

# AIA PESO BALANCED FUND

May 31, 2023

## Fund Description

The AIA Peso Balanced Fund (the "Fund") is a Philippine peso-denominated fund created for peso variable life insurance contracts issued by AIA Philippines Life and General Insurance Company Inc., (formerly The Philippine American Life and General Insurance Company). The Fund seeks to achieve long-term total return, which is a combination of income and capital growth with balanced risk and at the same time minimize capital risk by investing in a portfolio comprising primarily of bonds and equities. The Fund will invest in shares of Collective Investment Schemes established by AIA including Unit Investment Trust Funds (UITFs) that are managed by either AIA Investment Management and Trust Corporation Philippines (AIAIM PH) or reputable third-party investment managers.

## Historical Performance<sup>1</sup>

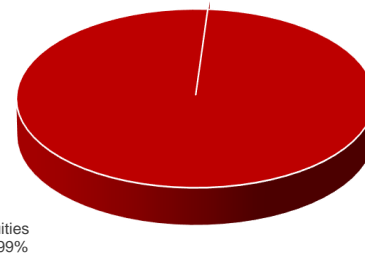
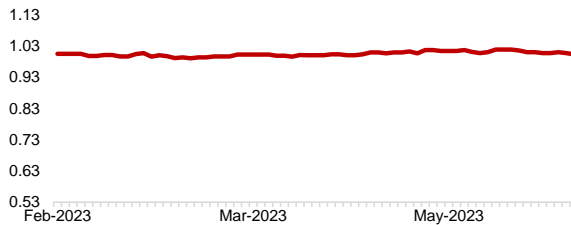


<sup>1</sup> Returns are net of fees. Past performance is not indicative of future returns

## Fund Allocation

■ Cash & Cash Equivalent  
0.01%

## Net Asset Value Per Unit (NAVPU) Graph



## Key Figures and Statistics

NET ASSET VALUE PER UNIT (NAVPU)	0.9988
INCEPTION DATE	20 February, 2023
FUND CLASSIFICATION	Equity Fund
RISK PROFILE	Moderate
FUND CURRENCY	Philippine Peso
DOMICILE	Philippines

## Top Five Common Stock

Name	% of Fund
AIA PESO LONG-TERM BOND FUND	50.43%
AIA PESO EQUITY FUND	30.62%
AIA PESO MONEY MARKET FUND	18.94%
CASH	0.76%

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## AIA PESO ADVENTUROUS FUND

May 31, 2023

### Commentary:

#### Market Review

##### Macro Update

Philippine inflation moderated further to 6.6% YoY in April from 7.6% in March, slower than analysts' consensus estimate of 7.0%, but within BSP's forecast of 6.3% and 7.1% for the month. The slowdown was driven mainly by easing of food, transport, and utilities prices. Philippine Gross Domestic Product (GDP) expanded 6.4% YoY in 1Q2023, beating consensus estimate of 6.2%. However, the pace of growth was slower than the 7.2% printed in the previous quarter, driven by lower household spending and net trade. Trade deficit widened to USD4.93 billion in March from USD3.91 billion in the previous month. This brought the 1Q2023 trade deficit to USD14.58 billion as exports (-9.1% YoY) fell faster than imports (-2.7% YoY). Meanwhile, the unemployment rate eased further to 4.7% in March from 4.8% in February and 5.8% a year-ago. High employment was seen in construction, transportation and storage, mining and quarrying, manufacturing, and administrative and supportive services activities, on sustained demand since the economy reopened.

##### Bond Market Update

The Bureau of Treasury (BTr) successfully re-issued PHP25 billion each of 6-, 9-, 13- and 7-year bonds within market expectations. The 6-Yr (FXTN 10-64), 9-Yr (FXTN 10-69), 13-Yr (FXTN 13-01), and 7-Yr (FXTN 7-69) bond re-offering settled at an average yield of 5.975%, 5.735%, 5.854%, and 5.774%, respectively. The local government bond yield curve flattened in May as long-term interest rates decreased much faster than short-term rates on lower inflation expectations and slower growth projections. The BSP kept policy rates unchanged at 6.25% on 18 May Monetary Board meeting. The BSP also trimmed its inflation forecast for 2023 from 6.0% to 5.5% YoY and its 2024 forecast from 2.9% to 2.8% YoY. The BTr supply schedule for June has been released with issue size and frequency for all T-bill and T-bond auctions remaining unchanged. Bond tenors to be offered are 9-, 5-, 15-, and 6yrs, with the 9yrs to be offered twice. At the end of the month, benchmark rates in the 2-, 5-, 10-, and 20-yr decreased by 16bp to 5.86%, 19bps to 5.76%, 25bps to 5.86%, 40bps to 5.91% MoM, respectively.

##### Equity Market Update

The PSEi dropped 2.23% in May, retreating after its 1.93% advance in April. Foreign outflows was at USD76 million while trading activity remained low. The lack of domestic catalysts and the US debt ceiling issue shaped investor sentiment. Bulk of foreign outflows was brought by the country down-weight in MSCI where MONDE suffered the most and declined by 13.37% MoM. Also dragging the index were banks, BDO and BPI, which dropped 5.6% and 7.1% respectively.

**Positioning, Outlook, and Strategy** Performance: The AIA Peso Balanced Fund's return underperformed its benchmark by 96bps for the month of May. The asset allocation for the month favored exposure in long term bonds and money market instruments over equities. Short term interest rates remained elevated while long term interest rates declined. However, the inability to source benchmark constituents led to the fund's underperformance.

**Positioning, Outlook, and Strategy:** We remain constructive on rates as the pace of tightening and inflation slows. Central bank policy's dependence on economic data and any threat to inflation expectations will keep asset prices volatile. We will continue to reduce exposure in equities as the economy slows and feels the impact of policy tightening.

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