AIA PESO BALANCED FUND

April 28, 2023

Fund Description

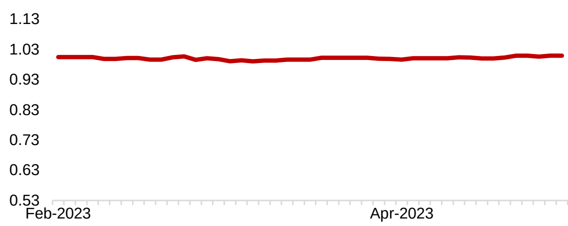
The AIA Peso Balanced Fund (the "Fund") is a Philippine peso-denominated fund created for peso variable life insurance contracts issued by AIA Philippines Life and General Insurance Company Inc., (formerly The Philippine American Life and General Insurance Company). The Fund seeks to achieve long-term 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[1]

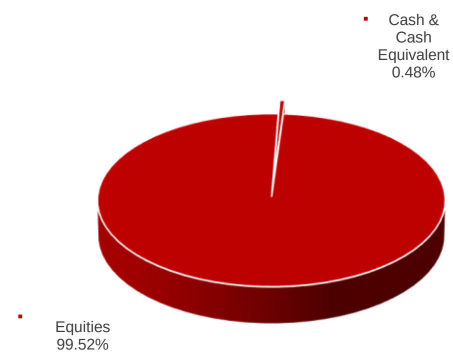
6MOS	1YR	3YRS	5YRS	YTD	Since Inception
-	-	-	-	0.45%	0.45%

[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)	1.0045
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	50.00%
AIA PESO EQUITY FUND	30.99%
AIA PESO MONEY MARKET FUND	18.53%
CASH	0.48%

HEALTHIER, LONGER,
BETTER LIVES

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Commentary:

Market Review

Fixed Income:

Macro Update

The impact of the Bangko Sentral ng Pilipinas cumulative rate hikes continues to trickle down to the Philippine economy. Headline inflation decelerated for the second consecutive month to 7.6% YoY, slower than the 8.0% forecast for March. Food and non-alcoholic beverages, which account for 46.6% share of the basket, mainly drove the downtrend as prices slowed to 9.3% from 10.8% in the previous month. The country's trade deficit narrowed to USD3.877bn in February from USD5.733bn in January and USD3.98bn a year ago. Merchandise exports dropped by 18.1% YoY to USD5.08 billion as overseas demand remained weak amid cost pressures and global headwinds while imports slipped by 12.1% YoY to USD8.95bn as commodity prices softened and inflation put pressure on domestic demand. Meanwhile, overseas cash remittances in February grew slower at 2.4% YoY or USD2.6bn compared with 3.5% YoY or USD2.8bn growth in January. Despite slowing demand, Philippine unemployment rate remains unchanged at 4.8% YoY in February, suggesting that the Philippine labor market is steadily recovering post-economic re-opening.

Bond Market Update

The Bureau of Treasury (BTr) successfully issued PHP25bn each of 3-, 9-, and new 7-year bonds within market expectations but partially issued new 13-year bonds priced below market consensus. The 3-Yr (FXTN 7-62) and 10-Yr (FXTN 10-69) bond re-offering settled at an average yield of 5.939% and 6.142%, respectively. Meanwhile, the newly issued 13-Yr (FXTN 13-01) and 7-Yr (FXTN 7-69) bonds were issued at a coupon rate of 6.0% and 6.25%, respectively. The local government bond yield curve flattened in April as short-term interest rates remained elevated in line with the BSP policy rate while the medium to long-term rates declined on market expectations that policy tightening cycle is coming to an end. Bond maturities amounting to PHP227bn flushed the market with liquidity and drove demand for bonds. At the end of the month, benchmark rates in the 5-, 10-, and 20-yr decreased by 1bp to 5.96%, 11bps to 6.11%, and 25bps to 6.31% MoM, respectively, while the 2-yr rose by 17bps to 6.02% MoM. The BTr supply schedule for May has been released with issue size and frequency for all T-bill and T-bond auctions remaining unchanged. Bond tenors to be offered are 6-, 9-,13-, and 7yrs.

Equity:

The PSEi ended its two-month losing streak, gaining 1.93% MoM to 6,625.08, or just above immediate resistance at its 50-Day Moving Average. This was helped by foreign flows reversing to net inflows of USD34m which has narrowed the year-to-date net foreign outflow (ex-cross) to USD132m. Banks continued to outperform as solid 1Q earnings reinforced upbeat sentiment on the sector, with BDO (+12.06%) and BPI (+4.98%) among the index's biggest gainers this month. Turnover was generally thin at USD87m per day as multiple trading holidays kept most traders on the sidelines. Foreign participation stood at 50% (vs 48% last month).

Outlook and strategy

Performance: The AIA Peso Balanced Fund's return underperformed its benchmark by 19bps for the month of April. The asset allocation for the month favored exposure in fixed income over equities. Short term interest rates remained elevated in April 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 path of tightening and inflation slows. Central bank policy dependence on economic data and emerging banking-sector concerns will keep asset prices volatile. We will maintain underweight exposure in equities as the economy slows and feel the impact of policy tightening.