



BPI



2022 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

Dear Policyholder,

The global economy has been on a roller coaster ride over the last three years, driven by the huge gap between demand on fiscal transfer and the prolonged disruptions in global supply-chains. The resulting bout of inflation took central bankers off-guard and forced them to make a complete U-turn from an ultra-loose policy stance (the Federal Reserve was still injecting cash in the economy at the beginning of March 2022) to a “sufficiently” restrictive stance to tame inflation.

Inflation, once seen as transitory during the global pandemic lockdown; and restriction in the past 2 years, where global supply chains were disrupted, turned out more persistent than initially thought.

As the year passed, higher inflation became more entrenched in the economy as global supply chain disruptions continue, coupled with high levels of demand and energy uncertainties. As a result, the US central bank (Federal Reserve) started to taper from its asset purchase program and set forth a series of aggressive tightening of its monetary policy in an attempt to cool inflation, which hit a recent 40-year high—last seen in the 80s.

Major central banks followed suit with the exception of the Bank of Japan and the People’s Bank of China. The series of tightening saw volatility spiked with both Fixed Income and Equity pulling back sharply, running against conventional wisdom and correlation theory.

Risk sentiments improved in the later months of 2022, as data indicates that inflation may have likely peaked. While inflation may have softened from its highs, it is likely to remain above what we have experienced in the past decades.

Locally, the same sentiment was felt across all asset classes. The risk-off scenario affected the local fixed income and equity space. Despite the volatility in the market and other factors, BPI AIA reaffirms its strength and leadership with strong financial performance in 2022 based on unaudited financial statements:

- Total Assets :PHP109.7 billion
- Net Worth :PHP7.8 billion
- Share Capital :PHP0.7 billion
- Gross Premiums :PHP16.3 billion
- Net Income :PHP1.5 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,

KAREN CUSTODIA
Chief Executive Officer





MARKET REVIEW



GENERAL MARKET OVERVIEW

2022 was a roller-coaster ride for financial markets. The Russia-Ukraine war and the aggressive rate hikes contributed to stock and bond prices volatility. The talks on a US Federal Reserve (the Fed) pivot on account of better-than-expected US inflation and China's softening on the Zero-COVID policy brought some relief, but full year performances were still in the red. As of December 31, 2022:

- The S&P 500 fell by as much as 24.95% before trimming losses to 19.44%.
- The PSEI lost as much as 19.40% but reclaimed some lost ground to settle at 7.81%.
- The 10-Yr US Treasury yield jumped to 4.24% before retracing to 3.88%.
- The 10-Yr PHP benchmark yield rose to 7.72% but eased back to 6.98%.
- The USD/PHP depreciated to 59.00 before rebounding to 55.76.

2022 started with the global economy recovering from the pandemic—with easing of COVID-19 restrictions came a substantial increase in economic activity and consumer demand. Prices of goods, including food, were elevated due to lingering supply bottlenecks and imbalances brought on by the pandemic. Furthermore, the world economy was faced with commodity shortages and rising commodity prices as the Russia-Ukraine conflict escalated into a full-blown war.

To combat runaway inflation, central banks led by the US Fed aggressively hiked interest rates: The Fed raised policy rates from 0.25% to 4.50%, and the Philippine policy rates rose from 2.00% to 5.50%.

Towards the end of the year, US manufacturing, retail sales, and wage growth reports pointing to a slowing economy raised hopes of a Fed pivot and triggered a global asset price recovery. This together with China's easing COVID-19 restrictions and economic reopening were welcomed by financial markets.

THE LOCAL ECONOMY

The BSP raised benchmark interest rates to 5.5%, with the full-year 2022 rate increase at 350 bps. Meanwhile, BSP forecasts 2023 inflation to average 4.5% and 2.8% for 2024.

Domestic inflation jumped to 8.0% in November (from 7.7% in October), the highest since November 2008, driven by the higher annual increases from the food and non-alcoholic beverages index and the restaurants and accommodation services index, up by 10.0% and 6.5%, respectively. The year-to-date average inflation stood at 5.6%. However, core inflation, which excludes food and energy items, continued to accelerate at 6.5% (from 5.9% in October).

Philippine GDP rose by 7.6% YoY in the third quarter of 2022, beating consensus expectations of 6.2% growth. On a quarter-on-quarter (QoQ) basis, GDP expanded by 2.9%, as the economy managed to continue its rebound amid further relaxation of restrictions. On the expenditure side, household consumption rose 8% YoY and 5.7% QoQ, driven by the rebound from restriction-dependent items such as restaurant and hotels, transport, and recreation and culture. Overall, the strong economy in the third quarter brought the year-to-date growth to 7.7%, above the government's 6.5- 7.5% full-year target.



LOCAL FIXED INCOME MARKET

The BPI Government Bond Index returned 1.24% in December, with benchmark government yields falling 17 basis points (bps) on average. Average daily trading volume fell to PHP9.65 billion from November's PHP11.35 billion with trades mostly seen on the belly of the curve.

The Bureau of the Treasury (BTr) only held two FXTN auctions in December. The reissuance of the 5-year FXTN 20-14 and the 12-year FXTN 25-6 were fully awarded at average yields of 6.568% and 7.189%, respectively. The BTr cancelled the last scheduled 20-year FXTN auction which spurred a short market rally. Towards the end of the month, the BTr released the January auction schedule with four Treasury Bill auctions and four FXTN issuances (7-, 13-, 20- and 10- year tenors).

The local inflation for the month of November rose by 8.0% year-on-year, its highest level in 14 years. The spike is mainly attributed to elevated food and fuel prices amid weather disturbances and supply-side pressures. Consequently, the BSP hiked rates by another 50 basis points during their last policy meeting for 2022 held mid-month.

In addition, the BSP inflation forecast was adjusted to 4.5% from 4.3% for 2023. BSP officials continued to reiterate that they remained prepared to raise rates as needed, given persistently high CPI levels, as well as central bank policy tightening measures globally.

In 2023, upward pressures on yields remain from further policy rate hikes, and continued aggressive financing requirements from governments. Meanwhile, inflation may put less pressure on yields given its potential easing in the next months. 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 gained 1.16% in December as Philippine dollar-denominated bonds recovered earlier months' losses. However, 2022 was a tough year for global bonds amid the Russia-Ukraine war and the ongoing fight against rising inflation. Over the past year, the JACI Philippines declined by 13.48%.

Global bonds experienced yet another volatile month as improving US inflation was countered by the Fed's determination to maintain its aggressive hike path. Earlier in December, the November US CPI was released at 7.1%, lower than consensus estimates and the prior month's 7.7%. This sparked a rally in US Treasuries as investors speculated that the Fed may begin to slow down the pace of its rate hikes. However, gains were reversed after the Fed reiterated that it would remain committed to its fight against inflation, citing a higher terminal rate for the Fed Funds rate. The Bank of Japan's decision to widen its target band for 10-year JGBs from 25 basis points to 50 basis points likewise weighed heavily on bond market sentiment. The 10-year US Treasury yield fell to as low as 3.54% before closing the month at the 3.87% level.

The US Fed delivered a 50-bp rate hike in December to a target rate range of 4.25% to 4.50%, as key economic data point to abating inflation. In December, the consumer price index rose 6.5%, from 7.1% in the previous month. Gas prices have significantly dropped, with prices at the pump falling 9.4% MoM. Food, shelter, and used vehicle prices also contributed to a lower reading. While the labor market remains robust despite the Fed's aggressive tightening measures with the December nonfarm payrolls increasing by 223k, above the Dow Jones estimate of 200k, it is showing signs of slowing down as wage growth decelerated and grew by only 4.6% against consensus expectations of 5%. Likewise, US services industry activities contracted amid weakening demand with ISM's non-manufacturing purchasing managers' index falling to 49.6 in December from 56.5 in the previous month, offering more evidence that the Fed's tightening cycle is achieving its intended effect.

Nevertheless, the Fed expects a terminal rate of 5.1%, equivalent to a target range of 5% to 5.25%. Hence, rate hikes are still underway in the US.

The European Central Bank (ECB) raised interest rates by 50 bps in December to a 2.0% benchmark policy rate, with ECB Governor Francois Villeroy hinting that interest rates may peak by the summer. Flash Eurozone consumer price decelerated for the second consecutive month and rose by 9.2% YoY. The decline in inflation since October had been largely driven by the sharp drops in energy price inflation as Europe was able to replace much of Russia's curbed flows with supplies of LNG on top of the typical low Industrial demand towards year-end. Despite somewhat encouraging data, the ECB was clearly hawkish in the last policy meeting, with officials signaling further 50-bp hikes ahead. The central bank will also begin to review quantitative tightening measures to trim down its balance sheet by reducing its 5 trillion Euros worth of bond holdings from March under its Asset purchase programme (APP) at an average pace of 15 billion euros per month from March through June. They will provide more detailed parameters in the February meeting.

The Bank of Japan has kept its dovish monetary policy with rates, both long-term and short-term rates, unchanged. However, the BOJ widened its yield target to allow the yield on its 10-YR Japanese government bond to move +/-50 bps from its 0% target rate. Initially, the band was +/-25 bps. This has prompted the Yen and lifted bond yields around the world.

Overall, we expect yields to continue to move higher as central banks maintain their tightening path. However, the size and the pace of rate hikes moving forward may not be as aggressive as seen in the previous months.





LOCAL EQUITY MARKET

The Philippine Stock Exchange Index (PSEi) declined at the end of the year as foreign selling resumed following consecutive months of foreign inflows. Renewed concerns on elevated global interest rates and inflation were triggered by the Fed Chair Jerome Powell's announcement during the conclusion of its FOMC meeting that more data is needed for the Fed to change its view on US inflation. This means that the Fed is expected to keep rates higher throughout 2023 with no possible reduction until year 2024. On the local front, the Bangko Sentral ng Pilipinas (BSP) increased overnight borrowing rate by 50 basis points (bps) to 5.5%, the highest since November 2008. The PSEi gave up 3.2% to close at 6,566.39 in December.

Trading volume ramped up in December, with Average Daily Value Turnover at US\$222 million or 86.5% higher month-on-month. Meanwhile, in terms of foreign activity, the market saw Net Foreign Outflows at US\$109 million. PLDT was the top stock sold in December with US\$40 million worth of foreign outflow and accounted for 30% of the market's overall decline.

For the individual stock performances, the top index gainers for the month include: AGI (+21.80%), ACEN (+7.17%) and MER (+6.71%). Meanwhile, the bottom index performers are as follows: TEL (-24.83%), MONDE (-12.34%) and MEG (-10.71%).

In the near term, risks include a potentially looming global recession, COVID-19 resurgence in China, and inflation surprising to the upside. Nonetheless, we remain constructive on Philippine equities on a longer-term basis given the country's domestically driven economy and sustained growth potential.



GLOBAL EQUITY MARKET

Global equity markets tumbled in December as hawkish rhetoric from central banks and mounting risks of a global slowdown continued to dominate headlines. November US annual headline inflation was softer-than-expected at 7.1%, supporting a slower pace of monetary policy tightening. The Federal Reserve raised its interest rates by 50 basis points in their December meeting, after four consecutive 75 basis point hikes. Despite the slower pace of rate hikes, the central bank remained committed and has indicated that it will keep interest rates higher for longer than expected to bring down inflation. Markets sold off amid concerns about weaker economic data, downside earnings risk and continued hawkish Fed rhetoric. Meanwhile, emerging market equities outperformed broader equity markets as China relaxed its stringent COVID policies.

China's health commission released new measures to move the country towards reopening, driving a rebound in Chinese equities as investors banked on its economic reopening.

Asian equities returned positively in December, boosted by a weaker dollar and a positive market sentiment as China relaxed its stringent Zero-COVID policies. Chinese equity markets outperformed the broader regional index as China modified its testing requirements and officials released new measures to move the country towards economic reopening. MSCI AC Asia Pacific ex-Japan returned 0.96% for the month, with growth outperforming value and high-dividend stocks.

Moving forward, international equities are expected to continue to be volatile as investors weigh mixed market developments. Short-term headwinds are coming from inflation risks, supply chain disruptions, cumulative effect of central banks tightening, and geopolitical concerns. Equity performance may vary per country and per sector and will likely depend on monetary and fiscal measures, together with economic and corporate earnings recovery. It is important for investors to be diversified when investing in international equities.





BPI AIA-ALAI FUNDS

Statement of Assets and Liabilities

as of December 31, 2022

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*	2,835,600	23,856,671
Loans and receivables	5,789	98,073
Accrued income	-	-
Other assets	-	-
Total Assets	2,841,390	23,954,744

LIABILITIES

Accounts payable and accrued expenses	-	-
Total Liabilities	-	-

Net Asset Value (NAV)

2,841,390

23,954,744

BPI AIA (FORMERLY AYALA LIFE) DOLLAR VARIABLE FUND

in USD Equivalent

	ALFM Dollar Bond Fund
ASSETS	
Cash and cash equivalents	-
Financial assets at FVPL*	179,531
Loans and receivables	1,843
Accrued income	-
Other assets	-
Total Assets	181,374

LIABILITIES

Accounts payable and accrued expenses	-
Total Liabilities	-

Net Asset Value (NAV)

181,374

*Fair Value through Profit or Loss

ALFM Peso Bond Fund

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 0.28% for the month of December 2022, underperforming its benchmark by 12 basis points. Year-to-date, return amounted to 0.91%, underperforming its benchmark by 3 basis points. The fund will maintain its current underweight position in terms of 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

2022 Return	0.91%
2021 Return	0.88%
2020 Return	3.71%
2019 Return	4.20%
2018 Return	1.87%
2017 Return	2.20%
3 Year Return (annualized as of Dec 31, 2022)	1.82%
5 Year Return (annualized as of Dec 31, 2022)	2.30%
Return since Inception (as of Dec 31, 2022)	67.22%

- 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, 2022)

Net Asset Value (NAV in PHP thousands) ^b	23,955 ^c
Net Asset Value per Unit	377.73

b NAV is net of 1.0% policy management charge

c Based on Unaudited Financial Statement

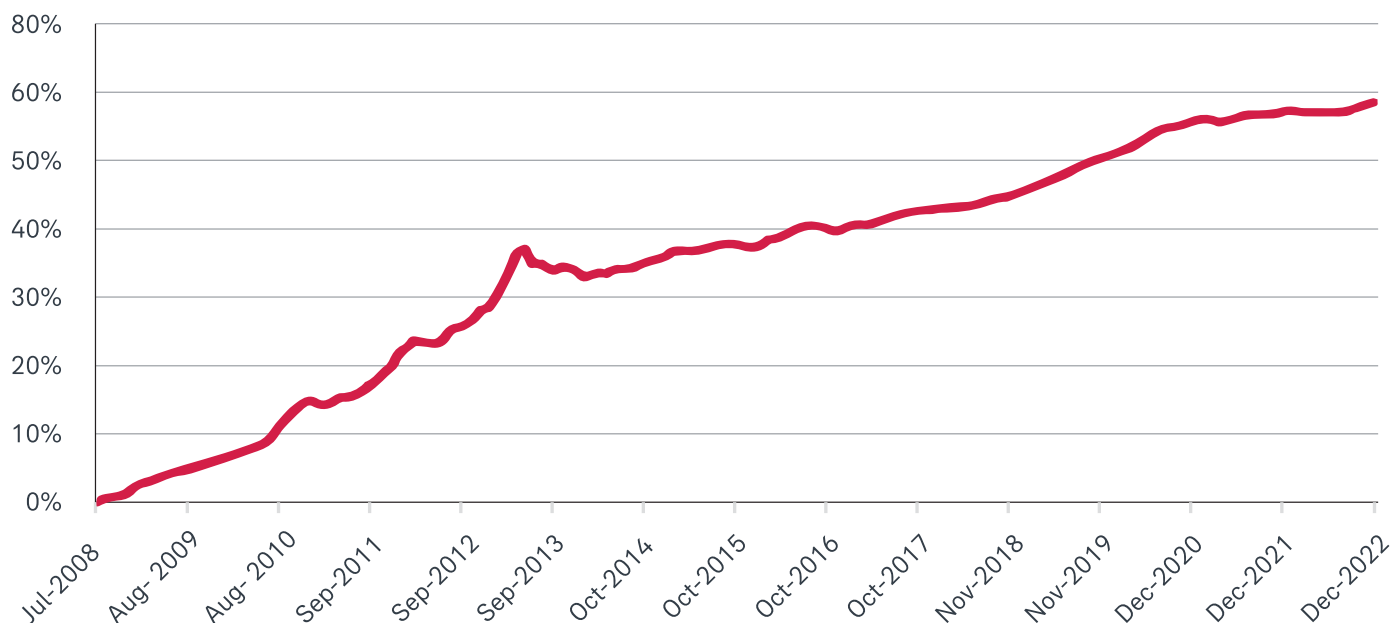
PORTFOLIO COMPOSITION

Allocation	% of Fund
Government	30.39
Corporates	53.78
Fixed Income Funds	1.99
Cash, Time Deposits, and Other Receivables - Net of Liabilities	11.59
Preferreds	2.25

TOP HOLDINGS - ALFM PESO BOND FUND

Name	Maturity	%
Retail Treasury Bond	2027	4.92
Fixed Rate Treasury Bond	2032	3.77
Fixed Rate Treasury Bond	2028	3.40
Ayala Corporation Bond	2025	3.29
Aboitiz Equity Ventures Bond	2027	3.02

ALFM PESO BOND FUND Return Since Inception ^d



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

Philippine Stock Index Fund

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 -3.15% for the month of December 2022, underperforming its benchmark by 1 basis point. Year-to-date return amounted to -6.93%, beating its benchmark by 88 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

2022 Return	-6.93%
2021 Return	0.38%
2020 Return	-8.08%
2019 Return	5.26%
2018 Return	-12.40%
2017 Return	24.71%
3 Year Return (annualized as of Dec 31, 2022)	-4.95%
5 Year Return (annualized as of Dec 31, 2022)	-4.56%
Return since Inception (as of Dec 31, 2022)	184.35%

- 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, 2022)

Net Asset Value (NAV in PHP thousands) ^b	2,841 ^c
Net Asset Value per Unit	748.97

b NAV is net of 1.0% policy management charge

c Based on Unaudited Financial Statement

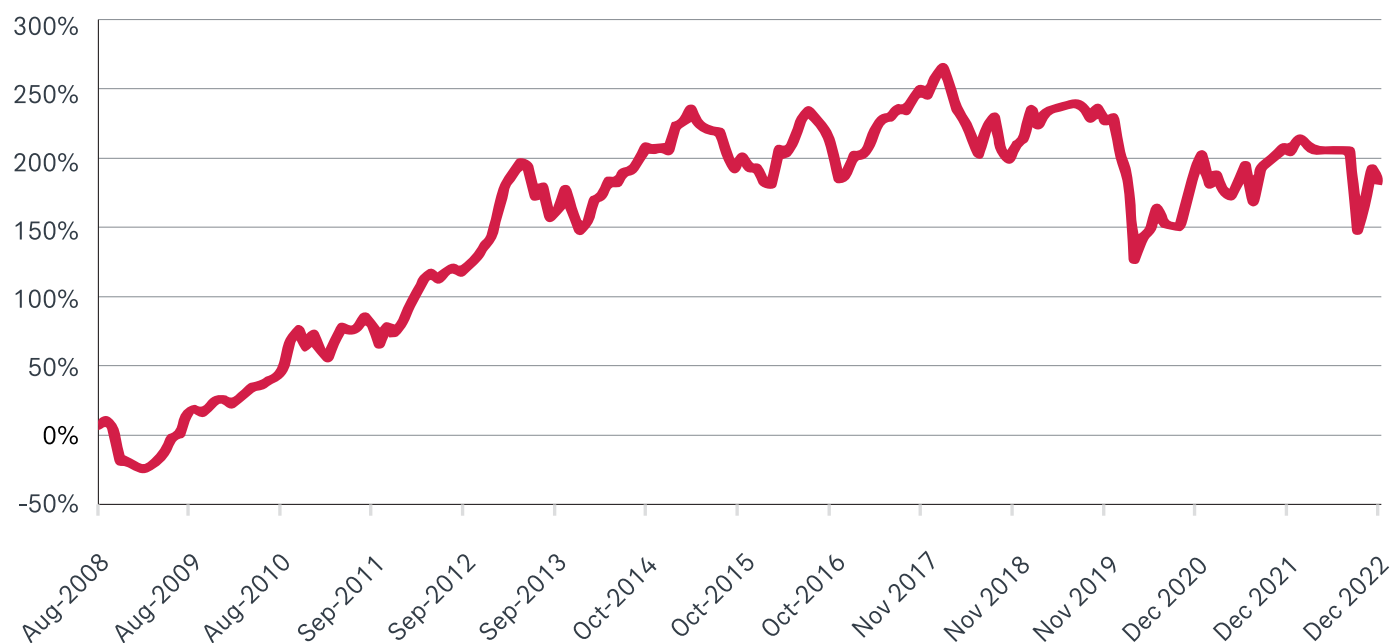
PORTFOLIO COMPOSITION

Allocation	% of Fund
Equities	99.59
Cash, Time Deposits, and Other Receivables - Net of Liabilities	0.41

TOP HOLDINGS - PHILIPPINE STOCK INDEX FUND

Name	% of Fund
SM Investments Corporation	14.71
SM Prime Holdings, Inc.	10.57
BDO Unibank, Inc.	6.82
Ayala Land, Inc	6.71
Bank of the Philippine Islands	6.28

PHILIPPINE STOCK INDEX FUND Return Since Inception ^d



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

ALFM Dollar Bond Fund

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 0.27% for the month of December 2022, underperforming its benchmark by 16 basis points. Year-to-date, return amounted to -1.96%, underperforming its benchmark by 492 basis points. The fund will start to gradually lengthen its portfolio duration. We aim to achieve this by participating in the expected ROP issuances that the government usually auctions off at the beginning of the year. 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

2022 Return	-1.96%
2021 Return	1.19%
2020 Return	3.34%
2019 Return	4.45%
2018 Return	0.55%
2017 Return	3.15%
3 Year Return (annualized as of Dec 31, 2022)	0.83%
5 Year Return (annualized as of Dec 31, 2022)	1.49%
Return since Inception (as of Dec 31, 2022)	54.60%

- 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, 2022)

Net Asset Value (NAV in USD thousands) ^b	181 ^c
Net Asset Value per Unit	480.03

b NAV is net of 1.25% policy management charge

c Based on Unaudited Financial Statement

PORTFOLIO COMPOSITION

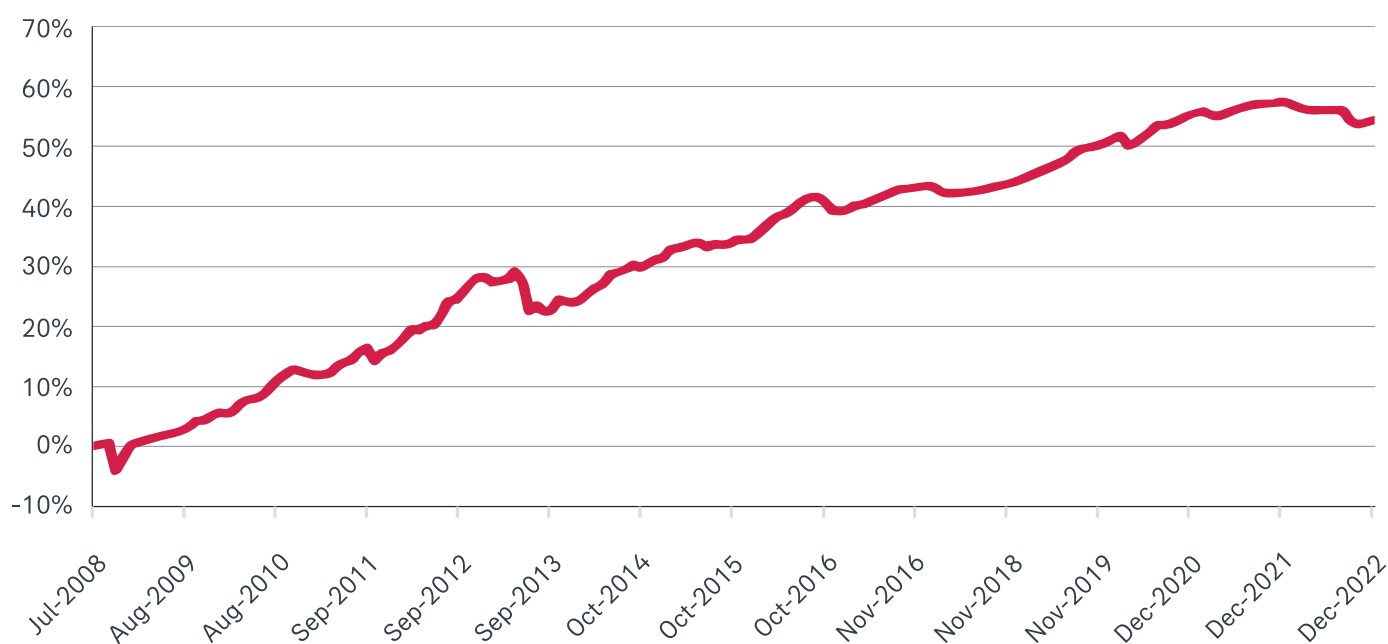
Allocation	% of Fund
Government	25.24
Corporates	69.00
Fixed Income Funds	2.56
Cash, Time Deposits, and Other Receivables - Net of Liabilities	3.20

TOP HOLDINGS - ALFM DOLLAR BOND FUND

Name	Maturity	%
Aboitiz Equity Ventures, Inc. Bond	2030	7.75
Ayala Corporation Bond	Perpetual	6.71
First Pacific Bond	2027	5.18
JG Summit Holdings Bond	2030	4.45
Manila Water Corp Bond	2030	4.33

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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Risk Warning: Past performance is not indicative of future results. Our investment management services relate to a variety of investments, each of which can fluctuate in value. The value of portfolios we manage may fall as well as rise, and the investor may not get back the full amount originally invested. The investment risks vary between different types of instruments. For example, for investments involving exposure to a currency other than that in which the portfolio is denominated, changes in the rate of exchange may cause the value of investments, and consequently the value of the portfolio, to go up or down. In the case of a higher volatility portfolio the loss on realization or cancellation may be very high (including total loss of investment), as the value of such an investment may fall suddenly and substantially. In making an investment decision, prospective investors must rely on their own examination of the merits and risks involved. Unless otherwise noted, all information contained herein is sourced with BPI AIA internal data. The content included herein has been shared with various in-house departments within BPI AIA and will comply with the confidentiality requirements of their respective jurisdictions. Parts of this presentation may be based on information received from sources we consider reliable. We do not represent that all of this information is accurate or complete and may not be relied upon as such. The investment risks and other risks associated with this product are borne solely by the policyowner.

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.



www.bpi-aia.com.ph

(02) 8528 5501

15th Floor BPI-Philam Makati
Ayala Avenue, Makati City, 1226