AIA Global Dynamic Income-Paying Fund - Peso

DECEMBER 29, 2023

Fund Description

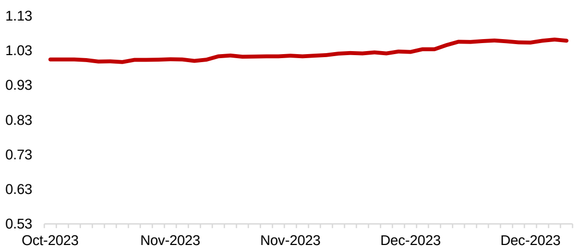
The AIA Dynamic Income Fund seeks to provide regular target income and total return over the long term by investing in variety of income generating asset classes including but not limited to fixed income securities, equities, covered call options and collective investments. Indirect exposure to these asset classes will be achieved primarily through investments in units or shares of the Collective Investment Schemes established by AIA including AIA Investment Funds that are managed either by AIA Investment Management or reputable third-party investment managers with proven track records and a disciplined systematic security selection approach to deliver long-term capital growth.

Historical Performance[1]

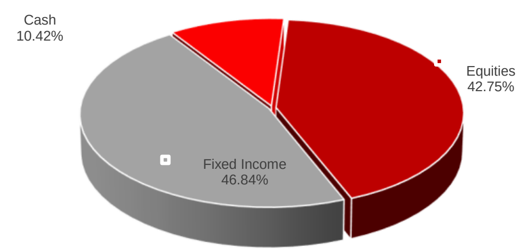
6MOS	1YR	3YRS	5YRS	YTD	Since Inception
-	-	-	-	5.42%	5.42%

[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)	1.0542
INCEPTION DATE	20 October, 2023
FUND CLASSIFICATION	Multi Asset Fund
RISK PROFILE	Moderately Adventurous
FUND CURRENCY	Philippine Peso
DOMICILE	Philippines

Top Holdings

Top 5 (Equities)	% of Portfolio
Microsoft Corp	4.05%
Taiwan Semiconductor Manufacturing Co Ltd	2.45%
Merck & Co Inc	1.57%
Novartis AG	1.54%
The Home Depot Inc	1.51%

Top 5 (Fixed Income)	Maturity	% of Portfolio
eBay Inc 3.45% 01/08/2024	1/8/2024	0.97%
Morgan Stanley 1.164% VRN 21/10/2025	21/10/2025	0.95%
Equinix Inc 2.625% 18/11/2024	18/11/2024	0.90%
United States Treasury NoteBond 4.375% 31/08/2028	31/8/2028	0.86%
UnitedHealth Group Inc 3.7% 15/12/2025	15/12/2025	0.79%

HEALTHIER, LONGER, BETTER LIVES

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Commentary:

Macro Review

The US labor market remained resilient with continued increase in nonfarm payrolls and relatively low unemployment rate in December 2023. In addition, for December 2023, the US manufacturing sector remained in contraction and the US services sector remained in expansionary territory. Citi's Economic Surprise Index remained in positive territory in December 2023, though off its highs year-to-date reached in July 2023. US inflation for December 2023 remained above the target inflation rate. The Federal Reserve held rates steady at the December 2023 FOMC meeting.

Economic growth in Europe remained challenged with both manufacturing and services PMI in the contractionary zone for December 2023. Citi's Economic Surprise Index for Eurozone remained in negative territory though off the year-to-date lows reached in July 2023. Inflation in Eurozone rebounded from the lows in December 2023, though significantly off the highs reached in 2022. ECB held the main refinancing operations rate steady in the December 2023 monetary policy meeting.

China's economic growth remained challenged. For December 2023, China's manufacturing sector dipped further back in contractionary territory and was the lowest level in 6 months. China is experiencing deflation with headline CPI coming in at -0.3% and producer price inflation coming in at -2.7% in December 2023. With the muted economic backdrop in China, market participants will be looking to the policymakers for more concrete measures to support the economy.

Market Review

Global equities continued to rally in December 2023 and was up the second consecutive month. December 2023 saw a broad-based rally as the Industrial sector outperformed the benchmark and made new highs. Small cap equities outperformed large cap equities in December 2023. In terms of investment styles, value and small size led while minimum volatility lagged. Across the major geographic regions, Europe equities outperformed while Chinese equities continued to lag.

There was also broad-based strength in the fixed income markets in December 2023. Treasuries rallied in December as US 10-year yield continued to decline in December 2023. US investment grade led the rally amongst the fixed income complex in December and outperformed High Yield.

The broad commodities market was down in December 2023. There was divergence in performance of the growth sensitive commodities such as copper and oil where copper was up while oil was down. Gold appreciated in December. Asia currencies and the developed economy currencies broadly appreciated against the USD in December.

Portfolio Review

• The AIA Global Dynamic Income Fund (Peso) was up 3.49% for the month, and inception to date returns at 5.41% (annualized).

• In terms of absolute performance, AIA Equity Income Fund, AIA Diversified Fixed Income and AIA High Yield Bond Fund delivered positive absolute returns for the month

• In terms of relative performance, AIA Equity Income Fund, AIA Diversified Fixed Income and AIA High Yield Bond Fund underperformed respective benchmarks

Outlook

The macro backdrop for 2024 is more positive compared to 2023 as the headwind of monetary policy tightening could transition to the tailwind of loosening financial conditions. At the point of writing, the Fed Fund Target Rate is above the US inflation rate, thus opening the door for rate cuts by the Federal Reserve if the central bank's focus shifts to protecting economic growth. Oil prices remain in a downtrend despite actions taken by OPEC+ on supply cuts. Muted oil prices could provide impetus for inflation to decline further from current levels, and that could boost risk assets.

Fundamentals support a more positive market outlook compared to 2023. Earnings trajectory has resumed its uptrend. Market internals are also confirming the recent advance with cyclical equities outperforming defensive equities and market breadth improving. Turning to technicals, cross asset price action is constructive with equity volatility muted and credit spreads contained. In addition, the start of a Fed cutting cycle is typically bullish for equities, unless the rate cut cycle is followed by a recession. In terms of valuations, equity valuations are not cheap, driven by the "Magnificent 7" AI related stocks which have contributed to the bulk of the equity gains. However, stripping out the "Magnificent 7" stocks, valuations of the other names in the US equity market are not as stretched. Should rapid rate cuts indeed materialize in 2024, there could be catch up from sectors and investment styles which have lagged in 2023 such as small cap and value stocks, and catalyze the next leg of the equity rally.