AIA PESO CONSERVATIVE FUND

July 31, 2023

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.

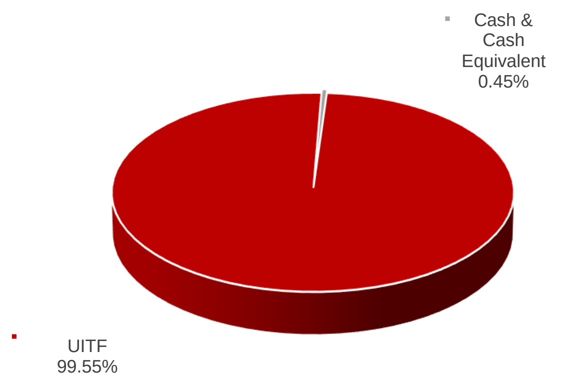
Historical Performance[1]

6MOS	1YR	3YRS	5YRS	YTD	Since Inception
-	-	-	-	0.48%	0.48%

[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)	1.0048
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	66.72%
AIA PESO MONEY MARKET FUND	19.32%
AIA PESO EQUITY FUND	13.51%
Philippine Peso	0.47%

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Commentary:

Market Review

Macro Update

The lagged effects of monetary tightening seemed to have found its way to the Philippine economy as prices, demand and activity moderated. Headline inflation decelerated further for a fifth straight month to 5.4% y/y in June from 6.1% y/y the previous month, as food and transport prices eased. Factory activity slowed with S&P Global Philippines Manufacturing Purchasing Managers' Index (PMI) easing to 50.9 in June from 52.2 in May, reflecting softer rates of expansion across output and new orders. Trade deficit narrowed by 9.3% m/m to USD4.39 billion in May, representing a 21% y/y decline amid a moderate increase in exports and a decline in imports. The value of merchandise exports increased for the first time since November last year to USD6.44 billion (+1.9% y/y) in May led by electronic products. On the other hand, imports declined by 8.8% y/y to USD10.84 billion with all subsectors contracting, except for consumer imports. Meanwhile, the unemployment rate improved to 4.3% in May from 4.5% in April as the domestic economy remained open. In contrast, overseas cash remittances grew 2.8% y/y to USD2.49 billion in May, slower than 3.7% y/y growth in April and consensus estimate of 3.9% y/y increase for the month.

Bond Market Update

The local bond yield curve has steepened in July, normalizing from its previous inversion, on receding disinflation and recession risks. The 2-yr benchmark rate dropped by 9 bps to 6.23% while the 5-, 10-, and 20-yr increased by 11bps to 6.29%, 11bps to 6.41%, 39bps to 6.41%, respectively. The local bond market moved in tandem with US Treasury yields, which rose post Fed hike. The 25bp policy hike by the US Federal Reserve pressured local yields as interest rate differential between the Fed and the BSP narrowed to 75bps. Given uncertainty and rising yields, demanded for higher interest rates in the primary market. Because of this. the Bureau of Treasury (BTr) partially raised PHP108.39 billion of 9-, 15-, 6- and 7-year bonds in July, from its initial offering of PHP120 billion. The 9-Yr (FXTN 10-69) and 6-Yr (FXTN 7-68) bond re-offerings settled at a higher average yield of 6.562% and 6.299%, respectively. Meanwhile, while the newly issued 15-Yr (FXTN 15-01) and 7-Yr (FXTN 7-70) bond coupons were also set higher at 7.00% and 6.375%, respectively. The BTr supply schedule for August has been released maintaining its frequency for all T-bill and T-bond auctions. Bond tenors to be offered are 5-, 6-,10-, and 15yrs.

Equity Market Update

The slowing US inflation print and PHP appreciation provided impetus for the PSEi to bounce its way back close to the 6,600 level in July. Ayala Land (ALI, +12.76%) was the darling across property names, as investors leveraged on the view of an easing monetary policy backdrop. BDO (+5.37%) and BPI (+5.24%) likewise supported the PSEi rally after reporting better-than-expected 2Q earnings. On the other hand, Universal Robina (URC, -10.84%) was the top index decliner for the month due to several issues that could potentially impact the company's earnings including the junk food tax, expanded sugar tax and single-use plastic tax. Foreigners remained net buyers for USD332m largely albeit average daily turnover fell sharply to USD87m, lower by 38% MoM.

Positioning, Outlook, and Strategy

Performance: The AIA Peso Conservative Fund's return outperformed its benchmark by 3bps in July. The asset allocation for the month favored exposures to money market over equities while keeping the long term bond allocation steady. However, the fund's exposure in equities posted significant positive returns for the month, which more than offset the losses from fixed income. Disinflation bets and strong 2Q23 earnings from banks were the main drivers for its equities outperformance for the month.

Positioning, Outlook, and Strategy: We remain constructive on rates as the pace of tightening and inflation slows. Central bank policy's dependence on economic data and any threat to inflation expectations will keep asset prices volatile. We will continue to reduce exposure in equities as the economy slows and feel the impact of policy tightening.