

'19

FUND PERFORMANCE REPORT

BPI-Philam Life Assurance (BPLAC) Corp. Variable Unit-Linked
Funds Annual Report and Statement of Assets and Liabilities
(BPLAC-ALAI)

The background features a semi-transparent red overlay over a photograph of a large stadium with tiered seating. A white line graph is overlaid on the image, showing a fluctuating trend. The year '2019' is prominently displayed in large white font.

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**+ LETTER
TO POLICY
HOLDERS**



Surendra Menon

Chief Executive Officer
BPI-Philam Life Assurance Corporation

Dear Policyholder,

2019 was a challenging year for the economy worldwide. International economic growth slowed to 2.9% this year, from 3.6% in 2018. Trade tensions between the United States and China rose again, resulting in tariff increases and negative business sentiments across the globe.

To adapt, central banks in the largest economies shifted towards easy monetary policy. Afterwards, financial conditions slowly improved, and, in the case of the Philippines, even more so than the year before. This, along with easing inflation, provided an ideal environment for local bonds.

All funds performed better in 2019 compared to 2018.

As bond prices soared, funds that were invested in Philippine Peso- and U.S. Dollar-denominated Philippine government securities recorded their best performances in the last 10 years. The stock market recovered, though mildly, even as listed companies' profits grew 13%.

Despite the global market's unpredictability, BPI-Philam withstood the challenges. We kept our strength and leadership in the industry alive with a strong financial performance in 2019 based on our audited financial statements:

- Total Assets: PHP 109.10 billion
- Net Worth: PHP 8.08 billion
- Paid up Capital: PHP 0.75 billion
- Gross Premiums: PHP 17.79 billion
- Net Income: PHP 1.21 billion

Thank you for choosing us as your partner in financial security. At BPI-Philam, we make sure that insurance is affordable and accessible to everyone, helping millions of people live healthier, longer, and better lives.

Sincerely,

SURENDRA MENON

Chief Executive Officer

Should you have any inquiries, please do not hesitate to call us at (02) 8528-5501 or 1-800-188-89100 domestic toll-free, or send us an email at BPI-Philam_CustomerService@aia.com. You may also visit our website at www.bpi-philam.com or head to the nearest BPI or BPI Family Savings Bank branch for assistance.

STATEMENT OF ASSETS AND LIABILITIES

as of December 31, 2019

BPI-Philam (formerly Ayala Life) Peso Variable Funds

In PHP Equivalent	Philippine Stock Index Fund	ALFM Peso Bond Fund
ASSETS		
Cash and cash equivalents	–	–
Financial assets at FVTPL*	3,301,695	23,459,873
Loans and receivables	5,789	97,721
Accrued income and Other Assets	–	–
Total Assets	3,307,484	23,557,593
LIABILITIES		
Accounts payable and accrued expenses	–	–
Total Liabilities	–	–
Net Asset Value (NAV)	3,307,484	23,557,593

* Fair Value through Profit or Loss

STATEMENT OF ASSETS AND LIABILITIES

as of December 31, 2019

BPI-Philam (formerly Ayala Life) Dollar Variable Fund

In USD Equivalent

**ALFM Dollar
Bond Fund**

ASSETS

Cash and cash equivalents	–
Financial assets at FVTPL*	206,953
Loans and receivables	1,839
Accrued income and Other Assets	–
Total Assets	208,792

LIABILITIES

Accounts payable and accrued expenses	–
Total Liabilities	–

Net Asset Value (NAV)

208,792

* Fair Value through Profit or Loss



+ MARKET REVIEW



General Market Overview

The markets fared better in 2019, following an eventful 2018.

Inflation, the 'front and center' of uncertainty in 2018, eased. Inflation decelerated, despite new taxes added on oil and tobacco.

As inflation fell from 5.1% (end-2018) to 2.5% (end-2019), the Bangko Sentral ng Pilipinas (BSP) lowered its policy lending rate three times in 2019, or a total of 75 basis points, to 4.0%, from 4.75% at end-2018.

The Philippine peso appreciated to PHP50.63/USD (from PHP52.58/USD), even as the U.S. dollar strengthened against most other currencies.

The Local Economy

Gross Domestic Product (GDP) growth decelerated from 6.2% (2018) to 5.9% (2019), mainly on account of the contraction in investment spending and slowdown in manufacturing output.

Government spending, which grew 10.5%, led growth in total demand. Consumer spending still accounted for the lion's share of GDP, at 68%.

In total output, Services led, expanding 7.1%, with the Trade and Repair of Motor Vehicles, Motorcycles, Personal and Household Goods, and, Financial Intermediation sectors driving growth at 8.0% and 10.4%, respectively.



Local Fixed Income Market

The BPI Philippine Government Bond Index delivered 19.23% in returns to investors in 2019 – a reversal from the 4.4%-loss the year before.

Bond prices soared, resulting in yields declining to the year's low of 4.25% (August), from 7.04% at the end of 2018. To recall, bond prices declined in 2018 as the Bangko Sentral ng Pilipinas raised its policy lending rate from 3.0% to 4.75% amidst the spike in inflation.

In 2019, fund durations were lengthened to take advantage of monetary easing amid declining inflation and slowing global economic growth. The funds also opportunistically bought corporate securities that offered good yield premia over government securities.

Looking ahead, bond prices may remain volatile, as the virus Covid-19 takes its toll on the Philippine economy and the BSP eases monetary policy further.

2020 may (or may not) witness the following: banks' reserve requirement ratios reducing to $\leq 12.0\%$ (from 14%) and BSP's policy lending rate declining to $\leq 2.75\%$ (from 4.0%).

That said, investment returns from our bond funds will be driven by accrual income, primarily.

Local Equity Market

2019 was a better year for local equities, registering 4.68% in returns. In 2018, the benchmark Philippine Stock Exchange Index (PSEi) declined 12.76%.

The benchmark closed 2019 at 7,815, following a year of heightened volatility. Foreign-domiciled funds were net sellers of USD240 million. The re-balancing exercise in Morgan Stanley Capital International (MSCI) indices and continuing trade conflict between the U.S. and China generated a "risk-off" sentiment in emerging markets including the Philippines. These concerns were compounded by the unexpected decision of government to review water concessions to which foreign investors expressed uneasiness.

The funds positioned defensively for most of 2019 (because of foreign outflows resulting from MSCI rebalancing, weaker GDP growth, and US-China trade war) and were overweight in cash, though this was reduced in the latter part of the year. Sector-wise, the funds were overweight in banks and property, and, underweight in telecommunications.

At the end of 2019, the funds had adopted a 'wait and see' strategy, given the uncertainty of decisions on regulatory issues, the possibility of lower oil prices and lower inflation. Taking a long-term perspective, nonetheless, appears positive as profits of companies grow at 9-10% a year which, in turn, could attract money flows to the local stock market.

The PSEi may be quite volatile in 2020. This scenario considers the following: 1) implications of Covid-19 on the economy; 2) continuing regulatory risks; 3) a significant contraction in GDP in 2020; 4) timely passage of the government budget (PHP4.1 trillion); and, 5) deterioration in US-China trade relations.



Global Fixed Income Market

Global fixed income securities returned 2.52%, as central banks globally reduced policy rates to stimulate their economies. In 2019, the US Federal Reserve reduced its policy lending rate from 2.50% to 1.75%.

For most of 2019, global bond yields were declining. In 4Q19, though, yields rose, after risk sentiment improved. The U.S. 10-year Treasury yield rose from 1.66% in September to 1.91% by end-December.

Fund durations were lengthened to take advantage of US Federal Reserve monetary easing. Funds also opportunistically bought corporate securities that offered good yield premia over government securities.

Going into 2020, yields may continue to be volatile, following the multi-year low in 10-year US Treasuries as investors move to safe-haven assets. The crucial events to monitor in 2020 are: the implementation of Covid-19 measures globally, movement of oil prices, and the upcoming US elections.

Global Equity Market

The S&P 500 index wrapped up 2019 with 28.88% return, its best return since 2013. The Dow Jones Industrial Average index (DJIA) and Nasdaq Composite Index gained +22% and +35%, respectively.

Equity markets, as well as global economic growth, appeared sensitive to news relating to US and China trade negotiations. As trade activity slowed and sentiment deteriorated, global Purchasing Managers' Indices fell. To support global growth, central banks had to reduce their policy rates.

In the last Federal Open Market Committee meeting in December, the Committee shifted to a "wait and see" stance after deeming the current policy rate as appropriate and supportive of the economic outlook.

The global equity fund was overweight in Technology and Healthcare stocks. Geographically, the fund was most underweight in Japan.

In 2020, we expect stock markets globally to be more volatile than usual as Covid-19 impacts the global economy and the US presidential elections generate uncertainty. It remains to be seen whether the S&P will outperform other developed markets on the back of the continued strength of the USD, as investors move to safer haven assets.



Wealth Link Peso / Express Unit Link Peso Products

BPI-Philam Life Assurance (BPLAC) Corporation (formerly known as Ayala Life Assurance, Inc.) has two (2) separate variable accounts under its peso-denominated variable life insurance products, namely Wealth Link Peso and Express Unit Link Peso.

This separate variable account, whose fund inception date is July 15, 2008, is invested primarily in the ALFM Peso Bond Fund, Inc. (ALFM Peso), an open-ended investment company duly registered with the SEC. The ALFM Peso aims to generate a steady stream of income through investments in a diversified portfolio of Philippine Peso-denominated, high-grade fixed income instruments.

FUND PERFORMANCE OF THE SEPARATE VARIABLE ACCOUNT INVESTED IN THE ALFM PESO ^a

2019 Return	4.20%
2018 Return	1.87%
2017 Return	2.20%
2016 Return	2.17%
2015 Return	1.12%
3 Year Return (annualized as of Dec 31, 2019)	2.75%
5 Year Return (annualized as of Dec 31, 2019)	2.31%
Return since Inception (as of Dec 31, 2019)	58.40%

^a Returns are calculated based on Net Asset Value per Unit
Past performance is not indicative of future performance.

PORTFOLIO STATISTICS (as of Dec 31, 2019)

Net Asset Value (NAV in PHP thousands) ^b	23,558 ^c
Net Asset Value per Unit	357.80

b NAV is net of 1.0% policy management charge

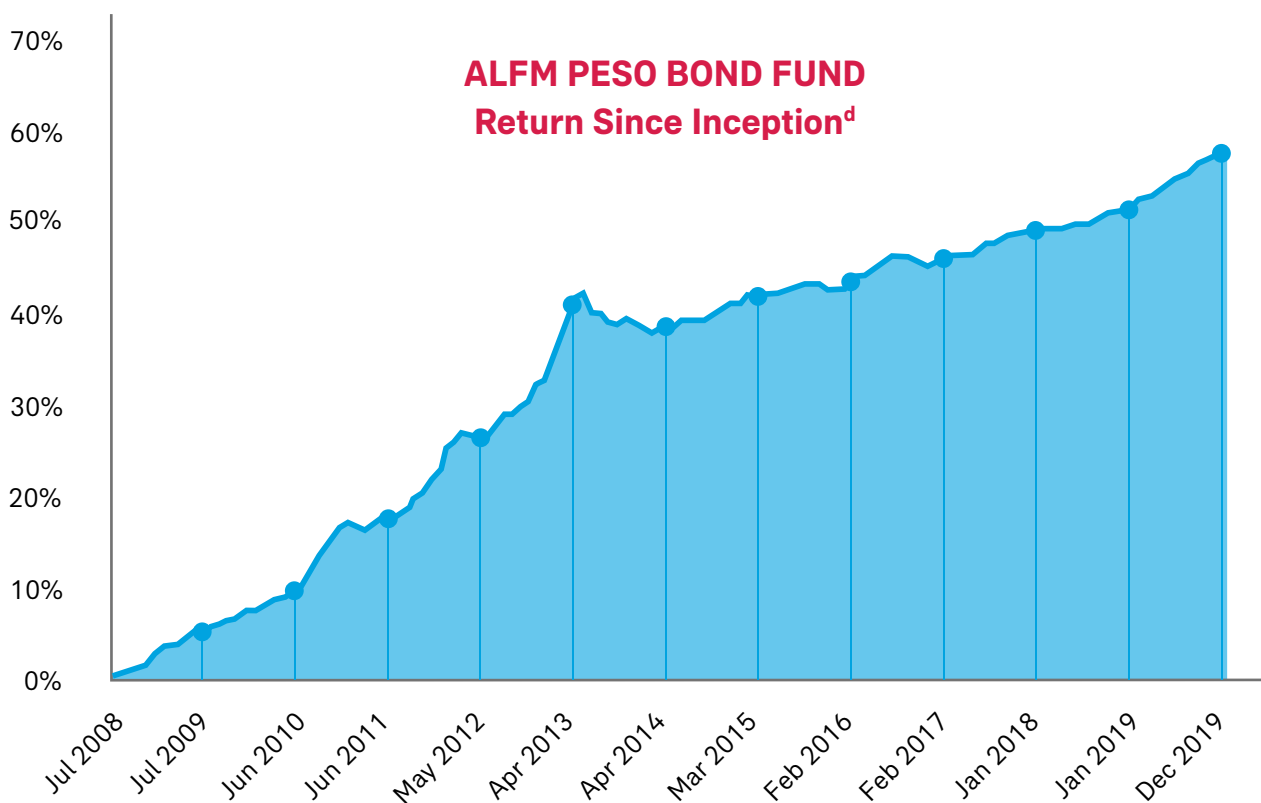
c Based on Audited Financial Statement

PORTFOLIO COMPOSITION

Allocation	% of Fund
Government	16.25
Corporates	71.83
Fixed Income Funds	1.59
Cash, time deposits, and other receivables - net of liabilities	3.28
Preferreds	7.05

TOP THREE HOLDINGS - ALFM PESO BOND FUND

Name	Maturity	%
MPIC Notes	6/30/20	3.78
SM Investments Corp Bond	12/9/23	2.95
San Miguel Corp Bond	5/25/20	2.94



^d Fund returns are calculated based on Net Asset Value per Unit



Wealth Link Peso / Express Unit Link Peso Products

BPI-Philam Life Assurance (BPLAC) Corporation (formerly known as Ayala Life Assurance, Inc.) has two (2) separate variable accounts under its peso-denominated variable life insurance products, namely Wealth Link Peso and Express Unit Link Peso.

This separate variable account, whose fund inception date is July 15, 2008, is invested primarily in the Philippine Stock Index Fund Corporation (PSIF), an open-ended investment company duly registered with the SEC. The PSIF aims to achieve investment returns that track the performance of the Philippine Stock Exchange Composite Index (PSEi).

FUND PERFORMANCE OF THE SEPARATE VARIABLE ACCOUNT INVESTED IN PSIF ^a

2019 Return	5.26%
2018 Return	-12.40%
2017 Return	24.71%
2016 Return	-2.19%
2015 Return	-3.85%
3 Year Return (annualized as of Dec 31, 2019)	4.77%
5 Year Return (annualized as of Dec 31, 2019)	1.58%
Return since Inception (as of Dec 31, 2019)	231.09%

^a Fund returns are calculated based on Net Asset Value per Unit
Past performance is not indicative of future performance

PORTFOLIO STATISTICS (as of Dec 31, 2019)

Net Asset Value (NAV in PHP thousands) ^b	3,307 ^c
Net Asset Value per Unit	872.08

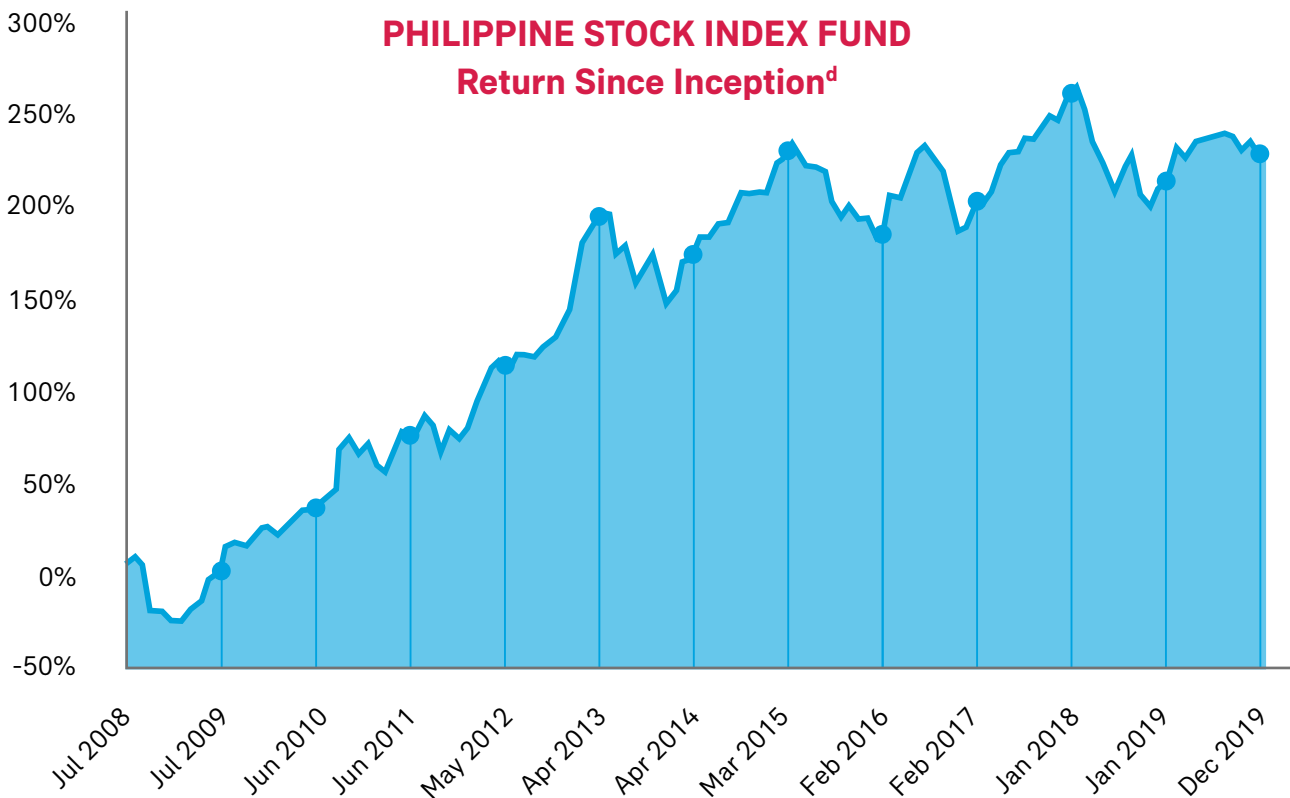
b NAV is net of 1.0% policy management charge
c Based on Audited Financial Statement

PORTFOLIO COMPOSITION

Allocation	% of Fund
Equities	99.72
Cash, cash equivalents and other receivables-net of liabilities	0.28

TOP THREE HOLDINGS - PHILIPPINE STOCK INDEX FUND

Name	% of Fund
SM Investments Corporation	15.42
SM Prime Holdings, Inc.	9.95
Ayala Land, Inc.	9.42



^d Fund returns are calculated based on Net Asset Value per Unit



Wealth Link Dollar / Express Unit Link Dollar Products

BPI-Philam Life Assurance (BPLAC) Corporation (formerly known as Ayala Life Assurance, Inc.) has one separate variable account under its US dollar-denominated variable life insurance products, namely Wealth Link Dollar and Express Unit Link Dollar.

This separate variable account, whose fund inception date is July 15, 2008, is invested primarily in the ALFM Dollar Bond Fund, Inc. (ALFM Dollar), an open-ended investment company duly registered with the SEC. The ALFM Dollar aims to achieve capital preservation through a steady stream of income by investing in a diversified portfolio of fixed income instruments issued by foreign and local entities.

FUND PERFORMANCE OF THE SEPARATE VARIABLE ACCOUNT INVESTED IN ALFM DOLLAR ^a

2019 Return	4.45%
2018 Return	0.55%
2017 Return	3.15%
2016 Return	3.29%
2015 Return	2.53%
3 Year Return (annualized as of Dec 31, 2019)	2.70%
5 Year Return (annualized as of Dec 31, 2019)	2.78%
Return since Inception (as of Dec 31, 2019)	50.80%

^a Fund returns are calculated based on Net Asset Value per Unit
Past performance is not indicative of future performance

PORTFOLIO STATISTICS (as of Dec 31, 2019)

Net Asset Value (NAV in USD thousands) ^b	209 ^c
Net Asset Value per Unit	468.22

b NAV is net of 1.25% policy management charge

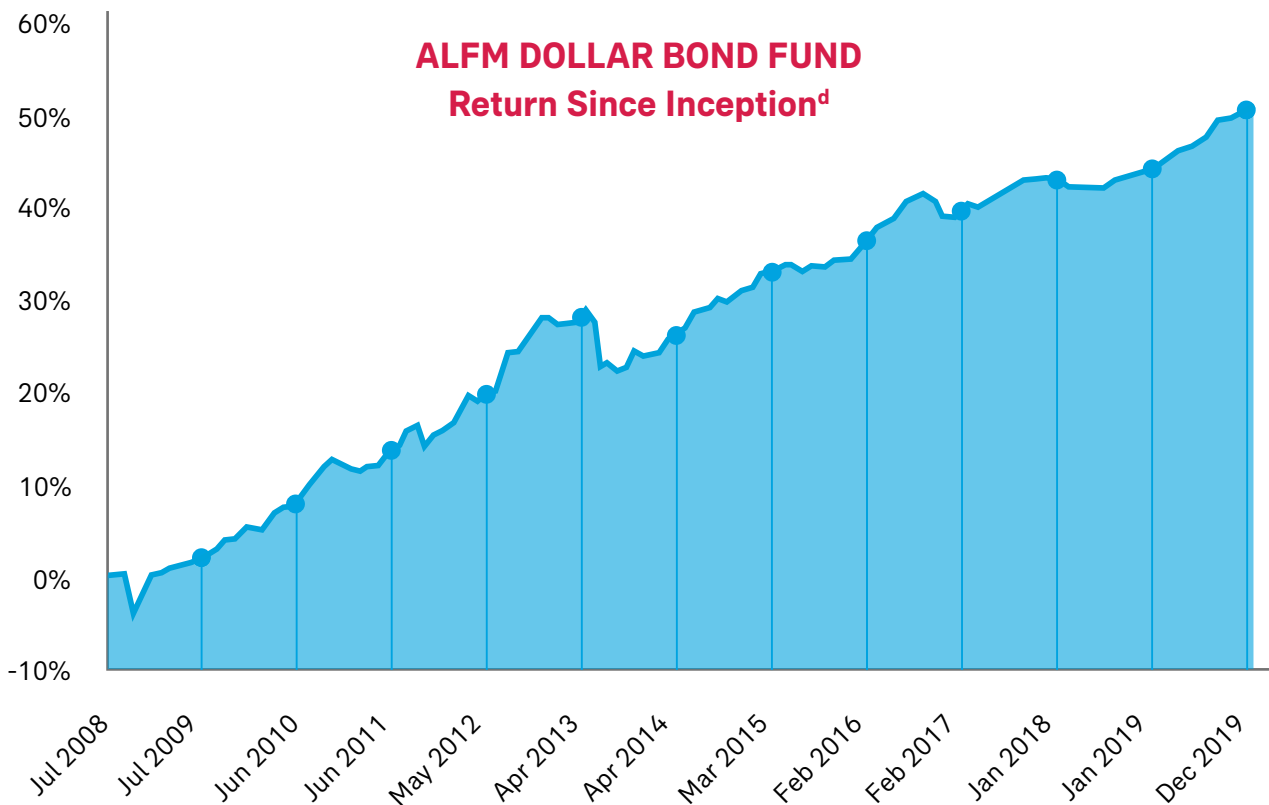
c Based on Audited Financial Statement

PORTFOLIO COMPOSITION

Allocation	% of Fund
Government	34.15
Corporates	55.01
Fixed income funds	4.19
Cash, time deposits, and other receivables - net of liabilities	6.65

TOP THREE HOLDINGS - ALFM DOLLAR BOND FUND

Allocation	Maturity	%
Filinvest Development Corp.	4/2/20	5.66
JG Summit Holdings	1/23/23	5.14
Int'l Container Terminal Services, Inc	3/17/20	4.52



^d Fund returns are calculated based on Net Asset Value per Unit



Disclosure Statement

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About BPI-Philam

BPI-Philam Life Assurance Corporation is a strategic alliance between two leading financial companies in the Philippines - The Philippine American Life and General Insurance Company (Philam Life) and Bank of the Philippine Islands (BPI). Philam Life is the country's premier and most trusted life insurer for over seven decades now. Bank of the Philippine Islands is a leading commercial bank in the country with over 160 years of experience in the local banking industry and an extensive branch network of more than 1,000 branches and 3,000 ATMs.

BPI-Philam was once again hailed as the Philippine's Best Life Insurance Company for 2018 by an international finance magazine, World Finance. The win is a shining testament to the best quality service BPI-Philam has afforded Filipinos throughout the years with their accessible and comprehensive offerings.

BPI-Philam's professional and expertly trained Bancassurance Sales Executives are assigned in BPI and BPI Family Savings Bank branches nationwide to render financial advisory services that address customers' financial and protection needs.

As a combined brand, Filipinos can trust BPI-Philam to help achieve their dreams through solutions that are accessible, affordable and personalized. We at BPI-Philam understand that the Filipinos' needs continue to evolve as they go through the different life stages and they want to be able to easily access solutions that help them live healthier, longer and better lives.



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