

AIA PESO CONSERVATIVE FUND

June 28, 2024

Fund Description

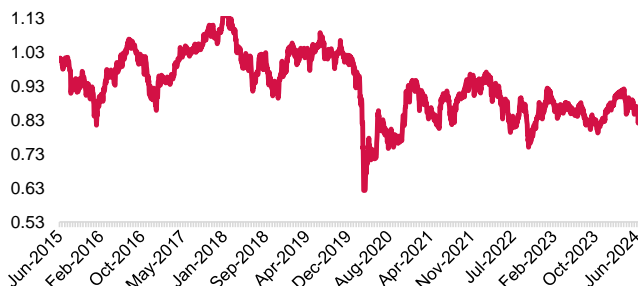
The AIA Peso COnservative Fund (the "Fund") is a Philippine peso-denominated fund created for peso variable life insurance contracts issued by AIA Philippines Life and General Insurance Company Inc., (formerly The Philippine American Life and General Insurance Company). The Fund seeks to achieve long-term 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

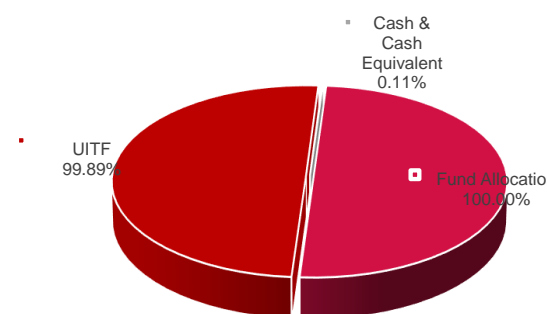
Net Asset Value Per Unit (NAVPU) Graph



Key Figures and Statistics

NET ASSET VALUE PER UNIT (NAVPU)	1.0212
INCEPTION DATE	20 February, 2023
FUND CLASSIFICATION	Equity Fund
RISK PROFILE	Conservative
FUND CURRENCY	Philippine Peso
DOMICILE	Philippines

Fund Allocation



Top Five Common Stock

Name	% of Fund
AIA PESO LONG-TERM BOND FUND	66.91%
AIA PESO MONEY MARKET FUND	16.70%
AIA PESO EQUITY FUND	16.28%
Philippine Peso	0.11%

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HEALTHIER, LONGER,
BETTER LIVES

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Commentary:

Market Review

Macro Update

The path to monetary easing in the Philippines appears to be getting clearer as the inflation trajectory stalled and reversed in June. Headline inflation moderated to 3.7% y/y in June from 3.9% y/y in May, driven primarily by the easing of energy and transportation costs. Core inflation remained at 3.1%, significantly lower than the 7.4% recorded a year ago. The Bangko Sentral ng Pilipinas (BSP) kept its key interest rate unchanged at 6.50% on its 27 June Monetary Board meeting. BSP Governor Remolona maintained his position that there could be an interest rate cut in August and a cumulative 0.50% cut in 2024, as inflation moves toward its long-term target of 2-4%. The BSP also significantly revised down its annual inflation forecasts for 2024 and 2025 to 3.1% from 3.8% and 3.7%, respectively. Meanwhile, the US Federal Reserve (Fed) kept key interest rate unchanged at 5.50%. As opposed to the BSP, the Fed projects higher median inflation rates that are above its long-term target of 2% for 2024 and 2025 at 2.6% (from 2.4%) and 2.3% (from 2.2%), respectively. The Fed's median interest rate forecasts also rose to 5.1% (from 4.6%) in 2024 and 4.1% (from 3.9%) in 2025, with the long-term target adjusting to 2.8% (from 2.6%).

Bond Market Update

Peso bond yields fell in June following the BSP's stronger signals for a policy rate cut in the next few months. Benchmark yields in the 2-year closed at 6.26% (down by 0.05%), 5-year at 6.43% (down by 0.08%), 10-year at 6.65% (down by 0.10%), and 20-year at 6.82% (down by 0.23%).

Equity Market Update

The PSEi ended on a flattish note (-0.33% MoM) at 6,411.91 in the volatile month of June. Shares managed to find support at the tail-end of the month after breaking crucial support levels and plummeting to its lowest level since November.

- Early in the month, the market rose and fluctuated around the 6,500-levels supported by a below-estimate May CPI reading (3.9% vs 4% forecast).
- Thereafter, investors sold off PH equities as Fed's indication of only a single rate cut this year, and the weakness in PHP put the dovish policy outlook into question.
- The PSEi bounced off the lows as bargain hunters supported the market, helped by a dovish indication from BSP Governor Remolona that the Monetary Board may start cutting rates by 25bps in 3Q24 and cut a total of 50bps for the year, notwithstanding the Fed's direction. Furthermore, the BSP reduced its inflation forecast for the year to 3.3% from 3.5% previously.

Positioning, Outlook, and Strategy

Performance: The AIA Peso Conservative Fund gained 0.70% gross of fees in June. It outperformed its benchmark by 0.01%. The fund's higher exposure to equities, which gave a positive return of 0.70% in the month, boosted returns.

Positioning, Outlook, and Strategy:

With BSP policy rate cuts in the horizon, local bond prices are expected to recover in the second half of 2024. Prospects of monetary policy accommodation and easing inflation pressures provide a favorable backdrop for both fixed income and equities.

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