

# AIA PESO CONSERVATIVE FUND

December 27, 2024

## Fund Description

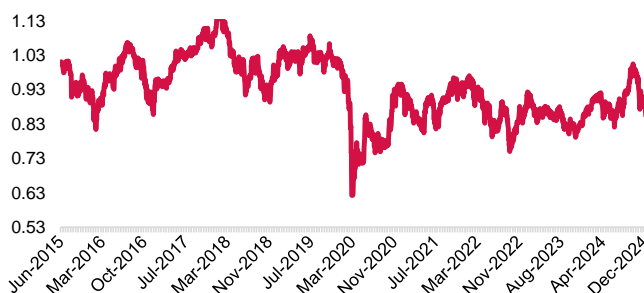
The AIA Peso CONservative Fund (the "Fund") is a Philippine peso-denominated fund created for peso variable life insurance contracts issued by AIA Philippines Life and General Insurance Company Inc., (formerly The Philippine American Life and General Insurance Company). The Fund seeks to achieve long-term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

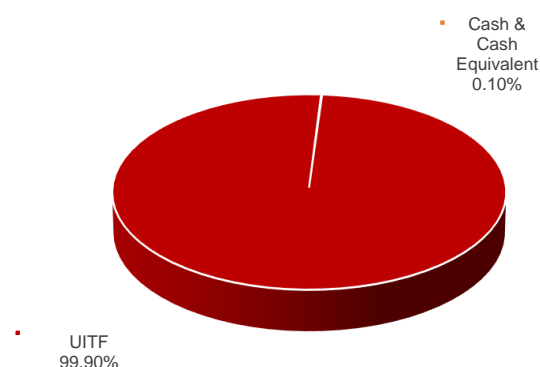
## Net Asset Value Per Unit (NAVPU) Graph



## Key Figures and Statistics

|                                  |                   |
|----------------------------------|-------------------|
| NET ASSET VALUE PER UNIT (NAVPU) | 1.0567            |
| INCEPTION DATE                   | 20 February, 2023 |
| FUND CLASSIFICATION              | Equity Fund       |
| RISK PROFILE                     | Conservative      |
| FUND CURRENCY                    | Philippine Peso   |
| DOMICILE                         | Philippines       |

## Fund Allocation



## Top Holdings

| Name                         | % of Fund |
|------------------------------|-----------|
| AIA PESO LONG-TERM BOND FUND | 66.96%    |
| AIA PESO MONEY MARKET FUND   | 18.45%    |
| AIA PESO EQUITY FUND         | 14.49%    |
| Philippine Peso              | 0.10%     |

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HEALTHIER, LONGER,  
BETTER LIVES

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### Commentary:

#### **Macro Update**

The government's efforts in tempering price pressures were evident in 2024. With stable inflation and resilient growth prospects, the Bangko Sentral ng Pilipinas (BSP) continued its easing cycle.

While December inflation jumped to 2.9% y/y, higher than economists' expectations of 2.6% and more than 2.5% in the month prior, the figure firmly anchored full year 2024 average inflation rate of 3.2% within BSP's target of 2 to 4%. According to the Philippine Statistics Authority (PSA), inflation rate in December was driven by faster price increases in housing, water, electricity, gas and fuel prices, which rose to 2.9%—a one-percentage-point increase from 1.9% in November. On the other hand, core inflation, which excludes volatile food and energy items, accelerated to 2.8% from 2.5% print in the prior month.

Manufacturing activity likewise remained robust and in expansionary phase in December at 54.3 from 53.8 in November.

These positive developments pushed the BSP to cut its policy rates by 0.25% to 5.75%. The latest cut brought the total rate cuts to 0.75% in 2024. BSP Governor Remolona nevertheless cautioned that the balance of risks to inflation have shifted to the upside and further reiterated that it will take "baby steps" in reducing policy rates and will consider the balance between inflation risks and growth. Latest BSP risk-adjusted inflation estimates are slightly higher for 2024 and 2025: 3.2% for 2024 (vs. the previous 3.1%); 3.4% for 2025 (vs. the previous 3.3%); 3.7% for 2026 (same as in the previous).

#### **Bond Market Update**

In December, peso bond yields were mixed despite central bank rate cuts. The curve inverted as benchmark yields in the 2-year closed at 6.04% (up by 0.11%), 5-year at 6.10% (up by 0.14%), 10-year at 6.18% (up by 0.18%), and 20-year at 6.09% (down by 0.05%).

#### **Equity Market Update**

The PSEi declined by 1.3% in December to 6,528.79, trimming year-to-date gains to 1.2%. The impact of the Trump presidency, coupled with the BSP's switch in monetary policy signal, resulted in net foreign outflows. On a positive note, the 2024 modest gain ends the 4-year losing streak of the Philippine equity market.

- The BSP cut policy rates by 25bps, in-line with market expectations. However, 2025 risk-adjusted inflation forecast was slightly raised to 3.4% from 3.3%.
- Large cap names ALI (-8.4%), SMPH (-4.7%), BDO (-6.2%) and BPI (-3.7%) were sold off as broad sentiment on cyclical remained weak amid shifting cues on rate cuts.
- Foreign funds were net sellers of local equities worth USD103m.

#### **Positioning, Outlook, and Strategy**

Performance: The AIA Peso Conservative Fund lost 0.49% gross of fees in December. It outperformed its benchmark by 0.26% due to its higher allocation in money market and fixed income funds, positively contributing to the fund's return during the period.

Positioning, Outlook, and Strategy: Stable inflation and resilient economy provide a positive backdrop for fixed income and equities. Inflation is expected to stay well-anchored to the central bank target of 2% and 4%. Bangko Sentral ng Pilipinas is likely to continue cutting rates this year to further boost the economy. However, volatility is expected to persist as risks to the outlook remain amid higher wages, utility rates, and uncertainty on US policies.

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