

AIA PESO CONSERVATIVE FUND

OCTOBER 31, 2023

Fund Description

The AIA Peso COnservative 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 conservative risk and at the same time minimize capital risk by investing in a portfolio comprising primarily of bonds and money market instruments. 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 Performance¹

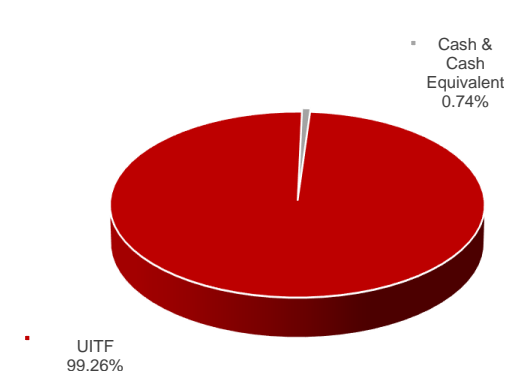


¹ Returns are net of fees. Past performance is not indicative of future returns

Net Asset Value Per Unit (NAVPU) Graph



Fund Allocation



Key Figures and Statistics

NET ASSET VALUE PER UNIT (NAVPU)	0.9815
INCEPTION DATE	20 February, 2023
FUND CLASSIFICATION	Equity Fund
RISK PROFILE	Conservative
FUND CURRENCY	Philippine Peso
DOMICILE	Philippines

Top Five Common Stock

Name	% of Fund
AIA PESO LONG-TERM BOND FUND	67.40%
AIA PESO MONEY MARKET FUND	18.44%
AIA PESO EQUITY FUND	13.42%
Philippine Peso	0.74%

Readership: This document is intended solely for the addressee(s). Its content may be legally privileged and/or confidential. This material is only valid if distributed in the Philippines.

Opinions: Any opinions expressed in this document may be subject to change without notice. We are not soliciting or recommending any action based on this material.

Risk Warning: Past performance is not indicative of future results. Our investment management services relate to a variety of investments, each of which can fluctuate in value.

The value of portfolios we manage may fall as well as rise, and the investor may not get back the full amount originally invested. The investment risk vary between different types of instruments. For example, for portfolios denominated in foreign currencies, changes in the rate of exchange may cause the value of investments, and consequently the value of the portfolio, to increase or decrease. In the case of a higher portfolio volatility, the realized loss upon redemption may be high, as the investment's value may decline substantially.

In making an investment decision, prospective investors must rely on their own examination of the merits and risks involved. Unless otherwise noted, all information contained herein is sourced from AIA Philippines Group internal data. The content included herein has been shared with various in-house departments within the member companies of AIA Group, in the ordinary course of completion. All AIA Philippines Group member companies comply with the confidentiality requirements of their respective jurisdictions. Parts of this presentation may be based on information received from sources we consider reliable.



HEALTHIER. LONGER,
BETTER LIVES

AIA PESO CONSERVATIVE FUND OCTOBER 31, 2023

Commentary:

Market Review

Macro Update

On a pre-emptive move to regulate rising inflation risks, the Bangko Sentral ng Pilipinas (BSP) delivered an off-cycle rate hike of 25bps on October 26, bringing the policy rate to 6.50%. The move was prompted by the September CPI report, which showed a faster-than-expected acceleration in headline inflation by 6.1% y/y from 5.3% y/y in the previous month. Driving the headline was the increase in food prices, which account for 9% of the inflation basket. Rice prices alone increased by 17.9% Y/y. The BSP has kept its door open for another hike and cited significant upside price risks from higher transport charges, electricity rates, global oil prices, and minimum wage adjustments. As such, the 2024 inflation outlook was raised to 4.7% from its 3.5% forecast in September. Meanwhile, the S&P Global Philippine Manufacturing PMI returned to expansionary territory at 50.6 in September after it contracted to 49.7 in August. The improvement in manufacturing activity was driven by the rise in new orders and increase in output. Money supply also grew by 6.8% y/y in August from 5.7% y/y in July. On the other hand, bank lending growth slowed to 7.9% y/y in August from 8.3% y/y in July. On the fiscal front, Philippine budget deficit widened to Php133 Bn in August as revenues dropped 6.6% y/y on lower tax collection and customs revenues while expenditures increased by 10% y/y due to higher net interest payments. The nation's outstanding debt grew 5.6% y/y in September to Php 14.268 Tn easing from previous month's Php 14.349 Tn largely due to the payout of sizeable bond maturities.

Bond Market Update

Given a hawkish BSP stance, benchmark rates rose across the curve as the 2-, 5-, 10-, and 20-year tenors ended the month at 6.57% (+32bps), 6.77% (+42bps), 7.03% (+54bps) and 7.01% (+51bps), respectively. Bond supply for November is slightly larger and longer than the previous month with a total of Php 225 Bn bond offerings in the 5Y, 6Y, 7Y, 10Y, and 15Y tenors.

Equity Market Update

The PSEi plunged 5.5% in October, breaching the 6,000 Index level late in the month and finally closing at 5,973.78. The market sell-off was triggered by a disappointing September inflation print, exacerbated by the Bangko Sentral's announcement of an off-cycle policy rate hike. These added to the weight on investor sentiment already fraught with concerns on the Israel Hamas war.

- September inflation hit 6.1%, much higher than consensus expectations and an acceleration from the previous month's figure, both at 5.3%.
- The BSP made an off-cycle policy rate hike of 25bps, bringing benchmark rate to 6.5%.
- The Central Bank likewise raised 2024 inflation expectation from 4.3% to 4.7%.

Positioning, Outlook, and Strategy

Performance: The AIA Peso Conservative Fund outperformed its benchmark by 5 bps at -1.90%, gross of fees in October. The fund's lower exposure to equities, which lost 6% in the month, positively contributed to the fund's performance.

Positioning, Outlook, and Strategy: Given a hawkish BSP stance and higher risks of second round inflation effects amid threats of higher global commodity prices, the BSP is expected to extend a tight monetary policy. However, the prolonged tight credit conditions may eventually impact economic growth in the next twelve months. With this, the fund maintains its preference for fixed income over equities.

Readership: This document is intended solely for the addressee(s). Its content may be legally privileged and/or confidential. This material is only valid if distributed in the Philippines.

Opinions: Any opinions expressed in this document may be subject to change without notice. We are not soliciting or recommending any action based on this material.

Risk Warning: Past performance is not indicative of future results. Our investment management services relate to a variety of investments, each of which can fluctuate in value. The value of portfolios we manage may fall as well as rise, and the investor may not get back the full amount originally invested. The investment risk vary between different types of instruments. For example, for portfolios denominated in foreign currencies, changes in the rate of exchange may cause the value of investments, and consequently the value of the portfolio, to increase or decrease. In the case of a higher portfolio volatility, the realized loss upon redemption may be high, as the investment's value may decline substantially.

In making an investment decision, prospective investors must rely on their own examination of the merits and risks involved. Unless otherwise noted, all information contained herein is sourced from AIA Philippines Group internal data. The content included herein has been shared with various in-house departments within the member companies of AIA Group, in the ordinary course of completion. All AIA Philippines Group member companies comply with the confidentiality requirements of their respective jurisdictions. Parts of this presentation may be based on information received from sources we consider reliable.