

# AIA PESO CONSERVATIVE FUND

September 30, 2024

## Fund Description

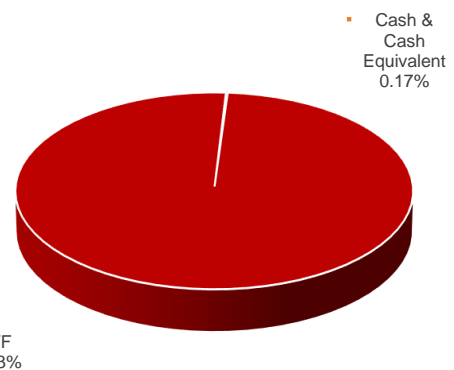
The AIA Peso Conservative Fund (the "Fund") is a Philippine peso-denominated fund created for peso variable life insurance contracts issued by AIA Philippines Life and General Insurance Company Inc., (formerly The Philippine American Life and General Insurance Company). The Fund seeks to achieve long-term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

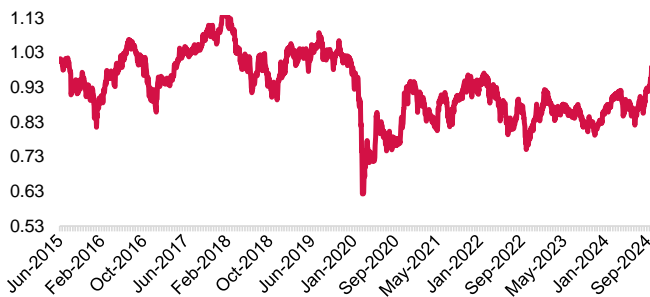


<sup>1</sup> Returns are net of fees. Past performance is not indicative of future returns

## Fund Allocation



## Net Asset Value Per Unit (NAVPU) Graph



## Key Figures and Statistics

NET ASSET VALUE PER UNIT (NAVPU)	1.0889
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	67.19%
AIA PESO MONEY MARKET FUND	16.45%
AIA PESO EQUITY FUND	16.19%
Philippine Peso	0.17%

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HEALTHIER, LONGER,  
BETTER LIVES

## AIA PESO CONSERVATIVE FUND September 30, 2024

### Commentary:

#### Market Review

##### Macro Update

As price pressures moderated, the Bangko Sentral ng Pilipinas (BSP) has pursued more policy adjustments to further prop up the economy. Inflation slowed in September to 1.9% year-on-year (y/y), slower than consensus median expectations of 2.5%, down from 3.3% in August. This is the first time it fell below BSP's long run target of 2%-4% since May 2020. The downtrend was due to the deceleration in food inflation, mainly rice inflation, and the decline in fuel prices. Core inflation, which excludes select volatile food and energy items, further declined to 2.4% y/y from 2.6%. Towards the end of the month, the BSP cut bank's reserve requirement ratio by 250 basis points (bps) to 7% effective October 25, 2024. BSP Governor Remolona further signaled his plans to cut another 200 bps by next year and to move it towards 0% by the end of his term.

Alleviating domestic bond supply pressures, the Bureau of Treasury (BTR) is looking to borrow only Php 310 billion, roughly half from previous quarter. The BTR will raise Php 220 billion from bonds and Php 90 billion from bills.

In overseas news, the US Federal Reserve (Fed) kicked off the rate cutting cycle with a hefty 50 bps cut as inflation and employment cooled. This lowered the Fed funds rate to 4.75%-5% from 5.25%-5.50%

##### Bond Market Update

Peso bond yields significantly decreased in September after central bank policy adjustments and inflation moderating towards target. Benchmark yields in the 2-year closed at 5.50% (down by 0.50%), 5-year at 5.57% (down by 0.47%), 10-year at 5.74% (down by 0.33%), and 20-year at 5.91% (down by 0.26%).

##### Equity Market Update

The PSEi rallied for the 3rd month in a row as foreign buying further accelerated following policy rate cuts from the US Fed and BSP's announcement of reserve requirement ratio (RRR) cuts. Gains for the month of 5.6% total returns (inclusive of dividends) brought YTD price total returns to 15.4%, respectively.

- US Fed cut policy rates by 50bps.
- BSP announced 250bps RRR cut effective October 25. This is estimated to inject P400b into the financial system.
- Foreign investors remained net buyers worth USD346m.

##### Positioning, Outlook, and Strategy

Performance: The AIA Peso Conservative Fund gained 2.57% gross of fees in September. It underperformed its benchmark by 0.20% due to the underperformance of its underlying funds.

##### 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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