

## AIA PESO MEDIUM-TERM BOND FUND

### KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT AS OF JUNE 30, 2024

#### FUND FACTS

Classification	Intermediate Fixed Income	Net Asset Value per Unit (NAVPU)	Php 1.0382
Launch Date	February 17, 2023	Total Fund Net Asset Value (Mn)	Php 51.99
Minimum Investment	Php 1,000	Dealing Day	Daily up to 12nn
Additional Investment	Php 100	Redemption Settlement	3 business days
Minimum Holding Period	None	Early Redemption Fee	None

#### FEES\*

Trustee Fees:	Custodianship Fees:	Other Fees <sup>1</sup> :
0.2105%	0.005%	0.9543%
AIA Investment Management & Trust Corporation Philippines	HSBC	

\*as a percentage of NAV as of quarter end

#### INVESTMENT OBJECTIVE AND STRATEGY

The Fund aims to achieve stable income and capital growth by investing in a diversified portfolio of peso-denominated fixed income instruments with an average portfolio duration of more than three (3) but not more than five (5). The Fund is actively managed which allows full discretion on security selection and aims to outperform the overall return of Markit iBoxx ALBI Philippines 1-5 or IBXXPH15 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 three (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.**

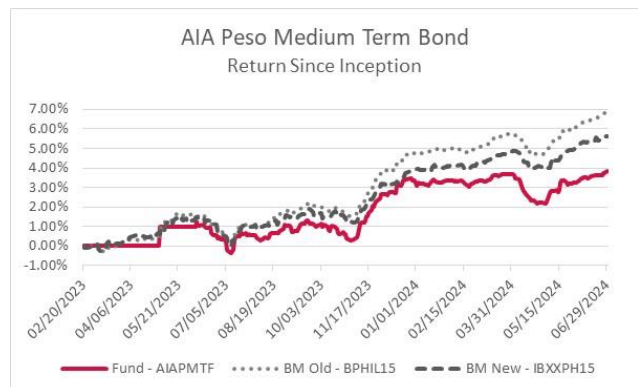
For more information, please check the official website at <https://investment.aia.com/ph/index.html> or contact (+63)9610451549 or [mayen-mf.dabbay@aia.com](mailto:mayen-mf.dabbay@aia.com).

<sup>1</sup> Other Fees may include transaction fees.

## FUND PERFORMANCE AND STATISTICS as of JUNE 30, 2024

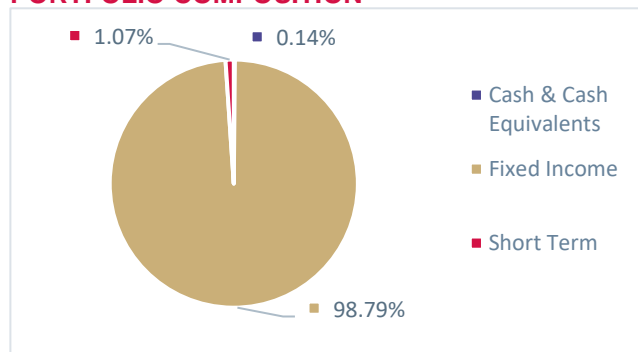
(Purely for reference purposes and is not a guarantee of future results)

### NAVPU GRAPH



\* Effective May 01, 2024 - new benchmark is Markit iBoxx ALBI Philippines 1-5 [IBXXPH15 INDEX] from Bloomberg Philippine Sovereign Bond Index 1 to 5 [BPHIL15 INDEX]. The IBXXPH15 Index is maintained by IHS Markit. It reflects acceptable returns on a peso-denominated medium risk fixed income portfolio comprising of Philippine Government Bonds with remaining maturity of at least 1.25 years and no longer than five (5) years. Benchmark composition is rebalanced monthly. Relative to the previous benchmark, it is net of taxes, which is a more accurate measure of performance.

### PORTFOLIO COMPOSITION



### OUTLOOK AND STRATEGY

Resilient economic data in the US and sustained inflationary pressures in the Philippines led to higher interest rates in the second quarter. An unexpected change in the Federal Reserve's (Fed) rhetoric in April prompted a reassessment of interest rate expectations. Locally, US dollar strength pushed yields to retrace yearend 2023 levels.

Headline inflation continued to print higher on increased food and energy prices amid a cooling core. Inflation accelerated to 3.8% year-on-year (y/y) in April before declining to 3.7% in June. This brought the average inflation rate to rise 3.5% y/y in the first half of the year from 3.3% y/y in the first quarter.

The domestic economy grew 5.7% y/y or 1.3% quarter-on-quarter (q/q) in the first quarter, missing 5.9% consensus despite posting a solid performance. The above-average growth in exports and recovery in government spending offset sluggish personal consumption and weak investment spending from prolonged inflation and high interest rates.

To abate the rising costs, the government announced lower tariffs on imported rice in June. As a result, the Bangko Sentral ng Pilipinas (BSP) significantly revised down its annual inflation forecasts for 2024 and 2025 to 3.1% from 3.8% and 3.7%, respectively, on its 27 June Monetary Board meeting. The BSP kept its key interest rate unchanged at 6.50% but shifted to a dovish tone and signalled intentions to cut interest rates as early as August.

Meanwhile, the Bureau of Treasury started rejecting higher bid yields in bond auctions in May, only partially fulfilling its borrowing requirements in the second quarter. The dovishness of the BSP and easing of domestic bond supply pressures capped the upward trend in yields in June.

The bond index gave a 0.64% return in the second quarter. Interest rates rose by 10-55 basis points (bps), ending the quarter with a steeper curve. The benchmark 10-year peso rate ended 41 bps higher at 6.65%.

With BSP policy rate cuts in the horizon, local bond prices are expected to recover in the second half of 2024. Prospects of monetary policy accommodation and easing inflation pressures provide a favorable backdrop for the fixed income funds.

### RELATED PARTY TRANSACTIONS

None to disclose.

### CUMULATIVE PERFORMANCE (%)<sup>2</sup>

	1 mo	3 mo	6 mo	YTD	S.I.
<b>Fund</b>	0.54	0.13	0.45	0.45	3.82
<b>BM*</b>	0.62	0.64	1.61	1.61	6.44

\*Benchmark (BM) used is BPHIL15 INDEX from inception to April 30, 2024 and IBXXPH15 INDEX from May 01, 2024 to June 30, 2024.

### NAVPU OVER PAST 12 MONTHS

<b>Highest</b>	1.0382
<b>Lowest</b>	0.9966

### STATISTICS

<b>Weighted Ave. Duration<sup>3</sup></b>	3.38
<b>Volatility, Past 1 Year<sup>4</sup></b>	1.71%
<b>Sharpe Ratio<sup>5</sup></b>	-1.41
<b>Information Ratio<sup>6</sup></b>	-1.45

### TOP TEN HOLDINGS

Security	% of Portfolio
RPGB 7 10/13/29	13.95
RPGB 6 1/2 05/19/29	12.20
RPGB 6 1/4 02/28/29	10.62
RPGB 4 7/8 03/04/27	9.61
RPGB 6 7/8 01/10/29	9.43
RPGB 5 3/4 04/12/25	8.79
RPGB 8 5/8 09/06/27	7.77
RPGB 4 1/4 04/07/25	6.39
RPGB 6 3/8 07/27/30	5.78
RPGB 6 1/8 01/11/29	5.77

<sup>2</sup> Returns are net of fees.

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

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

<sup>5</sup> 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 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.

<sup>6</sup> 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 returns of the Fund; 2) Subtracting the returns of the Benchmark to 1; and 3) Dividing the difference of 1-2 over the Fund's Tracking Error.