign)**” means a Country different from that which issues the Base Currency of a relevant Fund, Sub-Fund, Investment Portfolio or Sub-Portfolio;
26. **“Covered Bond”** refers to a security typically issued by a financial institution and backed by a designated group of loans, which are usually mortgage or public sector loans, and are collectively known as a cover pool. Investors in covered bonds generally have dual recourse to: (a) the covered bond Issuer; as well as (b) the assets in the cover pool;
27. **“Currency”** means the currency issued by or with the approval of a Sovereign in a Country;
28. **“Depository Receipt”** means a financial instrument that represents a foreign Issuer’s share capital which trades on a local exchange;
29. **“Derivative”** means any financial contract whose value is derived from that of its underlying assets, an index or another financial instrument and shall include, for the avoidance of doubt, Futures;
30. **“Direct Investments”** means investments in the capital structure of an Issuer that are not readily trade-able in the public markets;
31. **“Direct Real Estate”** means direct investment in Real Estate;
32. **“Duration”** may either refer to the present value weighted average of the times until fixed cash flows are received for a Fixed Income security, or a measure of the price sensitivity to yield, which is the rate of change in price with respect to yield, or the percentage change in price for a parallel shift in yields;
33. **“Efficient Portfolio Management” or "EPM"** means application of portfolio management techniques by which securities and Derivatives are purchased and sold in an economically appropriate manner for the following purposes:

1) generating additional capital or income for the Fund, Sub-Fund or Investment Portfolio (as the case may be) which is consistent with the Fund’s, Sub-Fund’s or Investment Portfolio’s (as the case may be) risk profile, while following all stated investment restrictions;

2) reduction of risk; and

3) reduction of cost to the Fund, Sub-Fund or Investment Portfolio (as the case may be);

1. **“Equity Warrant”** means the right to purchase Listed Equity or REIT at a specific price and at a specific date. An Equity Warrant is issued directly by the Issuer itself;
2. **“Exchange Traded Fund” or “ETF”** means a listed security that tracks an index, commodity or basket of assets. The stated price of the shares of an ETF is based on their trading price rather than the net asset value of the assets held by the ETF;
3. **“Exchange Traded Fund – Equity**” means an ETF which holds predominantly Listed Equity securities;
4. **“Exchange Traded Fund – Fixed Income**” means an ETF which holds predominantly Fixed Income securities;
5. **“Fixed Income”** means Bonds, Cash Equivalents, Convertible Bonds, Loans, Mortgages and Securitised Products;
6. **“Fixed Rate Bond”** means Bonds that have fixed coupons (interest) rates;
7. **“Fixed Time Deposits”** means deposits of money in interest-bearing Bank accounts for specified periods;
8. **“Fully Hedged”** means an investment for which Derivative contracts have been executed to fully neutralise the overall market risk, including but not limited to the risk of adverse price and Currency movement of the offsetting target security, securities, Investment Portfolio or Sub-Portfolio;
9. **“Fund”** meansa pool of assets acquired or held in accordance with an Asset Mandate, separated from the other assets of the relevant AIA Business Unit and consisting of Investment Portfolios which clearly identify the assets as belonging to such Fund;
10. **“Government”** means an administrative body responsible for the governance and administration for a specific geographical area such as town, city, county, province, prefecture or state but is not a Sovereign;
11. “**Government Agency”** means any Issuer which is owned, sponsored or whose payments are guaranteed by a Government and/or Sovereign;
12. **“Group AMC”** means AIA Investment Management Private Limited (also, “AIAIM”), a subsidiary of the Group AMC Holding Company;
13. **“Hedging”** means an investment that reduces the overall risk of adverse price movement of the offsetting target security, securities or portfolio;
14. **“Hybrid Securities”** means a financial security that combines two or more different financial instruments. Hybrid Securities often combine both debt and equity characteristics;
15. **“Index Bonds”** means Bonds for which payment of income on the principal is related to specific price indices;
16. **“Index Deposits”** means Certificates of Deposit with returns based on specific indices;
17. **“Indirect Real Estate”** means investment in Real Estate through a Real Estate Fund;
18. **“Infrastructure Equity”** means equity investment in infrastructure project, receiving cash flows from such projects after the deduction of operating costs and income used to service any Infrastructure Debt;
19. **“Infrastructure Debt”** means debt, often long-term debt, tranched and secured, issued for the primary purpose of financing infrastructure projects;
20. **“Intercompany Loans”** means Loans made by an Affiliate within AIA to any other Affiliate within AIA;
21. **“Investment Portfolio”** means a specific pool of assets that is a subset of a Fund or Sub-Fund, which is subject to a particular investment objective and contained in separate identifiable Accounts;
22. **“IPO Securities”** means a legally enforceable right to acquire Listed Equity securities & REITs which are to be issued in connection with an initial public offering which at allotment will be included and traded on a stock exchange;
23. **“Issuer”** means an Issuer of securities, counterparty, deposit taker or credit support provider as the context requires;
24. **“Land”** means physical land;
25. **“Listed”** means Listed for trading on a stock exchange;
26. **“Listed Equity”** means Business Trusts, Common Shares, Depository Receipts, Exchange Traded Funds – Equity, Mutual Funds – Balanced, Mutual Funds – Equity, Preferred Shares – Equity Characteristics, REITs, Stapled Units and shall include the associated IPO Securities, Rights Issues and Equity Warrants;
27. **“Loans”** means including but not limited to Agency Loans, Intercompany Loans, Promissory Notes, Staff Loans, Third Party Loans and Corporate Loans;
28. **“Local Listed Equity Strategies”** means Investment Portfolios or Sub-Portfolios which predominantly invest in Listed Equity securities listed on an/the exchange(s) within the Country where the relevant AIA Business Unit is located;
29. **“Money Market Mutual Fund” or “MMF”** means an open-ended Collective Investment Scheme that invests in mainly short term debt securities;
30. **“Mortgages”** includes but is not limited to Mortgages – Commercial and Mortgages – Residential;
31. **“Mortgages - Commercial”** means loans secured by an interest in Commercial Property;
32. **“Mortgages - Residential”** means loans secured by an interest in Residential Property;
33. **“Mutual Funds - Balanced”** means Collective Investment Schemes with a predominant investment objective to invest in a balanced mix of Bonds and Listed Equity securities;
34. **“Mutual Funds - Bonds”** means Collective Investment Schemes with a predominant investment objective to invest in Bonds;
35. **“Mutual Funds - Equity”** means Collective Investment Schemes with a predominant investment objective to invest in Listed Equity securities;
36. **“Negotiable Deposits”** means Certificates of Deposit that can be bought and sold but not redeemed before maturity;
37. **“Non-Spot FX”** means contracts to buy or sell Currency at a specified price, quantity and future date, excluding Spot FX;
38. **“ORR”** means obligor risk rating as described in the AIA Credit Ratings Framework;
39. **“Perpetual Bond”** means a Bond with no maturity date;
40. **“Policy Loans”** means Loans made by an Affiliate to a policyholder of an Affiliate that uses the cash value of the policyholder’s life insurance policy as collateral;
41. **“Portfolio Manager”** is a member of the investment function within an AIA Business Unit whose primary responsibilities involve the management of Investment Portfolios;
42. **“Portfolio Mandate”** is a document which provides details including, but not limited to investment objectives, investment strategy, benchmark, guidelines, investment restrictions and limits of Investment Portfolios;
43. **“Preferred Shares – Bond Characteristics”** means Listed shares of Issuers that are not Common Shares and have Bond Characteristics;
44. **“Preferred Shares – Equity Characteristics”** means Listed shares of Issuers that are not Common Shares and have Equity Characteristics;
45. **“Private Credit”** refers to Corporate Loans and Private Debt;
46. **“Private Equity”** means including but not limited to, Direct Investments and Private Equity Funds;
47. **“Private Equity Funds”** means Collective Investment Schemes that invest primarily in Direct Investments;
48. **“Promissory Note”** means an unconditional instrument signed by the maker, containing a promise to pay a certain sum of money to a named person, to that person’s order, or to the bearer at a specified time in the future;
49. **“Property”** see “Real Estate”;
50. **“Public Credit”** refers to Corporate Bonds, Corporate Infrastructure and Government Agency (Non-Guaranteed);
51. **“Puttable Bond”** means a type of Bond that allows the Bond holder the option to redeem the Bond prior to the final maturity date;
52. **“Real Estate”** including but not limited to Commercial Property, Land, Residential Property and Real Estate Funds;
53. **“Real Estate Fund”** means Collective Investment Schemes with a predominant investment objective to invest in Real Estate;
54. **“Real Estate Investment Trust”** is a Collective Investment Scheme which invests in Real Estate other than REITs;
55. **“Reference Index”** means a systematic, objective and appropriate market standard measure of return for the relevant investment universe and investment objective of a Portfolio or Sub-Portfolio relating to either an asset class or investment strategy;
56. **“REITs”** means listed Real Estate Investment Trusts;
57. **“Repurchase Agreements”** involves the sale of financial investments with a simultaneous agreement to repurchase those securities at a later date at an agreed price;
58. **"Residential Property"** means Land and/or buildings utilised for residential purposes;
59. **"Reverse Repurchase Agreement"** involves the purchase of financial investments with a simultaneous obligation to sell the assets at a future date, at an agreed price;
60. **“Rights Issue”** means an issue of shares offered at a predetermined price by a Listed Equity or REIT to its existing shareholders in proportion to their shareholdings;
61. **“RMBS”** means residential mortgage-backed securities;
62. **“SAA”** means strategic asset allocation;
63. **“Securitised Products”** including but not limited to ABS, CDO, CDO – Synthetic, CLO, CMBS and RMBS;
64. **“Sinkable Bonds”** means Bonds that are backed by funds, called sinking funds, that set aside money on a regular basis to ensure that principal and interest payments will be made as promised;
65. **“Sovereign”** means a central or national government of a Country or central bank of a Country only (excluding, for the sake of clarity, state, provincial or municipal levels of government, government agencies and development banks);
66. **“Spot FX”** means the purchase or sale of a Currency, with settlement generally taking place within two business days of the trade;
67. **“Staff Loans”** means Loans made by AIA to any employee of an AIA Affiliate;
68. **“Stapled Unit”** means a financial instrument that consists of two or more securities that have been contractually bound together into a single unit;
69. **“Structured Notes”** means a debt security that also contains an embedded Derivative component that adjusts the security’s risk/return profile;
70. **“Sub-Fund”** is a sub-set of a Fund, which contains assets of a particular Currency or other distinguishing feature, for the purpose of backing a specific pool of liabilities;
71. **“Sub-Portfolio”** is a specific pool of assets that is a subset of an Investment Portfolio, which is subject to a particular investment objective and contained in separate identifiable Accounts;
72. **“Supranational Issuer”** is an entity or organization established by treaty or other arrangement between two or more Countries or the agencies of two or more Countries and includes, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and Asian Development Bank;
73. **“TAA”** means tactical asset allocation;
74. **“Third Party Loans”** means Loans made by AIA Group Limited and/or any Affiliate to any person or entity that is not AIA Group Limited and/or any Affiliate or an employee or director of AIA Group Limited and/or any Affiliate;
75. **“Trade Date Value”** is the sum of Asset Manager Cash, Receivables and Payables, and Subscriptions and Redemptions;
76. **“Variable Rate Bonds”** means Bonds in which the interest coupons are adjusted at regular intervals to reflect the prevailing market rates;
77. **“World Listed Equity Strategies”** means Investment Portfolios or Sub-Portfolios which predominantly invest in Listed Equity securities listed on an/the exchange(s) in any Country in the world. For the avoidance of doubt, Investment Portfolios or Sub-Portfolios which predominantly invest in Listed Equity securities listed on an/the exchange(s) within either the Asian Pacific Region or the Country where the relevant AIA Business Unit is located shall be categorised as either an Asia-Pacific Listed Equity Strategy or Local Listed Equity Strategy as the case may be; and
78. **“Zero Coupon Bonds”** means Bonds offering no interest payments that are sold at a discount to their redemption value.

# Scope

This Asset Mandate applies to the below Investment Portfolio that comprises the Fund. There is no Sub-Fund under the Fund.

|  |
| --- |
| **Portfolio Name** |
| **Asia and Middle East Bond Portfolio** |
| **Securitised Product Portfolio** |
|  |

# Investment Objectives

The Fund comprises mainly personal lines policies. The liabilities are SGD denominated.

Given the nature of the liabilities and cash flows of the Fund, the objectives are to manage the Fund’s assets in a prudent manner in order to:

1. Ensure that capital is preserved and the solvency requirements are met at all times; and
2. Maintain sufficient liquidity to cover new business strain, management expenses and other costs, and to pay dividends to the shareholder.

The Fund comprises of an Investment Portfolio which shall be managed in accordance with the objective outlined within the corresponding Portfolio Mandate.

# Investment Strategy

The Investment Portfolio that comprises the Fund shall follow the investment strategy set out within the corresponding Portfolio Mandate.

# SAA/TAA

The SAA/TAA of the Fund is as follows (stated as a percentage of market value of the total assets):

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Level 1** | **Level 2** | **Level 3** | **SAA** | **TAA** |
| Fixed Income | Base Currency or Fully Hedged | Country of Risk (Local) Government | **52%** | **40% - 60%** |
| Country of Risk (Foreign) Government,  Country of Risk (Foreign) Public Credit,  Country of Risk (Foreign) Securitized | **40%** | **35-50%** |
| Cash and Cash Equivalents less than or equal to 1 Year | **8%** | **-10%-10%** |
| **Sub-Total** |  | **100%** | **N/A** |
| **Grand Total** | | | **100%** | **N/A** |

# Base Currency

The Base Currency of the Fund is USD.

# Benchmark and Reference Index

The Benchmark and Reference Index of the Investment Portfolio comprising the Fund is set out within the corresponding Portfolio Mandate where applicable.

# Permitted Asset Classes and Investment Instruments

The Fund may only invest in the following instruments:

* Bonds;
* Cash & Cash Equivalent </= 1 Year;
* Repurchase Agreement;
* Reverse Repurchase Agreement;
* Spot FX;
* Non-Spot FX; and
* Derivatives.

# Fund Specific Constraints

Capital-Related Constraints:

* At any one time, the Fund shall only invest in Fixed Income securities denominated in Base Currency.
* At any one time, the Fund shall not invest in Securitised Products.
* At any one time, the Fund shall not invest in Convertible Bonds.

Credit Risk Constraints:

* At any one time, the minimum weighted average rating of the total Fixed Income securities held by the Fund shall be ORR4+ or higher.

Interest Rate Risk Constraints:

* At any one time, the weighted average Duration of the aggregate exposure to Fixed Income securities shall target 5 years and shall remain within a range of +/- 3 years.

# Derivatives

The Fund shall only transact in Derivatives contract for the following purposes:

* Strategic transactions initiated for the purposes of managing the balance sheet;
* Tactical transactions to facilitate tactical asset allocation;
* Derivatives transactions for Hedging or Efficient Portfolio Management; and
* Remittance and Funding Management transactions.

# Application of AIA Risk Policies and Relevant Risk Tolerances

The investment of the Fund is subject to limits as applied by the Investment Management Risk Standard established by the Group FRC.

# Amendments

Any amendment to this Asset Mandate is subject to the written approval of the Investment Committee, AIA Singapore Private Limited.

# Exceptions

Temporary exceptions to this Asset Mandate may be approved by the AIA Singapore Private Limited Chief Financial Officer and shall be notified to the AIA Singapore Private Limited – Asset Liability Management Committee, Investment Committee, and Group ALCO as soon as reasonably practicable. Such exceptions may be granted for periods of up to 90 calendar days, following which approval to amend the Asset Mandate must be sought from the Investment Committee, AIA Singapore Private Limited*.*

# Interpretation

The interpretation and application of this Asset Mandate is at the discretion of the AIA Singapore Private Limited Chief Investment Officer.

# Authorised Client Representatives

List of authorized individuals either of whom may give instructions with respect to this Asset Mandate:

* Jacque Connor, Kenzo Hines – AIA International Limited