AIA Everest's Investment Strategy

AIA Everest's investment objective is to generate policyholders' returns in line with products subject to an acceptable risk level with suitable investments. AIA Everest is committed to meeting the guarantees of the policies and protecting reasonable expectations of policyholders of participating policies.

AIA Everest adopts an actively managed investment strategy and the asset mix will be adjusted in response to changing market conditions. Generally speaking, AIA Everest invests in various types of assets, such as equities, fixed income securities, including but not limited to corporate bonds, cash and cash equivalents and policy loan etc., to diversify investment risk.

AIA Everest determines the proportion of assets to be allocated to less risky assets, such as corporate bonds, cash and cash equivalents, with reference to the level of guarantees of the policies. Assets are allocated with the expectation to meet all guarantees, with additional non-guaranteed return potential. Higher guarantees would require more stable assets, such as bonds. Lower guarantees may generally result in higher allocation to non-bond categories such as equities. In short, the level of investment risk is set to match the risk profile of the life insurance products.

Policies are supported by investments in a wide range of assets where investment decisions on assets are based on a number of factors including, but not limited to, level of risk and return and policy currency etc.

For the fixed income securities portfolio, the fixed income securities are mainly US denominated bonds in the Asia Pacific where the average credit rating is investment grade or above, AIA Everest may invest in US treasuries and high yield bonds as appropriate.

The equity investment under growth assets portfolios is benchmarked with reference to selected market indices. For USD and HKD denominated policies, the equity portfolio by geographical region is set equally for Hong Kong/mainland China, the USA and other developed countries. AIA Everest will consider other investment instruments e.g. derivative instruments if deemed appropriate.

The actual exposure will be adjusted from time to time in response to the market conditions and economic outlook. In addition, long term investment targets are also reviewed regularly.

AIA Everest targets to manage currency risks through fixed income securities purchases under the same currency as the currency which the policies are denominated in. For fixed income securities purchased in currency that is different from the underlying policies, currency hedges to offset impact due to currency fluctuations, where appropriate, will be considered.

Please note that there are risk and volatility of returns of the underlying assets and the non-guaranteed returns involved when executing the above strategies to achieve the long term investment returns.

AIA Everest will inform policyholders on the changes made, the underlying reasons for the changes and the implications for policyholders when there are any material changes to the investment strategy.

AIA Everest's Philosophy In Deciding Non-Guaranteed Benefits

A "participating" (or with-profit) policy is a policy that pays non-guaranteed dividends or bonuses (including cash bonus and reversionary bonus) to the policyholder. Dividends/bonuses are generated from profits of the insurer that sold the policy and are typically paid out on an annual basis over the life of the policy. Some policies also include final or terminal payments that are paid out upon maturity or termination of contract.

Participating policyholders of AIA Everest, who are eligible to policyholder dividends, will receive the amounts declared from time to time. A committee is set up to provide independent advice on the determination of the dividend and bonus amounts to the Board of the Company. The committee is comprised of members from different control functions or departments within the organisation. Each member of the committee will exercise due care, diligence and skill in the performance of his or her duties as a member. The committee will utilise the knowledge, experience, and perspectives of each individual member to assist the Board in the discharge of its duty to make independent decision and to manage the risk of conflict of interests, in order to ensure fair treatment between policy owners and shareholders, and among different groups of policy owners. The actual dividends and bonuses, which are recommended by the Appointed Actuary, will be decided upon the deliberation of the committee and finally approved by the Board of Directors of the Company, including one or more Independent Non-Executive Directors.

Generally speaking, the amounts of dividends reflect the performance of the participating business over time. The allocation of such benefits will take into account a number of factors, including but not limited to, investment return, claim experience, business persistency rate, policy expenses, future business growth and retention of earnings in support of the life insurance business, together with interests of the shareholders and the policyholders.

(1) Risk factors under investment returns are:
- interest rates risks (i.e. the risk of losses resulting from changes in interest rates and its outlook);
- market risks (i.e. the risk of exposure to losses resulting from decline in market values of underlying assets); and
- currency risk (i.e. the risk of exposure to losses resulting from currency mismatch).

(2) Risk factors under claims experience refer to the experience of mortality and morbidity of the business.

(3) Risk factors under policy expense refer to direct expenses which are specifically related to the group of policies, such as commission, underwriting and issue expenses and other administration expenses, such as premium collection expense. This may also include indirect expenses such as general overhead costs,

which will be allocated to such group of policies.

(4) Risk factors under business persistency rates refer to policy lapse and surrender experience.

The dividend allocation process as adopted by AIA Everest is based on the contributions made by the respective participating policies to the participating business. While the contribution of each participating policy is different, the dividend review process seeks to achieve a reasonable and fair allocation amongst classes and generations of all participating policies, taking into account factors such as availability of policy-related information, investment return, claim and administrative expenses, etc.

You are advised to browse the website (https://www.aia.com.hk/en/help-and-support/individuals/aia-everest.html) to understand the dividend history (including the non-guaranteed dividends fulfillment ratios). Please note that the dividend history is not an indicator of future performance of the participating plan.