

# AIA Global Dynamic Income Fund

JANUARY 31, 2024

## Fund Description

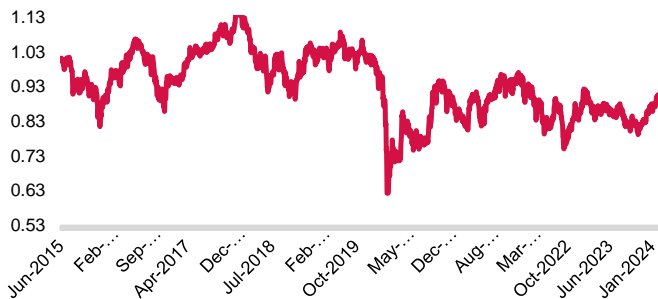
The AIA Peso Conservative Fund (the "Fund") is a Philippine peso-denominated fund created for peso variable life insurance contracts issued by AIA Philippines Life and General Insurance Company Inc., (formerly The Philippine American Life and General Insurance Company). The Fund seeks to achieve long-term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

## Historical Performance<sup>1</sup>

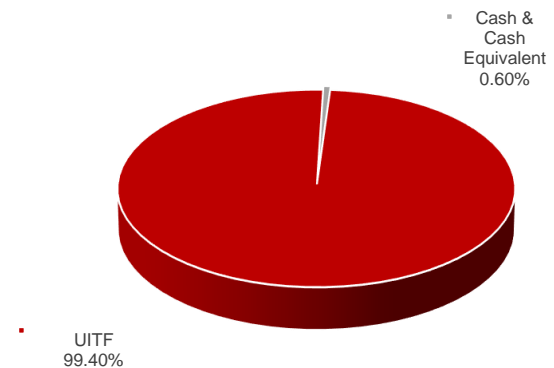


<sup>1</sup> Returns are net of fees. Past performance is not indicative of future returns

## Net Asset Value Per Unit (NAVPU) Graph



## Fund Allocation



## Key Figures and Statistics

NET ASSET VALUE PER UNIT (NAVPU)	1.0863
INCEPTION DATE	20 October, 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	67.02%
AIA PESO MONEY MARKET FUND	18.96%
AIA PESO EQUITY FUND	13.42%
Philippine Peso	0.60%

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## AIA PESO ADVENTUROUS FUND JANUARY 31, 2024

### Commentary:

#### Market Review

#### Macro Update

With inflation already showing signs of easing, the Bangko Sentral ng Pilipinas (BSP) maintained its policy rate at 6.50% last November 16th while maintaining a hawkish stance on potential price pressures in 1H24 from El Nino risks. October inflation printed below market expectations at 4.9% y/y (-0.2% m/m) vs. 5.6% consensus, lower than 6.1% in September. Headline inflation is mostly driven by broad food inflation decelerating to 7% y/y from 9.7% the previous month. On the other hand, 3Q23 GDP surprised on the upside at 5.9% y/y (+3.3% q/q) vs. 4.7% y/y consensus and higher than 4.3% y/y the previous quarter. While growth was mostly driven by a catch up in government expenditures, household spending continued to decline. The jobless rate accelerated to 4.5% in September from 4.4% in August amid the decline in labor force participation rate. Meanwhile, the S&P Global Philippine Manufacturing PMI improved further into expansionary territory at 52.4 in October compared to 50.6 in September driven by the rise in new orders and output ahead of the Christmas season. Money supply (M3) grew 8.2% y/y in October while bank lending growth improved to 7.1% y/y from 6.5%. On the fiscal front, Philippine budget deficit notably narrowed in October at Php 34.4Bn from Php 250.9Bn in September, attributed to improved tax revenue collections amid more disciplined government spending. The nation's outstanding debt swelled to Php 14.481Tn (+6.2% y/y) in October from previous month's Php 14.269Tn amid an increase in net borrowings largely due to the issuance of the Retail Dollar Bonds.

#### Bond Market Update

Local bond yields drastically fell on growing expectations for declining inflation and BSP policy rate to have peaked. The benchmark yield curve bull-flattened as rates in the long-end fell faster than short-end rates. The yield for 2-, 5-, 10-, and 20-year tenors ended the month at 5.96% (-60bps), 6.14% (-63bps), 6.23% (-80bps) and 6.28% (-73bps), respectively. Programmed bond supply for December was reduced to Php 60 Bn from Php 225 Bn the previous month amid national government's sufficient cash position and dry market liquidity ahead of the holidays.

#### Equity Market Update

The PSEi climbed 4.2% in November, recovering from the 5.5% loss it sustained the previous month. The rally was largely driven by softer-than-expected inflation data both in US and Philippines, better-than-expected Philippine 3Q GDP and resumption of reclamation activity in the Manila Bay area, which benefited large cap names SM and SM Prime.

- US Headline CPI and Core CPI in October increased 3.2% and 4.0% y/y, respectively, both lower than consensus.
- Philippine Headline inflation drops to 4.9% in October from 6.1% in the previous month and also lower than the Bangko Sentral ng Pilipinas (BSP's) forecast of 5.1-5.9%.
- Philippine GDP grew by 5.9% in the third quarter, faster than the 4.3% expansion in the second quarter.
- Share prices of SM Investments (SM +2.25% MoM) and SM Prime Holdings (SMPH +7.67% MoM) soared after the government exempted its coastal development project from the ban on Manila Bay reclamation. Combined weight of both companies accounts for 24% of PSEi.

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

Performance: The AIA Peso Conservative Fund gained 3.20% but trailed its benchmark by 50 bps in November. The fund's lower exposure to equities, which gained 5% for the month, detracted returns.

Positioning, Outlook, and Strategy: We expect the BSP to maintain its hawkish bias in the near term as second round inflation pressures from El Nino, fare, and wage hikes to persist towards the second quarter of 2024. High interest rates for longer will take a toll on credit conditions and eventually negatively impact economic growth over the next twelve months. With this, the fund maintains its preference for fixed income assets over equities.

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