



BPI



FORMERLY BPI-PHILAM LIFE ASSURANCE CORPORATION

2021 FUND PERFORMANCE REPORT

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





Message from the CEO

To our Policyholders,

Most countries continued to rely on the extraordinarily large government stimulus packages and central bank interventions that helped support the financial markets in 2020. While these helped boost the prices of traded assets, the same “fanned” inflation. The continuing disruption in the supply of raw materials and products and services themselves did not help.

Locally, businesses began to open in earnest, despite bouts of the variants and resurgence of the virus. Individuals and businesses began to spend. Corporate profits started to recover soon after.

That said, inflation, and consequently, the need for central banks to curtail further expansion in money supply, kept investors from pouring more money in the financial markets.

Despite the volatility in the market and other factors, BPI AIA reaffirms its strength and leadership with strong financial performance in 2021 based on audited financial statements:

- Total Assets : PHP 116.1 billion
- Net Worth : PHP 8.4 billion
- Paid up Capital : PHP 0.75 billion
- Gross Premiums : PHP 18.3 billion
- Net Income : PHP 2.1 billion

Thank you for choosing us as your partner in financial security. At BPI AIA, 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



Market Review





GENERAL MARKET OVERVIEW

Persistent inflation and variants of the virus kept investors on their toes in 2021.

As the largest central banks commenced the normalization of monetary policies, interest rates, everywhere, “bottomed out” and started to rise as bond prices declined. In the United States, long term interest rates began to rise as early as the first quarter of 2021.

For most part of the year, nevertheless, monetary policy succeeded in anchoring expectations of global inflation and interest rates.

Local interest rates rose in tandem as the price of traded peso fixed income securities retreated. The new variant Delta and the resurgence new cases in Omicron weighed down on the local stock market, despite government’s efforts to boost vaccination and re-open the economy. Even as corporate profits improved sequentially from one quarter to the next, stock prices see-sawed and ended the year without capital gains.

THE LOCAL ECONOMY

High food and energy prices pushed inflation above the Bangko Sentral ng Pilipinas’ (BSP) target range. Seeing inflation as transitory, however, the BSP kept its monetary policy at historic lows. Open market operations, new loans to the national government, and measures to minimize the economic fallout of the covid-19 pandemic ensured support to the local economy.

All sectors of the PHP20 trillion economy expanded. Spending on construction and durable equipment rebounded 11.1 per cent and 12.2 per cent, respectively. Household final consumption expenditure, which accounts for 73 per cent of total expenditures, grew 4.2 per cent, weighed down by inflation and unemployment, low consumer confidence, and restrictions on mobility. Public consumption expenditure rose 7%.

In 2021, Philippine Gross Domestic Product recovered 5.7%, from -9.5% the year before. In nominal terms, the money earned by individuals and businesses, or Gross National Income, increased by PHP790 billion.



LOCAL FIXED INCOME MARKET

The Local Currency Bond Index returned -2.96% in 2021, with benchmark yields rising over 111 basis points (bps) on average for the year.

In the local economic space, November inflation further eased to 4.2% year-on-year, with the rise in food prices slowing even as energy costs remained elevated. Using the 2018 base prices, average year-to-date inflation as of November 2021 settled at 4.0%, within the upper-end target of the government. In early December, the Department of Health shortened the duration between the COVID-19 vaccine second dose and booster from six months to three months. This proved timely as the highly infectious COVID-19 Omicron variant continued its global spread. The Bangko Sentral ng Pilipinas (BSP) maintained its accommodative stance by keeping the benchmark interest rate at 2.0% and the Reserve Requirement Ratio (RRR) at 12.0%. In 2020, the policy rate and RRR were both reduced by a total of 200 basis points to provide additional liquidity and support to the economy amid the pandemic. Globally, yields have been going up due to (1) Higher commodity prices and inflation globally hitting record levels, (2) the start of tighter monetary policies with the US Fed's tapering and rate hike expectations, and (3) the increase in bond supply as governments finance deficits. In the Philippines, the government borrowed Php2 trillion in 2021. This is significantly higher compared to the Php876 billion of net borrowing in 2019.

In the medium-term, domestic bond yields may move higher as the local economy shifts from the initial recovery phase to the early expansion phase of the business cycle. By then, the BSP would have more capacity to tighten monetary policy by raising policy rates. In addition, there will likely be consistent upward pressure on yields, especially in the medium- to long-end of the yield curve due to higher public financing needs. The government is expected to borrow around Php2.3 trillion annually from 2022-to 2023.

Over the long term, returns from fixed-income assets will primarily come from the accrual returns or interest coupons of these bonds. Marked-to-market returns and losses in particular years will most likely offset each other. Investors should expect returns to be slightly above the long-term inflation expectations which will likely settle around 3%.



GLOBAL FIXED INCOME MARKET

The JP Morgan Asia Credit Index (JACI) Philippines returned 6.95% in 2021 as Philippine dollar-denominated bonds remained resilient despite the losses in US Treasuries.

Benchmark yields rose over 50 basis points (bps) on average during the year as the US Treasury Yield curve remained mute on the short end with the 3-mo yield at 0.03% (0.06% at the end-2020) while the belly and long-end of the curve rose with the 10-year yield at 1.51% (0.91% at end-2020). The emergence of the highly transmissible Omicron variant has driven market volatility and has begun to take its toll on global growth. However, markets recovered quickly as data from the UK and South Africa indicated a lower risk of severe illness from the variant. Meanwhile, oil prices kept their upward trend amid pent up demand and businesses reopening with WTI Crude and Brent Crude increasing 50.15% and 55.01%, respectively, in 2021. This continued to add price pressures which pushed inflation data to multi-decade highs. During the last FOMC meeting of the year, the Federal Reserve (Fed) adopted a more hawkish stance given the rapid tightening of the labour market and persistent inflationary pressures. The Fed announced its plans to double the pace of tapering from \$15 billion to \$30 billion per month starting January next year while maintaining the Federal Funds target rate at 0% - 0.25%. The Fed officials also updated the dot plot showing three rate hike expectations for 2022 based on median projections. Overall, yields rose during the year due to (1) a spike in oil prices due to pent up demand adding pressure to inflation print, (2) monetary policies with the US Fed's tapering and rate hike expectations, and (3) continued increase in bond supply as governments finance deficits.

While the hawkish sentiment on central banks and elevated inflation globally are currently being priced in already, global rates still have room to rise in the medium-term due to upward pressures such as (1) the hawkish outlook of the Fed in its statements, signalling accelerated tapering and more rate hikes in 2022, and balance sheet reduction to address the above-target inflation; (2) persistent and elevated inflation levels, which continued to accelerate in December 2021; and (3) governments expanding their fiscal borrowing will add more supply of fixed income securities in the market. Given the mentioned points, expect that these might move to an uptrend moving forward.



LOCAL EQUITY MARKET

The local bourse index tumbled to the end of 2021 following the sharp rise in the number of COVID-19 cases. A suspected new variant called “Omicron”, along with the traditional holiday gatherings propelled a new surge. The alarm bells sounded off and the government swiftly responded by enforcing a stricter quarantine measure – Alert level 3 in the National Capital Region from January 3 to 15.

The market had been down as much as 13.65% year-to-date during the first half of the year as prospects of economic recovery were impinged by a two-week Enhanced Community Quarantine in April, followed by a Modified ECQ that lasted until Mid-May. In the second half of the year, mobility restrictions continued to be eased made possible by the continued decline in case counts. The market rose to its 2021 peak as of early November at +4.2%, however, Omicron doused optimism and wiped out the gains entirely. The PSEi closed in 2021 at 7,122.63. For the year, the Philippines slipped by 0.24%. In terms of foreign activity, foreigners continued to be net sellers with \$4.5 million worth of outflows during the year.

For this year’s stock performance, the main advancers are as follows: CNVRG (+114.09%), WLCON (+80.47%), and GLO (+63.65%) as investors positioned in fintech businesses and reopening plays. Meanwhile, the laggards were JGS (-25.98%), LTG (-9.36%) and JFC (-7.90%).

In the short run, uncertainty lingers amid a fluid global backdrop, driving volatility in the local market. However, while governments and central banks throughout the world initiate rolling back monetary and fiscal stimulus, they will likely remain wary of the trajectory of their economic recovery. In the long run, we are constructive on domestic equities due to the continued ramp-up in the country’s vaccination program (e.g., majority of the population fully vaccinated, expansion of vaccine drive to the younger population, booster shots being inoculated), and a resilient Philippine economy. With these, we see the PSEi likely recouping some of the losses in previous years and moving towards 7,600 for 2022. However, we want to highlight that the domestic bourse will continue to be subject to potential volatility amid (1) changing monetary conditions as global central banks address inflation, and (2) possible virus resurgences due to new COVID-19 variants, and (3) geopolitical tensions exacerbating inflation risks globally. We note that the initial target is exposed to downside risks from these factors, among others.



GLOBAL EQUITY MARKET

Continued pandemic concerns heightened market volatility as the emergence of the highly infectious Omicron variant pushed global cases to record highs. Moreover, elevated inflation pushed by pent-up demand, together with labour and supply issues, remained with investors keeping an eye on central banks' next steps to gradually scale back accommodative policies. Nonetheless, S&P 500 managed to finish the year on a good note with 26.9%-gain backed by strong earnings growth and further boosted by the prospect of further potential earnings upswing in 2022.

To combat inflation, the Federal Reserve kept rates steady but doubled the pace of tapering their asset purchases with plans to end the bond-buying program by early 2022 instead of mid-year and also forecasted a faster pace of rate hikes. The US central bank's hawkish pivot comes in contrast to the policy direction of China as its central bank cuts its reserve requirement ratio by 0.5% to support the country's stalling growth. The country's top officials also pledged to stabilize the economy in 2022 by increasing fiscal spending.

In commodity markets, oil prices remained volatile as the deepening energy shortage in Europe provided support while headwinds persisted in the form of continued weaker demand from the resurgence of the Omicron variant and expected slower economic growth.

Asian equities remained volatile due to concerns over the Omicron variant but slightly rose towards the end of December as sentiment improved, with the variant proving to be milder than expected. Chinese equities, however, despite having made some accommodative monetary policy moves, detracted in December due to concerns over slowing growth and fears of new lockdown restrictions following the emergence of the new variant. The MSCI Asia ex-Japan closed in the negative territory with -4.88% as investors remained cautious on Omicron headlines and elevated inflation.

Moving forward, international equities are expected to continue to be volatile as investors weigh mixed market developments, including developments in geopolitical tensions and the recovery of the global economy from the pandemic. Short-term headwinds are coming from inflation risks, supply chain disruptions, a more hawkish Fed, and geopolitical concerns. Equity performance may vary per country and sector and will likely depend on the government's monetary and fiscal measures, together with economic and corporate earnings recovery. Investors need to be diversified when investing in international equities.



BPI AIA-ALAI FUNDS



Statement of Assets and Liabilities

as of December 31, 2021



BPI AIA (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 FVPL*	3,046,632	24,390,123
Loans and receivables	5,789	98,060
Accrued income	-	-
Other assets	-	-
Total Assets	3,052,421	24,488,183
LIABILITIES		
Accounts payable and accrued expenses	55,619	566,666
Total Liabilities	55,619	566,666
Net Asset Value (NAV)	2,996,802	23,921,517

BPI AIA (FORMERLY AYALA LIFE) DOLLAR VARIABLE FUND

in USD Equivalent

	ALFM Dollar Bond Fund
ASSETS	
Cash and cash equivalents	-
Financial assets at FVPL*	183,114
Loans and receivables	1,842
Accrued income	-
Other assets	-
Total Assets	184,956
LIABILITIES	
Accounts payable and accrued expenses	3,400
Total Liabilities	3,400
Net Asset Value (NAV)	181,556

*Fair Value through Profit or Loss

Wealth Link Peso/ Express Unit Link Peso Products



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

One of the separate variable accounts, whose fund inception date is July 15, 2008, is invested primarily in the ALFM Peso Bond Fund, Inc. (ALFM Peso), an open-end 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 REVIEW

The Fund returned 0.21% for the month of December 2021, beating its benchmark by 7 basis points. Year-to-date, return amounted to 0.88%, outperforming its benchmark by 13 basis points. The fund will maintain its liquidity and current duration. Investors in the bond fund must be prepared to withstand short-term volatility as higher investment value is normally achieved over the medium-to long-term.

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

2021 Return	0.88%
2020 Return	3.71%
2019 Return	4.20%
2018 Return	1.87%
2017 Return	2.20%
2016 Return	2.17%
3 Year Return (annualized as of Dec 31, 2021)	2.92%
5 Year Return (annualized as of Dec 31, 2021)	2.57%
Return since Inception (as of Dec 31, 2021)	65.72%

- 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, 2021)

Net Asset Value (NAV in PHP thousands) ^b	23,922 ^c
Net Asset Value per Unit	374.34

b NAV is net of 1.0% policy management charge

c Based on Audited Financial Statement

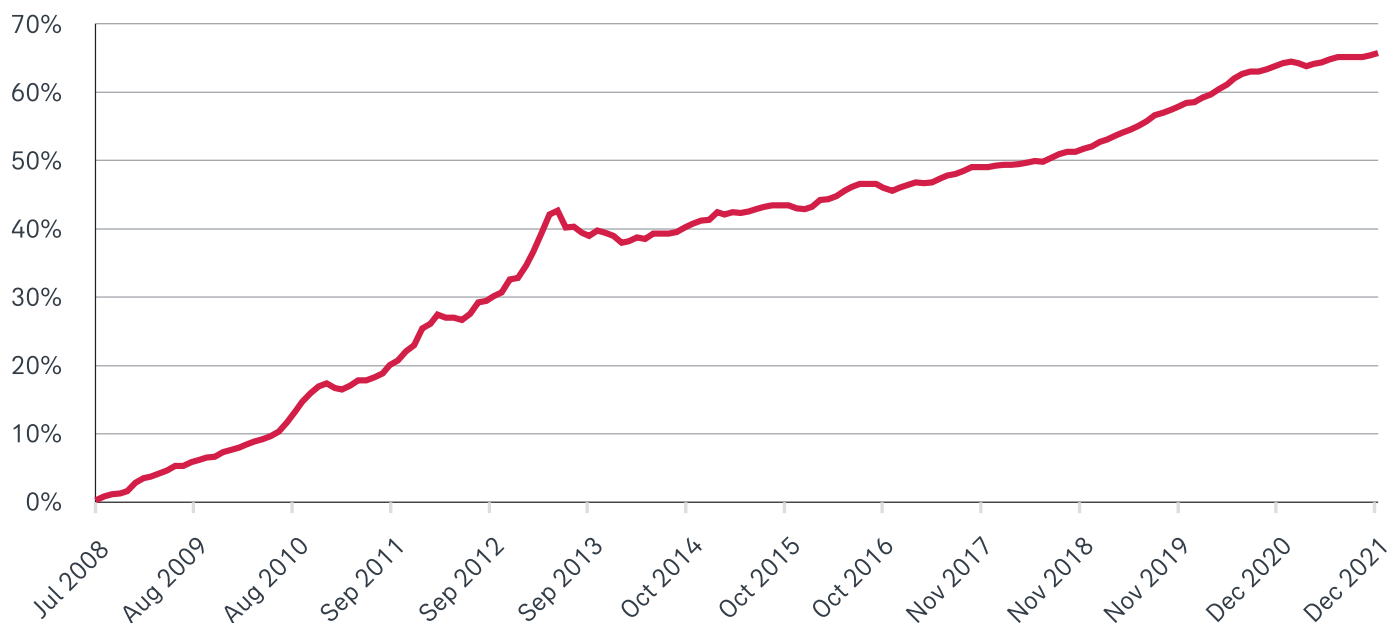
PORTFOLIO COMPOSITION

Allocation	% of Fund
Government	26.61
Corporates	62.05
Fixed Income Funds	2.29
Cash, Time Deposits, and Other Receivables - Net of Liabilities	6.75
Preferreds	2.75

TOP HOLDINGS - ALFM PESO BOND FUND

Name	Maturity	%
Fixed Rate Treasury Bond	2028	6.36
Ayala Corporation Bond	2025	2.96
Aboitiz Equity Ventures Bond	2027	2.72
Fixed Rate Treasury Bond	2039	2.65
Fixed Rate Treasury Bond	2031	2.46

ALFM PESO BOND FUND Return Since Inception ^d



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

Wealth Link Peso/ Express Unit Link Peso Products



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

The other separate variable account, whose fund inception date is July 15, 2008, is invested primarily in the Philippine Stock Index Fund Corporation (PSIF), an open-end 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 REVIEW

The Fund returned -1.08% for the month of December 2021, outperforming its benchmark by 1 basis point. Year-to date, return amounted to 0.38%, outperforming its benchmark by 62 basis points. The Fund will continue to track the Philippine Stock Exchange Index (PSEi).

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

2021 Return	0.38%
2020 Return	-8.08%
2019 Return	5.26%
2018 Return	-12.40%
2017 Return	24.71%
2016 Return	-2.19%
3 Year Return (annualized as of Dec 31, 2021)	-0.97%
5 Year Return (annualized as of Dec 31, 2021)	1.19%
Return since Inception (as of Dec 31, 2021)	205.51%

- 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, 2021)

Net Asset Value (NAV in PHP thousands) ^b	2,997 ^c
Net Asset Value per Unit	804.71

b NAV is net of 1.0% policy management charge

c Based on Audited Financial Statement

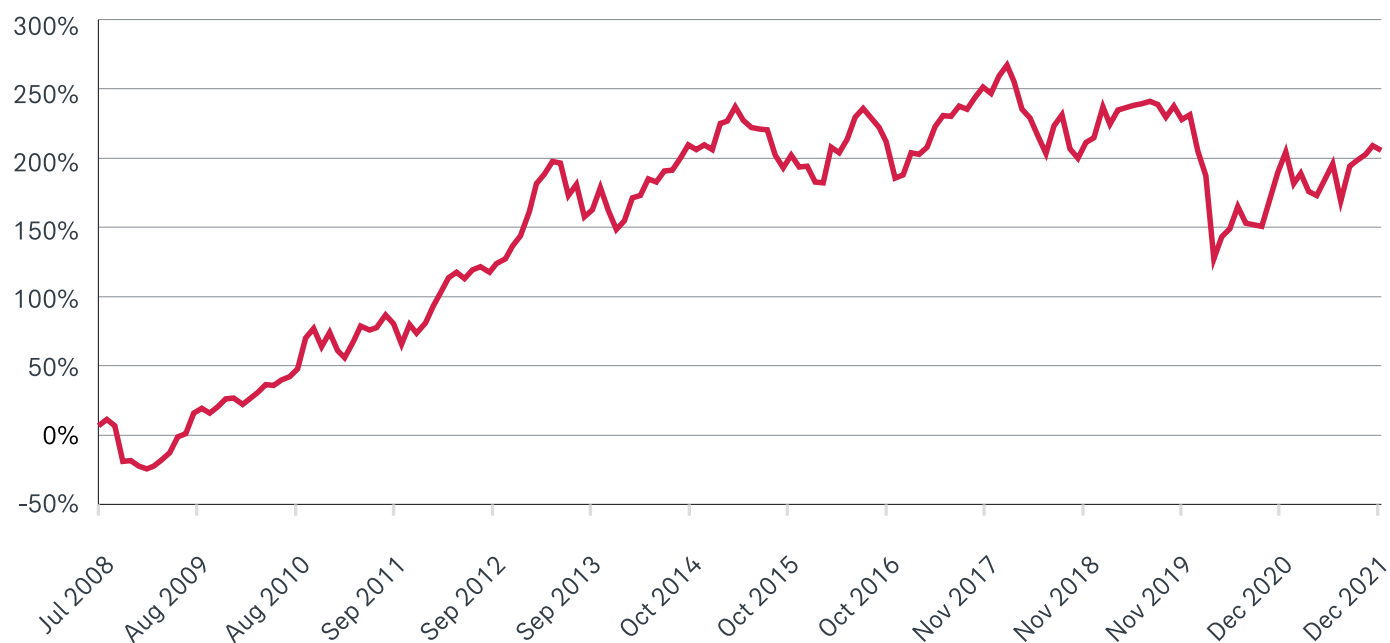
PORTFOLIO COMPOSITION

Allocation	% of Fund
Equities	99.24
Cash, Time Deposits, and Other Receivables - Net of Liabilities	0.76

TOP HOLDINGS - PHILIPPINE STOCK INDEX FUND

Name	% of Fund
SM Investments Corporation	14.73
SM Prime Holdings, Inc.	9.52
Ayala Land, Inc.	7.73
BDO Unibank, Inc.	6.29
Ayala Corporation	6.26

PHILIPPINE STOCK INDEX FUND Return Since Inception ^d



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

Wealth Link Peso/ Express Unit Link Peso Products



BPI AIA Life Assurance Corp. (formerly known as Ayala Life Assurance, Inc.) has established a separate variable account under its dollar-denominated variable life insurance products, namely Wealth Link Dollar and Express Unit Link Dollar.

The 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-end 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 REVIEW

The Fund returned 0.24% for the month of December 2021, beating its benchmark by 15 basis points. Year-to-date, return amounted to 1.19%, beating its benchmark by 16 basis points. The fund will maintain its current duration. Investors in the bond fund must be prepared to withstand short-term volatility as higher investment value is normally achieved over the medium- to long-term.

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

2021 Return	1.19%
2020 Return	3.34%
2019 Return	4.45%
2018 Return	0.55%
2017 Return	3.15%
2016 Return	3.29%
3 Year Return (annualized as of Dec 31, 2021)	2.98%
5 Year Return (annualized as of Dec 31, 2021)	2.52%
Return since Inception (as of Dec 31, 2021)	57.69%

- 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, 2021)

Net Asset Value (NAV in USD thousands) ^b	182 ^c
Net Asset Value per Unit	489.61

b NAV is net of 1.25% policy management charge

c Based on Audited Financial Statement

PORTFOLIO COMPOSITION

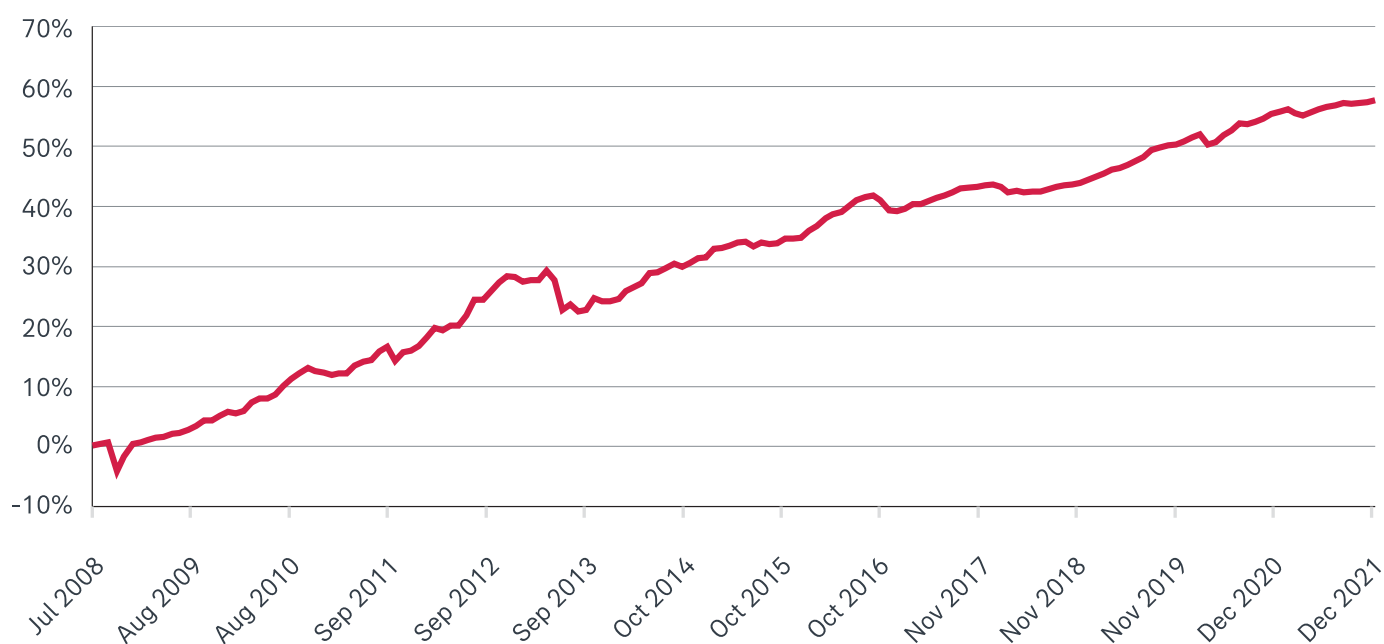
Allocation	% of Fund
Government	20.36
Corporates	55.35
Fixed Income Funds	8.32
Cash, Time Deposits, and Other Receivables - Net of Liabilities	15.97

TOP HOLDINGS - ALFM DOLLAR BOND FUND

Name	Maturity	%
Aboitiz Equity Ventures, Inc. Bond	2030	5.78
Ayala Corporation Bond	2022	5.08
Fixed Income Fund		4.36
Fixed Income Fund		3.81
First Pacific Bond	2027	3.79

ALFM DOLLAR BOND FUND

Return Since Inception ^d



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

Disclosure Statement

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About BPI AIA

BPI AIA LIFE ASSURANCE CORP. (BPI AIA) is a strategic alliance between two leading companies in the country: AIA Philippines Life and General Insurance Company (formerly AIA Philam Life) and Bank of the Philippine Islands (BPI). AIA Philippines is the premier life insurance company in the Philippines and the market leader for over 70 years. BPI is a leading commercial bank in the country with over 170 years of experience in the local banking industry and an extensive branch network of more than 1,000 branches and 3,000 ATMs.

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

With the combined expertise and resources of these two trusted companies, BPI AIA policyholders are assured that their insurance is backed by financial strength and stability.



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