AIA INVESTMENT FUNDS
AIA DIVERSIFIED FIXED INCOME FUND

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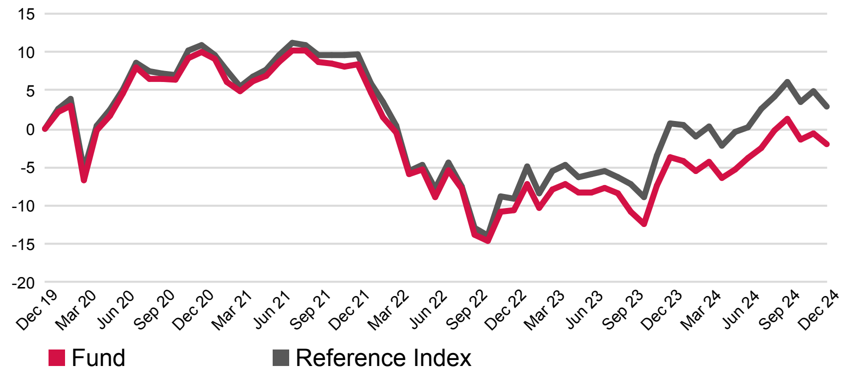
INVESTMENT OBJECTIVE and POLICY

The Sub-Fund aims to maximise long-term return by investing in a diversified fixed income portfolio consisting primarily investment grade bonds and other debt securities denominated in USD. In order to achieve its investment objective, the Sub-Fund will invest primarily, i.e. at least 50% of the Sub-Fund's Net Asset Value, in USD-denominated fixed or floating rate fixed income securities issued by government, agencies and companies globally. The Sub-Fund may invest in a full spectrum of fixed income securities including corporate bonds, emerging markets debt instruments, collateralized loan obligations (CLOs), asset backed securities (ABS), commercial mortgage backed securities (CMBS), taxable municipals, US government or agency obligations, as well as cash and commercial paper. Investments in collateralized loan obligations (CLOs), commercial mortgage backed securities (CMBS), asset backed securities (ABS) and emerging market securities shall not exceed 20% of the net assets of the Sub-Fund.

PERFORMANCE

Return (%)



Lower risk	Higher risk
typically lower rewards	typically higher rewards

1	2	3	**4**	5	6	7

This indicator is based on historical data and may not be a reliable indication of the future risk profile of the Sub-Fund.
The risk and reward category shown is not guaranteed and may change over time.
The lowest category does not mean a risk free investment.
The Sub-Fund is rated 4 due to the nature of its investments which include the risks listed below.
These factors may impact the value of the Sub-Fund's investments or expose the Sub-Fund to losses.

MAIN RISKS

Counterparty Risk The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Sub-Fund to financial loss.

Credit Risk The risk of loss arising from default that may occur if an issuer fails to make principal or interest payments when due. This risk is higher if the Fund holds low-rated, non-investment-grade securities.

Source: Please refer to Section 5 of the prospectus for other risk factors.

Asset class	**Fixed Income**
ISIN (Class I)	**LU1982194364**
Bloomberg ticker (Class I)	**AFDFIUC**
Fund size	**317,353,951.88**
Fund base currency	**USD**
Share class currency (Class I)	**USD**
Net asset value (Class I)	**10.2175**
Inception date (Class I)	**05-Jul-19**
Domicile	**Luxembourg**
Fund type	**UCITS**
^Ongoing charges	**0.62%**
Performance Fee	**None**

^The ongoing charges figure is based on an estimate calculated during the launch phase. This figure may vary from year to year. It excludes portfolio trade-related costs, except costs paid to the depository at any entry charge paid to an underlying collective investment scheme (if any). Please refer to Page 3 of factsheet for fees of each share class.

IMPORTANT INFORMATION

Prior to investing, Investors should read the Prospectus and Key Investor Information Document (KIID).

AIA DIVERSIFIED FIXED INCOME FUND

PERFORMANCE

	Cumulative Returns (%)				Annualised Returns (%)			
	1 m	3 m	YTD	1 y	3 y (p.a)	5 y (p.a)	10 y (p.a)	Since Inception (p.a)
Class I	-1.39	-3.26	1.75	1.75	-3.29	-0.40	-	0.39
^Benchmark	-1.94	-3.04	2.13	2.13	-2.68	0.21	-	1.07
Relative Return	0.55	-0.23	-0.37	-0.37	-0.60	-0.61	-	-0.67

^BBG Barclays US Corporate Bond Index
Benchmark Performance represents the following: Before 1 Jun 2023 - (AIA Diversified Fixed Income Blended BBG/Barclays/JPM Benchmark); 1 Jun 2023 onwards - (BBG Barclays US Corporate Bond Index)

Past performance is not a guide to future performance.
Please refer to [Section 5] of the prospectus for other performance & risk factors.

TOP 10 HOLDINGS (%)

1.	CBT US 10yr Ultra Fut Mar25	4.5
2.	United States Treasury NoteBond 4.25% 15/11/2034	2.5
3.	United States Treasury NoteBond 3.5% 30/09/2029	2.2
4.	CBT US 2YR NOTE (CBT) Mar25	1.9
5.	Deutsche Bank AGNew York NY 5.414% 10/05/2029	0.9
6.	UnitedHealth Group Inc 3.7% 15/12/2025	0.8
7.	United States Treasury NoteBond 4% 31/07/2029	0.8
8.	Goldman Sachs Bank USANew Y 5.283% VRN 18/03/2027	0.8
9.	TMobile USA Inc 5.375% 15/04/2027	0.7
10.	Crestwood Midstream Partners LP Cr 6% 01/02/2029	0.7

COUNTRY WEIGHTS (%)

USA	80.4
United Kingdom	3.0
Canada	1.9
Germany	1.8
Japan	1.1
Sweden	0.7
China	0.6
Switzerland	0.6
Ireland	0.5
Derivatives	7.0
Other Countries	2.7

DURATION WEIGHTS (%)

0 - 1 Year	5.1
1 - 3 Years	20.7
3 - 5 Years	21.0
5 - 10 Years	29.1
10+ Years	24.2

SECTOR WEIGHTS (%)

Financial	29.6
Consumer, Non-cyclical	14.2
Government	8.2
Industrial	7.4
Communications	7.0
Utilities	6.8
Energy	6.3
Consumer, Cyclical	5.6
Technology	5.3
Derivatives	7.0
Other Sectors	2.6

RATING WEIGHTS (%)

AAA	0.2
AA+	8.8
AA	0.1
AA-	0.9
A+	3.9
A	12.6
A-	17.7
BBB+	14.0
BBB	25.9
BBB-	6.5
Others	2.5
Derivatives	7.0

Note: Due to rounding limitations, the summation of (%)s might not be an exact 100%.

AIA DIVERSIFIED FIXED INCOME FUND

SHARE CLASS DETAILS

Share class	Currency	Bloomberg ticker	ISIN	Inception date	Initial sales charges % (max)	Annual management fee% (max)	Initial Offer Px	Redemption Fee / Conversion Fee	Minimum initial investment	Minimum subsequent investment	Minimum Redemption Amount	Minimum Holding Amount	Distribution frequency	Ex-date	Dividend per share
I	USD	AFDFIUC	LU1982194364	2019-07-05	Up to 3%	Up to 0.50%	USD 10	Up to 1%	USD10m	USD100,000	USD100,000	USD10m	NA	NA	NA
Z	USD	AFDFZUC	LU1982194794	2020-05-06	Up to 3%	0%	USD 10	Up to 1%	USD20m	USD100,000	USD100,000	USD20m	NA	NA	NA
IDQ	USD	AFDFIUQ	LU2209052336	2020-09-11	Up to 3%	Up to 0.50%	USD 10	Up to 1%	USD10m	USD100,000	USD100,000	USD10m	Quarterly	2024-12-13	0.086104
K	USD	AFDFKUC	LU2289846128	2021-07-02	Up to 3%	Up to 0.50%	USD 10	Up to 1%	USD10m	USD100,000	USD100,000	USD10m	NA	NA	NA

Distributions are not guaranteed and may fluctuate. Past distributions are not necessarily indicative of future trends, which may be lower. Distribution payouts and its frequency are determined by the Board of Directors and should not be confused with the Fund's performance, rate of return or yield. Any payment of distributions may result in an immediate decrease in the net asset value per share. Please refer to Section 7.2 of the prospectus for dividend distribution policy.

For more information about charges, please see section charges and expenses of the prospectus of the UCITs, which is available at : www.aia.com/en/funds-information

		Cumulative Returns (%)				Annualised Returns (%)			
Share class	Currency	1 m	3 m	YTD	1 y	3 y (p.a)	5 y (p.a)	10 y (p.a)	Since Inception (p.a)
I									
Fund	USD	-1.39	-3.26	1.75	1.75	-3.29	-0.40	-	0.39
^Benchmark	USD	-1.94	-3.04	2.13	2.13	-2.68	0.21	-	1.07
Relative Return	USD	0.55	-0.23	-0.37	-0.37	-0.60	-0.61	-	-0.67
Z									
Fund	USD	-1.34	-3.14	2.27	2.27	-2.80	-	-	0.25
^Benchmark	USD	-1.94	-3.04	2.13	2.13	-2.68	-	-	0.39
Relative Return	USD	0.59	-0.11	0.14	0.14	-0.12	-	-	-0.14
IDQ									
Fund	USD	-1.38	-3.26	1.75	1.75	-3.29	-	-	-2.02
^Benchmark	USD	-1.94	-3.04	2.13	2.13	-2.68	-	-	-1.48
Relative Return	USD	0.55	-0.22	-0.37	-0.37	-0.60	-	-	-0.53
K									
Fund	USD	-1.36	-3.19	2.09	2.09	-2.96	-	-	-2.64
^Benchmark	USD	-1.94	-3.04	2.13	2.13	-2.68	-	-	-2.33
Relative Return	USD	0.58	-0.15	-0.04	-0.04	-0.28	-	-	-0.31

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Past performance is not a guide to future performance.
Please refer to [Section 5] of the prospectus for other performance & risk factors.

Commentary Sources

1. AIA Investment Management Pte Ltd
2. AIA Investment Funds
3. BlackRock Financial Mgmt, Inc

COMMENTARY

December saw a slew of economic releases as the market continued to digest the election result and potential volatility in the coming year. During the December Federal Open Market Committee (FOMC) meeting, the Federal Reserve lowered its policy rate by 25 basis points (bps), bringing the target Federal Funds Rate to a range of 4.25% - 4.50%, aligning with consensus expectations. The Statement of Economic Projections (SEP), commonly known as the "dot plot," revealed a surprisingly hawkish median of two cuts for 2025, compared to the four cuts projected in the September session. In other economic news, the Producer Price Index (PPI) increased by about 0.2% from the previous month, reaching approximately 0.4% month-over-month. This rise reflects an uptick in the average selling price of goods and services produced in the U.S. following the Federal Reserve's rate cuts in September and November. This release also fueled belief that progress in curbing inflation has slowed. In positive economic news, small business optimism jumped in November (+8.0 pts to 101.7 pts), reaching its highest level since 2021, following President-elect Donald Trump's re-election, according to the latest data from the National Federation of Independent Business (NFIB).

Additionally, Non-Farm Payrolls showed a +227k rise in November, which was broadly in line with expectations. On the consumer side, retail sales for November increased, rising from approximately 0.4% month over month (MoM) to 0.7% MoM, indicating elevated levels of consumer spending. However, The Conference Board reported an 8.1% decline in the consumer confidence index for December, reversing the gains observed over the previous two months. The 2-year and 10-year Treasury constant maturity yields rose by 12bps and 40 bps, respectively, again ending the month above 4%. Against this backdrop, the option-adjusted spread for the U.S. Investment Grade Credit Index was 77bps, resulting in a monthly excess return of -4bps. Over the year, the index posted a total return of 2.03% and an excess return of 2.23%. In corporate earnings, estimated year-over-year earnings growth for the S&P 500 is measuring 11.9%, which would mark the highest (year-over-year) earnings growth reported by the index since Q4 2021, which was 31.4%. Primary market supply for December was about $34.5bn, including $33.5bn in corporates and $1.0bn in non-corporates. Gross issuance for the year was the highest on record outside of 2020. In respect to performance, the best-performing sectors were Supermarkets, Aerospace/Defense, Gaming, Airlines and Financial companies. The worst-performing were Health Insurance, Sovereigns, Healthcare, Foreign Local Government and Media Entertainment. BBB bonds fared the best across the investment-grade quality spectrum, while crossover-rated bonds fared the worst.

The AIA Diversified Fixed Income Fund delivered a -1.39% absolute return and outperformed the benchmark by approximately 55bps primarily due to the security selection across corporates. The underweight position in investment-grade corporates, as spreads continue to grind tighter was a detractor. The strategy throughout the month focused on maintaining portfolio carry through active security selection. No significant detractors were identified during the period.

The Fund’s outlook on positioning has remained consistent over the past few months. The overall economic picture remains supportive for credit assets, with above-trend gross domestic product (GDP) growth, steady inflation, and solid labor market performance still painting a “no-landing” picture. On the back of a hawkish SEP and press conference in December, rates markets have meaningfully repriced, with only 2 rate cuts priced in through 2026. Fundamentals trends are broadly stable and Quarter 3 earnings continue to point to steady revenue and profit growth, and relatively benign balance sheet deterioration, consistent with more of a mid-cycle outlook. While Investment Grade (IG) spreads are modestly off the 2024 tights ahead of a typically heavy IG issuance calendar in January, the overall setup continues to point to a low-volatility, steady carry return outlook, at least through the first half of the year. That said, spreads are pricing much of this in, leaving minimal cushion for any downside risk to the political, fiscal, or economic outlook. The Fund expects spreads to remain rangebound through Quarter 1 as the market digests Trump’s first 100 days, with an expected range of +75 to +90. As a result, the Fund continues to be neutral duration.

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