



AIA PESO MEDIUM-TERM BOND FUND

KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT AS OF MARCH 31, 2023

FUND FACTS

Classification	Intermediate Fixed Income	Net Asset Value per Unit	Php 1.00
Launch Date	February 17, 2023	Total Fund NAV (Mn)	Php 50.10 Mn
Minimum Investment	Php 1,000	Dealing Day	Daily up to 12nn
Additional Investment	Php 100	Redemption Settlement	1 business day
Minimum Holding Period	None	Early Redemption Fee	none

FEES

Trustee Fees: 0.2105% AIA Investment Management & Trust Corporation Philippines	Custodianship Fees: 0.0046% HSBC	External Auditor Fees: Approx. Php 100k-150k PWC	Other Fees¹: 1.6336%
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INVESTMENT OBJECTIVE AND STRATEGY

The Fund aims to achieve stable income and capital growth by investing in a diversified portfolio of fixed income instruments with an average portfolio duration of more than 3 but not more than 5. It aims to outperform the Bloomberg Philippine Local Sovereign Index 1 to 5 Year or BPHIL15 Index.

CLIENT SUITABILITY

A client profiling process should be performed prior to participating in the Fund to guide the prospective investor if the Fund is suited to his/her investment objectives and risk tolerance. Clients are advised to read the Plan Rules of the Fund, which may be obtained from the Trustee, before deciding to invest.

This fund is suited for moderately conservative investors with an investment horizon of more than 3 years.

RISK CONSIDERATIONS

You should not invest in this Fund if you do not understand or are not comfortable with the accompanying risks.

- **Credit Risk.** Refers to the risk of losses that an investor is exposed to due to a borrower's failure to pay the principal and/or interest on instruments such as bonds, loans, or other forms of securities. The borrower's inability to fulfil its financial obligations may be due to adverse changes in its financial condition thus, lowering the credit quality and/or price of the security.
- **Counterparty Risk.** Refers to the risk of a counterparty defaulting on a contract to deliver its obligation in cash, securities or even services.
- **Liquidity Risk.** Refers to the risk of losses that an investor is exposed to due to the inability to convert assets into cash immediately or when the conversion is possible but only at a lower price. Such may be caused by holding securities with small or few outstanding issues, inadequate buyers, infrequent trading activity or underdeveloped capital market.
- **Market Risk.** Refers to the risk of losses that an investor is exposed to due to the unanticipated change in the prices of securities or macroeconomic variables that influence the financial markets.
- **Interest Rate Risk.** Refers to the risk of loss that an investor is exposed to due to changes in interest rates. The purchase and sale of fixed income securities, for example, may result in a loss because the price of the security may decline if interest rates rise.
- **Reinvestment Risk.** Refers to the risk that an investor is exposed to the possibility of getting lower returns or earnings upon reinvestment of maturing funds and/or interest earnings.

- **THE UITF IS NOT A DEPOSIT AND IS NOT INSURED BY THE PHILIPPINE DEPOSIT INSURANCE CORP (PDIC).**
- **RETURNS CANNOT BE GUARANTEED AND HISTORICAL NAVPU IS FOR ILLUSTRATION OF NAVPU MOVEMENTS/ FLUCTUATIONS ONLY.**
- **WHEN REDEEMING, THE PROCEEDS MAY BE WORTH LESS THAN THE ORIGINAL INVESTMENT AND ANY LOSSES WILL BE SOLELY FOR THE ACCOUNT OF THE CLIENT.**
- **THE TRUSTEE IS NOT LIABLE FOR ANY LOSS UNLESS UPON WILLFUL DEFAULT, BAD FAITH OR GROSS NEGLIGENCE.**

For more information, you can contact us at (02)85216300 or email us at reginamichaela-v.uichanco@aia.com.

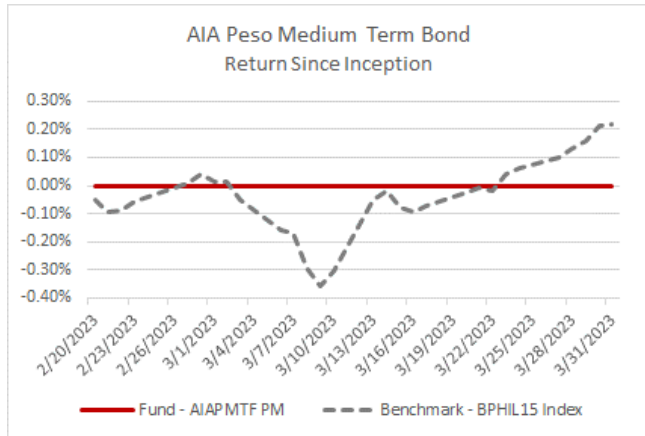
¹ Other Fees may include transaction, brokers, and other related fees



FUND PERFORMANCE AND STATISTICS as of MARCH 31, 2023

(Purely for reference purposes and is not a guarantee of future results)

NAVPU GRAPH



*The benchmark is 100% Bloomberg Philippine Local Sovereign Index 1 to 5 Year Index (BPHIL15 Index)

CUMULATIVE PERFORMANCE (%)²

	1 mo	S.I.
Fund	0.00%	0.00%
BM	0.18%	0.22%

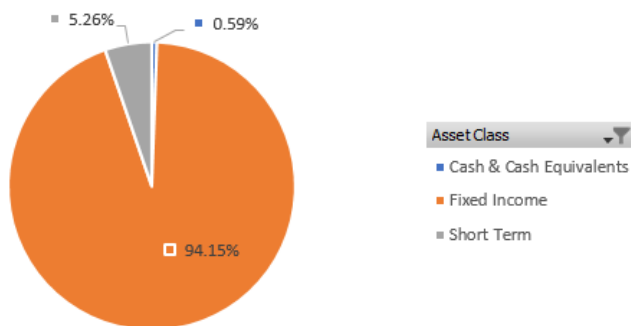
NAVPU SINCE INCEPTION

Highest	1.00
Lowest	1.00

STATISTICS

Weighted Ave. Duration ³	3.34
Volatility, Past 1 Year ⁴	N/A
Sharpe Ratio ⁵	0.00%
Information Ratio ⁶	12.93%

PORTFOLIO COMPOSITION



TOP TEN HOLDINGS

Security	% of Portfolio
RPGB 6 1/4 03/12/24	15.11%
RPGB 4 1/4 04/07/25	14.05%
RPGB 6 1/2 05/19/29	12.88%
RPGB 7 10/13/29	12.70%
RPGB 6 7/8 01/10/29	9.98%
RPGB 5 3/4 04/12/25	9.18%
RPGB 6 1/4 02/14/26	8.84%
RPGB 8 5/8 09/06/27	8.35%
RIZBNK DTD 5.8000 04/03/23	5.26%
RPGB 6 1/8 08/22/28	3.05%

² Returns are net of fees

³ Duration measures the expected change in the portfolio's bond prices to a 1% change in interest rates.

⁴ Volatility measures the degree to which the Fund fluctuates vis-à-vis its own average return over a period of time (annualized standard deviation of daily returns).

⁵ Sharpe Ratio is used to characterize how well the Fund compensates the investor for the level of risk taken. The higher the number, the better, as it provides a higher reward for every risk taken. It is computed under the following steps: 1) Getting the annualized returns of the Fund; 2) Subtracting the Philippines risk-free rate over number 1. The Philippines risk-free rate used in the calculation is the running 10-year Bond Rate; and 3) Dividing the difference of 1-2 over the Fund's Volatility (annualized standard deviation of daily returns).

⁶ Information Ratio has the same objective as the Sharpe Ratio as it characterizes how well the Fund compensates the investor for the level of risk taken. However instead of comparing the Fund's return with the Philippines risk-free rate, it is compared over the Benchmark's return and the risk measure is the Tracking Error of the Fund over its Benchmark. It is computed under the following steps: 1) Getting the annualized returns of the Fund; 2) Subtracting the annualized returns of the Benchmark to 1; and 3) Dividing the difference of 1-2 over the Fund's Tracking Error. The Tracking Error methodology used is Ex-Ante Tracking Error (Bloomberg-based) which is a predictive or forward-looking Tracking Error estimate.

OUTLOOK AND STRATEGY

It was a volatile quarter across asset classes amid tight financial conditions and an impending slowdown in the global economy. Central banks were faced with the challenge of balancing monetary policy to abate persistent inflation and address emerging risks in the global banking sector.

The US Federal Reserve (Fed) increased its policy rates by 25 bps each in its February and March meetings, bringing the Fed Funds Rate to 4.75%-5.00% as it continues taming inflation. In March, the global financial market was shaken by news of the Silicon Valley Bank collapse. In its latest policy meeting, Fed Chair Jerome Powell acknowledged the recent developments may result in tighter credit conditions, weighing on activity, employment, and inflation. Economic activity in the US showed signs of slowing down as 4Q22 GDP posted 2.6% QoQ vs. 3Q22 3.2% QoQ as personal consumption slackened. Despite the heightened risk of recession, Fed Chair Powell stressed that rate hikes remain on the table.

Closer to home, the Bangko Sentral ng Pilipinas (BSP) raised rates by 50 bps in February and 25 bps in March, bringing the policy rate to 6.25% in the first quarter of the year. The BSP lowered its 2023 and 2024 full-year inflation forecasts to 6.0% (previously 6.1%) and 2.9% (previously 3.1%), respectively, due to lower growth forecasts and the effects of previous rate hikes. Philippine growth momentum slowed as 4Q22 GDP posted at 7.2% YoY from 7.6% YoY in 3Q22.

Local bond yields dropped as investors shifted to safer assets in response to risk-off sentiment. Investor preference for bonds was evident in successful government bond auctions in the first quarter. This includes the Retail Treasury Bond (RTB) issuance where the Bureau of Treasury raised PHP283.76 Bn of 5.5Yr at 6.125%.

Near-term volatility is expected to persist as investors remain divided on central banks' next move and emerging banking sector woes. Increased recession risks amid tightening credit conditions and deterioration of purchasing power would further support the case of lower bond yields in the long term. The fund shall take advantage of opportunities in the bond market to pick up yield and increase duration.

RELATED PARTY TRANSACTIONS

None to disclose