

AIA PESO CONSERVATIVE FUND

March 27, 2024

Fund Description

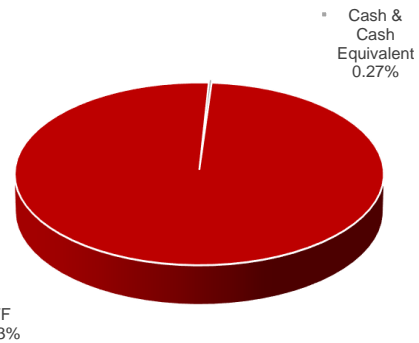
The AIA Peso COnservative Fund (the "Fund") is a Philippine peso-denominated fund created for peso variable life insurance contracts issued by AIA Philippines Life and General Insurance Company Inc., (formerly The Philippine American Life and General Insurance Company). The Fund seeks to achieve long-term 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 Performance¹

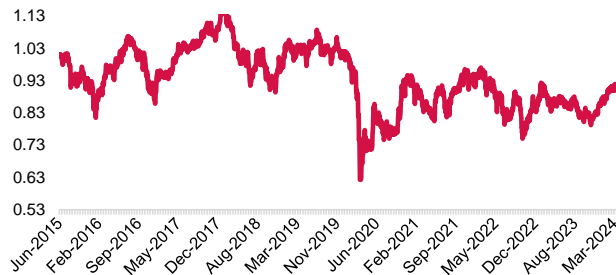


¹ Returns are net of fees. Past performance is not indicative of future returns

Fund Allocation



Net Asset Value Per Unit (NAVPU) Graph



Key Figures and Statistics

NET ASSET VALUE PER UNIT (NAVPU)	1.0366
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	66.86%
AIA PESO MONEY MARKET FUND	17.29%
AIA PESO EQUITY FUND	15.58%
Philippine Peso	0.27%

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HEALTHIER, LONGER,
BETTER LIVES

AIA PESO ADVENTUROUS FUND
March 27, 2024

Commentary:

Market Review

Macro Update

Local price pressures ensued in March while economic indicators pointed to resilient domestic growth. Philippine inflation quickened by 3.7% y/y in March from 3.4% in February, modestly slower than consensus estimate of 3.8%. It was well within the Bangko Sentral ng Pilipinas (BSP) projections of 3.4%-4.2%. The inflation data was driven by higher food prices, led by rice, which rose 24.4% y/y. The BSP remains vigilant as El Nino, higher transport and power costs are still key risks to its price outlook. Meanwhile, bank lending in January remained healthy at 7.8% y/y, showing an improvement from 7.1% in December. The nation's factory activity continued to expand with S&P Global Philippines Purchasing Managers' Index (PMI) reading posted at 50.9 in March albeit slightly lower than 51.0 in February. Local economic activity is further supported by growth in government spending, which posted 22.1% y/y in February. Meanwhile, government revenue collection only grew 5.73% y/y, resulting to a deficit of PHP164.7 Bn in February, reversing the surplus of PHP88 Bn in January.

Bond Market Update

Despite higher inflation prints and strong economic data, local bond yields closed the month lower on market liquidity and as the US Federal Reserve (Fed) maintained policy cut forecasts. The Fed kept policy rates steady at 5.50% on its 20 March meeting and sees 0.75% cut in 2024. The market viewed this as dovish as investors have downwardly revised expectations to a 0.50% policy cut. Meanwhile, significant bond maturities worth PHP700Bn in early March drove successful bond issuances by the Bureau of Treasury (BTr) during the month. The BTr maintained its auction sizes in its 2nd quarter borrowing program, which include issuances of 3-, 7- 10-, 15-, and 20-year bonds. Local benchmark yields declined with the 2-years closing the month at 6.04% (-0.07%), 5-years at 6.18% (-0.02%), 10-years at 6.23% (-0.01%), and 20-years at 6.26% (-0.05%).

Equity Market Update

The PSEi broke its four-month win streak with a 0.6% drop in March. Foreigners returned to being net sellers on the back of the FTSE rebalancing and higher-than-expected inflation print.

- Foreign net selling amounted to USD46m largely due to passive outflows caused by the mid-month FTSE rebalancing.
- February 2024 PH inflation came in at 3.4%, higher than the 3.0% market estimates.
- BSP expects March inflation to print close to 4%.

Positioning, Outlook, and Strategy

Performance: The AIA Peso Conservative Fund returned 0.44% gross of fees in March. It underperformed its benchmark by 0.14% as the fund's lower exposure to equities, which gained 0.77% in the month, detracted returns.

Positioning, Outlook, and Strategy:

Local bonds are still expected to outperform in 2024, but the path to lower yields faces headwinds in the near term. While BSP policy rate cuts remain in the horizon, recent uptick in inflation indicates a possible delay. The shift to an accommodative monetary policy is expected to happen after the Fed eases rates and local inflation returns to BSP targets. Interest rates are projected to remain elevated in the near term, presenting opportunities for portfolio repositioning at more favorable levels.

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