

# AIA PESO CONSERVATIVE FUND

June 30, 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 Performance<sup>1</sup>

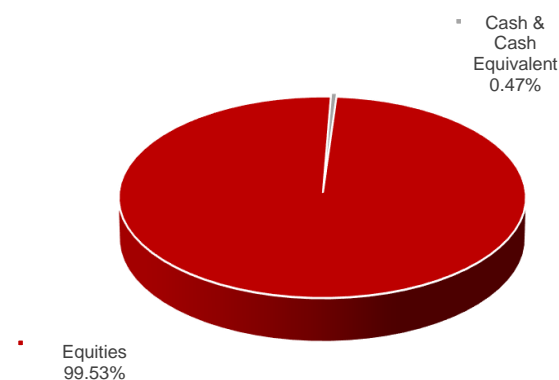


<sup>1</sup> Returns are net of fees. Past performance is not indicative of future returns

## Net Asset Value Per Unit (NAVPU) Graph



## Fund Allocation



## Key Figures and Statistics

NET ASSET VALUE PER UNIT (NAVPU)	1.0026
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	66.55%
AIA PESO MONEY MARKET FUND	19.31%
AIA PESO EQUITY FUND	13.67%
Philippine Peso	0.47%

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## AIA PESO ADVENTUROUS FUND

June 30, 2023

### Commentary:

#### Market Review

#### Macro Update

Philippine macroeconomic fundamentals continue to show resilience despite the aggressive rate hikes by the Bangko Sentral ng Pilipinas (BSP). Headline inflation grew at a slower pace of 6.1% Y/y in May from 6.6% in April. The slowdown was primarily driven by easing transport and food prices, which account for 9% and 37% of the total CPI basket, respectively. The unemployment rate eased further to 4.5% in April from 4.7% in March and 5.7% a year ago. From a current account standpoint, the country's reserves are healthy despite the Gross International Reserves (GIR) declining 0.46% to USD101.3 billion in May from the revised USD101.76 billion in April. The GIR level is equivalent to 7.6 months' worth of imports of goods. Trade deficit slightly decreased to USD4.53 billion in April from USD5.10 billion deficit in March. The decline in total exports at USD4.90 billion in April was covered by a bigger decline in imports as it fell to USD9.43 billion in April. Meanwhile, overseas cash remittances in April grew at 3.7% Y/y or USD2.485 billion from a 3.0% Y/y growth in March. For the first four months of 2023, overseas Filipinos sent home a total of USD10.487 billion, 3.2% higher compared to the same period last year.

#### Bond Market Update

The Bureau of Treasury (BTr) successfully re-issued PHP25 billion each of 5-, 6-, 15-, and 9-yr bonds in June at average yields within market expectations albeit settling at the higher end of the range. The BTr announced an increase in its weekly bond auctions in July to PHP30 billion from PHP25 billion previously. The local government bond yield curve bear flattened in June as short-term to intermediate-term rates increased faster than long-term rates due to pressures from rising expectations of higher for longer interest rates. The US Federal Reserve kept its Fed Funds rate unchanged but signaled an additional 1-2 rate hikes for 2023 amid a resilient jobs market and sticky inflation. The BSP also kept its key policy rate unchanged at 6.25% for two consecutive meetings but left the door open for further tightening should interest rate differentials narrow against US policy rates. The BSP also trimmed its inflation forecast for 2023 from 6.0% to 5.5% Y/y and its 2024 forecast from 2.9% to 2.8% Y/y. At the end of the month, benchmark rates in the 2-, 5-, 10-, and 20-yr increased by 45bps to 6.32%, 41bps to 6.18%, 44bps to 6.30%, 26bps to 6.18% M/m, respectively.

#### Equity Market Update

The PSEi barely changed in June, slipping 0.09% amidst lack of domestic catalysts and market conviction. Trading was lackluster, with volumes settling at mere P4.7b. Consumer companies Universal Robina (URC, -2.2%) and Monde Nissin (MONDE, -1.1%) dropped significantly on news of the DoF's proposal to impose new taxes on "junk food" and expand the existing tax on sugar sweetened beverages. Meanwhile, share prices of big banks BPI (+8.9%) and BDO (+1.3%) rose on expectation of better margins amidst higher interest rates.

#### Positioning, Outlook, and Strategy

Performance: The AIA Peso Conservative Fund's return outperformed its benchmark by 81bps in June. The asset allocation for the month still favored exposures to long term bonds over equities while keeping money market allocation intact. Although, the fund's exposure in equities posted significant positive returns for the month, which more than offset the losses from fixed income. Equities outperformance was driven by its tactical overweight exposure in the financial sector and underweight exposure in the industrial sector.

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 feel the impact of policy tightening.

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