

# AIA PESO CONSERVATIVE FUND

August 30, 2024

## Fund Description

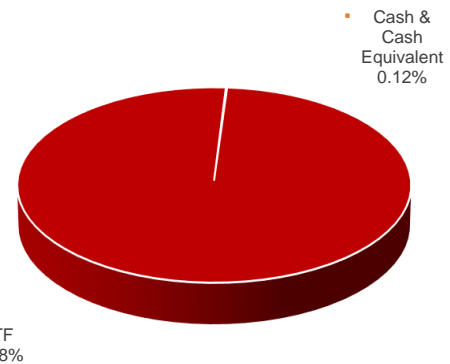
The AIA Peso Conservative Fund (the "Fund") is a Philippine peso-denominated fund created for peso variable life insurance contracts issued by AIA Philippines Life and General Insurance Company Inc., (formerly The Philippine American Life and General Insurance Company). The Fund seeks to achieve long-term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

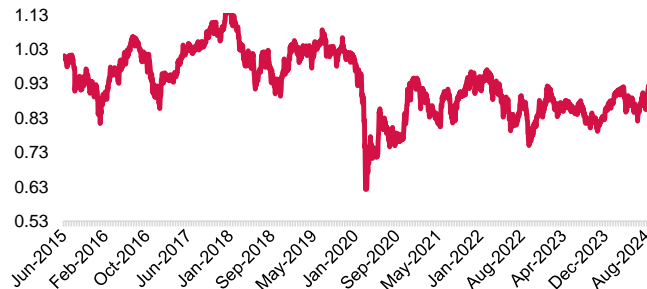


<sup>1</sup> Returns are net of fees. Past performance is not indicative of future returns

## Fund Allocation



## Net Asset Value Per Unit (NAVPU) Graph



## Key Figures and Statistics

NET ASSET VALUE PER UNIT (NAVPU)	1.0627
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	66.97%
AIA PESO MONEY MARKET FUND	16.75%
AIA PESO EQUITY FUND	16.16%
Philippine Peso	0.12%

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### Commentary:

#### Market Review

##### Macro Update

The nation's macroeconomic resiliency amid moderating inflation created a favorable backdrop for the BSP to comfortably start monetary policy easing. The Philippine economy expanded 6.3% y/y in 2Q, within analyst median predictions, which was higher from 5.8% in 1Q. The improvement is mostly driven by a catch up in government spending, while consumer spending and private investment remain subdued. Inflation eased in August to 3.3% y/y, slower than expectations of 3.6%, down from its peak in July at 4.4%. Main driver was the slowdown in rice prices, which make up 9% of the inflation basket, decreasing to 14% y/y after months of hovering at annualized increases of 20%. This is due to the passing of Executive Order 62, which lowered rice tariffs from 35% to 15% effective July 1, 2024. Core inflation also eased to 2.6% y/y from 2.9% the previous month. With these, Bangko Sentral ng Pilipinas (BSP) marked the beginning of its monetary policy easing as they lowered its policy rate by 0.25% to 6.25%. Consequently, risk-adjusted inflation forecasts for 2024 and 2025 now stand at 3.3% and 2.9%, from their last meeting's forecasts 3.1% for both years.

##### Bond Market Update

Peso bond yields mostly fell in August after BSP cut its policy rates and inflation is on its downward trajectory. Benchmark yields in the 2-year closed at 6.00% (unchanged), 5-year at 6.04% (down by 0.08%), 10-year at 6.07% (down by 0.10%), and 20-year at 6.18% (down by 0.16%).

##### Equity Market Update

The PSEi continued to rally (+4.21% MoM) in August as investors welcomed the BSP's decision to commence the policy easing cycle. Global risk sentiment likewise improved on the back of Fed rate cut expectation in September, leading to strengthening of the Philippine Peso which sustained foreign interest.

- BSP cut PH policy rates by 25bps to 6.25%
- Market is pricing-in 25-50bps rate cut by the Fed in September.
- PHP strengthened by 3.82% (P56.14) vs the USD.
- Market conviction improved immediately after the BSP's rate cut as reflected in the significant uptick in average turnover at P6.7b vs YTD average of P5.0b.
- Foreign investors remained net buyers of local equities worth USD143m

##### Positioning, Outlook, and Strategy

Performance: The AIA Peso Conservative Fund gained 1.54% gross of fees in August. It outperformed its benchmark by 0.03%. The fund's higher exposure to equities, which gave a positive return of 5% during the month, boosted returns.

##### Positioning, Outlook, and Strategy:

With a resilient economy and inflation on its descending path, settling within its long-run target of 2%-4%, BSP is expected to continue with its monetary policy easing. This provides a supportive environment for the fixed income and equity assets.

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