



BPI



2023 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 year 2023 marked another volatile year for the global financial markets.

Ten-year US treasury yields gyrated from lows of 3.25% to 5.02% before closing the year marginally higher by 0.06% at 3.88%. Ten-year Philippine treasury yields tracked US yields but managed to close at 6%, lower by 0.98%.

In terms of price movement, Philippine bond prices registered intra-year gains of as high as 7.37% from January to May before erasing half of the gains through October. Announcement of a possible Fed pivot from its rate hiking cycle in November cheered financial markets around the world. Philippine bond markets rallied 5.50% from its October lows to end 2023 with high single-digit gains.

Bond price movements also set the direction for the Philippine equity market. The Philippine Composite Index (PCOMP) convulsed from intra-year returns of 8.0%, then lost 16.0% from its peak before closing 2023 with a return of -1.8%. The S&P500 surprised with a 24.2% gain on the back of technology stocks.

The Philippine peso weakened from 53.68 to 56.98 versus the US dollar.

The sharp recovery in the last quarter of 2023 bodes well for 2024. The path to lower inflation appears to be well established. As a result, the US Fed has messaged the end of the rate hiking cycle with rate cuts expected to happen within the year. Financial markets may stay tentative in the early part of 2024 as markets guess when rate cuts will start. Nevertheless, the new US Fed stance will benefit financial markets around the world.

Despite the volatility in the market and other factors, BPI AIA reaffirms its strength and leadership with strong financial performance in 2023 based on unaudited financial statements:

- Total Assets	:PHP112.6 billion
- Net Worth	:PHP9.3 billion
- Share Capital	:PHP0.7 billion
- Gross Premiums	:PHP15.5 billion
- Net Income	:PHP2.4 billion

We look forward to the market's performance improving in the months to come with the positive movements during the last quarter of 2023, as well as the favorable outlook for 2024.

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

Sincerely,

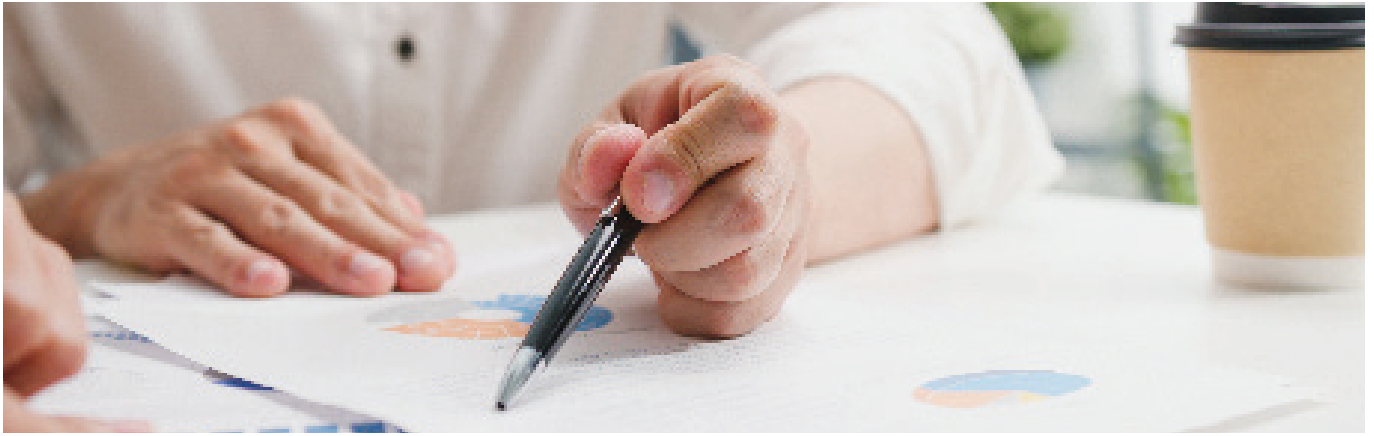


KAREN CUSTODIA

Chief Executive Officer

MARKET REVIEW





GENERAL MARKET OVERVIEW

In 2023, the global economy was shaken by persistently high inflation. Despite moderating from 40-year highs in 2022, the prices of goods and services in the US remained elevated. Meanwhile, Philippine inflation reached its highest level since 2008 in January and stayed elevated for most part of the year. Prices of commodities, including rice and oil, rose due to supply constraints brought by weather disturbances and geopolitical tensions in the Middle East. To arrest inflation, the US Federal Reserve and the Bangko Sentral ng Pilipinas raised their respective policy rates to multi-year highs.

As bond yields rose to multi-year highs, investors raised concerns on slowing economic growth. Nevertheless, the US economy defied expectations and remained resilient amid healthy employment data and strong showing of technology / artificial intelligence companies. As a result, US equities exhibited another stellar year. Conversely, higher prices and borrowing costs in the Philippines resulted to lacklustre investments and government spending, even resulting to a pale 4.3% 2nd quarter GDP growth. Coupled with the threat of profit margin squeezes from businesses, Philippine equities faltered.

As the year ended, central bank tightening has paid off as average inflation declined albeit above the long run target. Both the US Federal Reserve and the Bangko Sentral ng Pilipinas hinted at monetary policy easing, prompting a reversal in bond yields and improvement in investor sentiment. Philippine equities embarked on a yearend rally but still closed in negative territory.

As of December 31, 2023:

- The S&P 500 Index came close to a record finish by ending the year higher by 24.23%.
- The Philippine Stock Exchange Index (PSEi) retreated for a fourth straight year, ending lower by 1.8%.
- The 10-Yr US Treasury yield initially reached a low of 3.24% and touched 5.0% before closing the year at 3.88%.
- The 10-Yr PHP benchmark initially rose to 7.21% and slipped to a low of 5.72% before closing the year at 6.0%.
- The USD/PHP reached a low of 53.63, surged to a high of 56.99 before closing at 55.37.





THE LOCAL ECONOMY

December inflation decelerated to 3.9%, the first time it settled within target since March 2022. The declining oil, coal, and shipping prices helped cool inflation for utilities and transport. The outlook for the prices of these commodities remains favorable as global growth is expected to slow down due to the lagged effects of monetary tightening. However, we are wary on the effects of El Niño on food prices, particularly on rice. Governments have been heavily importing rice in anticipation of lower production during El Niño, driving import prices to multi-year highs. We forecast inflation to sustainably fall within target by 2H24. Inflation may accelerate beyond the BSP's target band in 2Q24 due to base effects, but inflation should remain below 4% for most of the year. Our expectation is that the average inflation for the year will settle at 3.7%.

In 4Q23, the Philippine economy grew by 5.6% YoY, slower than the revised 6.0% growth posted in 3Q23. This brought the FY2023 economic

growth to 5.6%, below the government's 6% to 7% target. Sustained growth in household consumption as well as improvement in capital formation provided support. Meanwhile, lower government spending and weak exports dragged down growth.

On a positive note, we expect PH GDP to grow by 6.3% in 2024 amid improved prospects of easing inflation and potential rate cuts in the latter half of this year which could lift overall demand. Furthermore, the higher national budget set by the government in 2024 may also boost government spending and public construction. The government's infrastructure program was set to be 5.6% YoY higher at Php1.4 trillion this year. Downside risks to the outlook would include implementation risks from the government and stickier-than-expected inflation.

LOCAL FIXED INCOME MARKET

In 2023, domestic fixed income returned positively with the local currency bond index gaining 8.24%. This was boosted by falling bond yields after local inflation eased from the 8.7% peak in January. While we saw a rebound in the third quarter, inflation decelerated to 3.9% in December amid cooling prices of food and utilities. This settled within the Bangko Sentral ng Pilipinas' (BSP) target range of 2-4% for the first time since March 2022. Following a 100-bp hike made over the course of the year, the continued decline in inflation allowed the BSP to keep the policy rate steady at 6.5% during the December monetary policy meeting.

Moving forward, inflation is expected to continue trending lower with the BSP forecasting inflation to average 3.7% in 2024 from 6.0% in 2023. Moreover, the US Federal Reserve signaled that it could start easing monetary policy in 2024. These tailwinds may enable the BSP to gradually cut rates in the second half. However, we remain watchful of upside risks to inflation such as the impact of El Niño phenomenon on agricultural product prices including rice, global oil price volatility, transport fare hikes, power rate upward adjustments, and above-average wage increases. In line with this, BSP Governor Remolona signaled that the BSP will likely keep the policy rate tight until inflation firmly falls within target.

Given the favorable inflation outlook and attractive bond yields compared to historical averages, we still see opportunity to invest in fixed income. We believe investors are well positioned to augment their portfolio by adding duration to their fixed income holdings. This provides an opportunity to lock in the elevated yields and capitalize on the potential marked-to-market gains once the central bank cut rates. Despite the potential short-term risks to the inflation outlook, we see inflation moderating over the medium term as global economic growth slows and as the delayed impact of tight monetary policy takes effect.



GLOBAL FIXED INCOME MARKET

International fixed income investments ended 2023 on a positive note with the FTSE World Government Bond Index rising by 4.41% in Pp terms. The US Fed delivered a total of 100-bp rate hikes in 2023 to a target rate range of 5.25% to 5.50%, less aggressive than the year prior as inflation started to decelerate gradually. Consumer inflation in the US slowed down to 3.1% in November, firmly coming off from the 9.1% peak in June 2022. The labor market, albeit still resilient, also showed signs of cooling as job openings declined and wage growth moderated in December. These indicate that the aggressive monetary tightening is taking its intended effects. Similarly, the European Central Bank (ECB) raised interest rates by a total of 200 bps in 2023, with the deposit facility rate at a record-high of 4.0%. ECB President Christine Lagarde recently hinted that rates will likely remain elevated at least until the first half of 2024 despite lower inflation expectations. Meanwhile, the Bank of Japan (BOJ) has kept its dovish monetary policy with rates, both long-term and short-term rates, unchanged. However, the BOJ further widened its yield target band on the 10-YR Japanese government bond by 50 bps to +/- 1% from its 0% target rate. This change brought forth some view in the market that the BOJ may start to shift away from its decade-long dovish stance as it adjusts to the global developments.

Moving forward, the international fixed income market can benefit from high accrual returns as current bond yields remain elevated. While volatility in fixed income securities is expected in the short term amid oil price volatility and geopolitical risks, we are of the view that rates are likely to go down this year. Our base case points to inflation continuing its downtrend as high policy rates make their way into economies. Consequently, barring any new inflation shocks, central banks like the US Fed are getting close or even at the end of their rate-hiking cycles. The US Fed, while remaining committed to its 2% inflation target, projects potential rate cuts of 75 and 100 bps in 2024 and 2025, respectively. This can eventually be supportive to fixed income investment returns





LOCAL EQUITY MARKET

2023 marked yet another challenging year for Philippine stocks, ending the year at 6,450 with a -1.77% return. Although the asset class managed to catch up and rally towards the end of the year, headwinds stemming from elevated inflation and interest rates weighed on investors' sentiment. Low market liquidity, geopolitical concerns, and uncertainty on the economic growth also caused investors to remain cautious of investing in the domestic equities space.

Moving forward, we remain constructive on our long-term outlook for domestic equities. At a 12x price-earnings-ratio for 2024, the PSEi can potentially land near the 7,100 level by the end of this year. This is anchoring on a more favorable investment environment amidst easing inflation and potential monetary policy easing. However, risks remain such as lingering upside risks to inflation, higher-for-longer interest rates, ongoing geopolitical concerns, global economic slowdown, and the country's twin deficits.

Nonetheless, current valuations, which remain at low levels, continue to provide an opportunity to gradually build investors' stock portfolio. Slow, gradual, and selective accumulation may be utilized. Diversification strategies are also apt as we wait for the risks to dissipate.



GLOBAL EQUITY MARKET

In 2023, international equity markets managed to gain momentum with the MSCI World index returning 20.66% in peso terms. International stocks experienced heightened volatility from market-moving events such as the banking turmoil in the US, the US government's debt ceiling issue, and the Israel-Hamas conflict. Lingering inflation risks also weighed on market sentiment. Despite these, investors' waning fears over a US recession and optimism towards the tech sector amid growing interest in Artificial Intelligence (AI) were able to drive gains in the asset class. The US economy grew faster than expected for the third quarter of 2023, rising 4.9% YoY, the fastest pace in almost two years. Sentiment also improved amid expectations that the policy rates of central banks have reached their peaks, with potential rate cuts underway.

For 2024, international equity markets are expected to remain volatile amid lingering risks but easing inflation and potential policy rate cuts could be supportive. Investors will likely continue to monitor central bank decisions, inflation trends, and corporate earnings data.

Near-term headwinds may come from inflation surprising to the upside, higher-for-longer rates from central banks, global recession risks, and ongoing geopolitical concerns. Furthermore, uncertainty over China's postpandemic recovery in the face of deflationary pressures and its troubled property sector may also affect investors' sentiment, risk appetite, and consumer demand. Given this, it is important for investors to remain diversified yet selective when investing in international equities.





BPI AIA-ALAI FUNDS



STATEMENT OF ASSETS AND LIABILITIES

as of December 31, 2023

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*	2,841,469	22,896,577
Loans and receivables	5,789	98,169
Accrued income	-	-
Total Assets	2,847,258	22,994,746

LIABILITIES

Accounts payable and accrued expenses	-	-
Total Liabilities	-	-

Net Asset Value (NAV)	2,847,258	22,994,746
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BPI AIA (FORMERLY AYALA LIFE) DOLLAR VARIABLE FUND

in USD Equivalent

	ALFM Dollar Bond Fund
ASSETS	
Cash and cash equivalents	-
Financial assets at FVPL*	185,220
Loans and receivables	1,843
Accrued income	-
Total Assets	187,063

LIABILITIES

Accounts payable and accrued expenses	-
Total Liabilities	-

Net Asset Value (NAV)	187,063
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*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 0.34% for the month of December 2023, underperforming its benchmark by 9 basis points. Year-to-date, return amounted to 3.38%, underperforming its benchmark by 127 basis points. The fund manager is looking to gradually add duration since the BSP has decided to pause hiking rates in their last 2 policy rate meetings given the easing inflationary environment. 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

2023 Return	3.38%
2022 Return	0.91%
2021 Return	0.88%
2020 Return	3.71%
2019 Return	4.20%
2018 Return	1.87%
3 Year Return (annualized as of Dec 31, 2023)	1.72%
5 Year Return (annualized as of Dec 31, 2023)	2.61%
Return since Inception (as of Dec 31, 2023)	72.87%

- 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, 2023)

Net Asset Value (NAV in PHP thousands) ^b	22,955 ^c
Net Asset Value per Unit	390.50

b NAV is net of 1.0% fund management charge

c Based on Unaudited Financial Statement

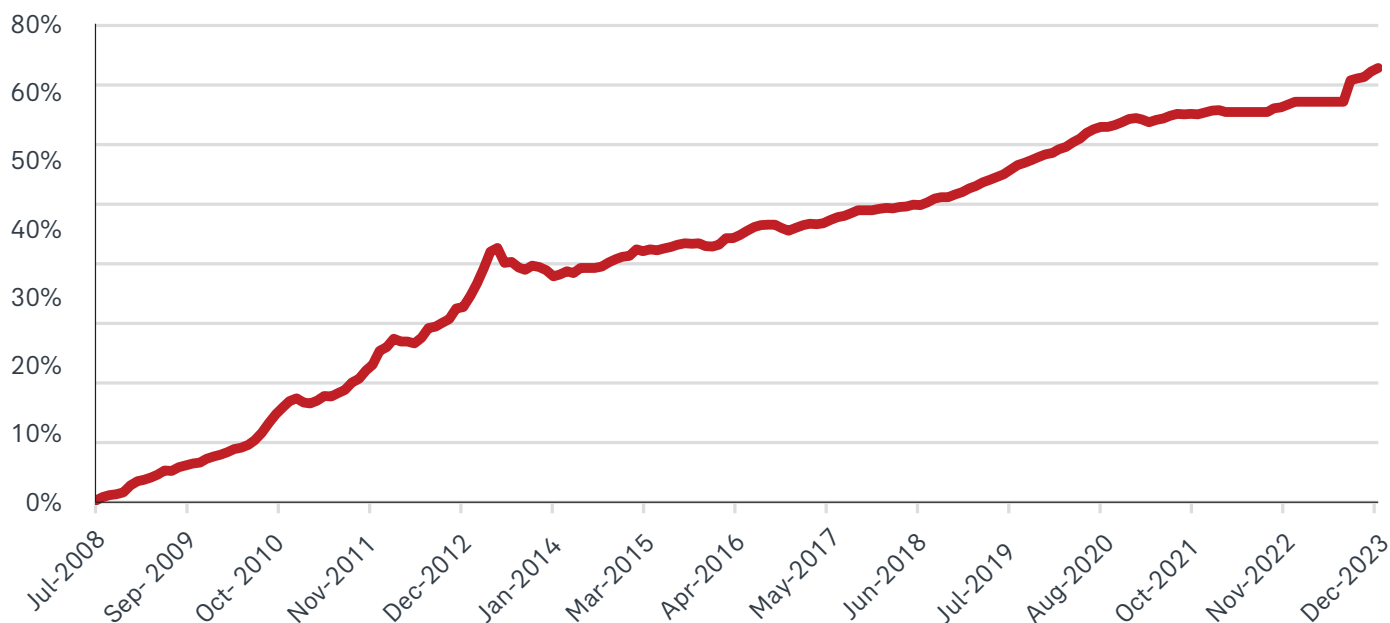
PORTFOLIO COMPOSITION

Allocation	% of Fund
Government	32.60
Corporates	62.82
Fixed Income Funds	0.00
Cash, Time Deposits, and Other Receivables - Net of Liabilities	4.58

TOP HOLDINGS - ALFM PESO BOND FUND

Name	Maturity	%
Retail Treasury Bond	2027	5.40
Fixed Rate Treasury Bond	2032	4.10
Fixed Rate Treasury Bond	2028	3.80
Ayala Corporation Bond	2025	3.64
Aboitiz Equity Ventures Bond	2027	3.28

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 3.68% for the month of December 2023, beating its benchmark by 4 basis points. Year-to-date return amounted to 0.21%, outperforming its benchmark by 198 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

2023 Return	0.21%
2022 Return	-6.93%
2021 Return	0.38%
2020 Return	-8.08%
2019 Return	5.26%
2018 Return	-12.40%
3 Year Return (annualized as of Dec 31, 2023)	-2.17%
5 Year Return (annualized as of Dec 31, 2023)	-1.96%
Return since Inception (as of Dec 31, 2023)	184.94%

- 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, 2023)

Net Asset Value (NAV in PHP thousands) ^b	2,847 ^c
Net Asset Value per Unit	750.52

b NAV is net of 1.0% fund management charge

c Based on Unaudited Financial Statement

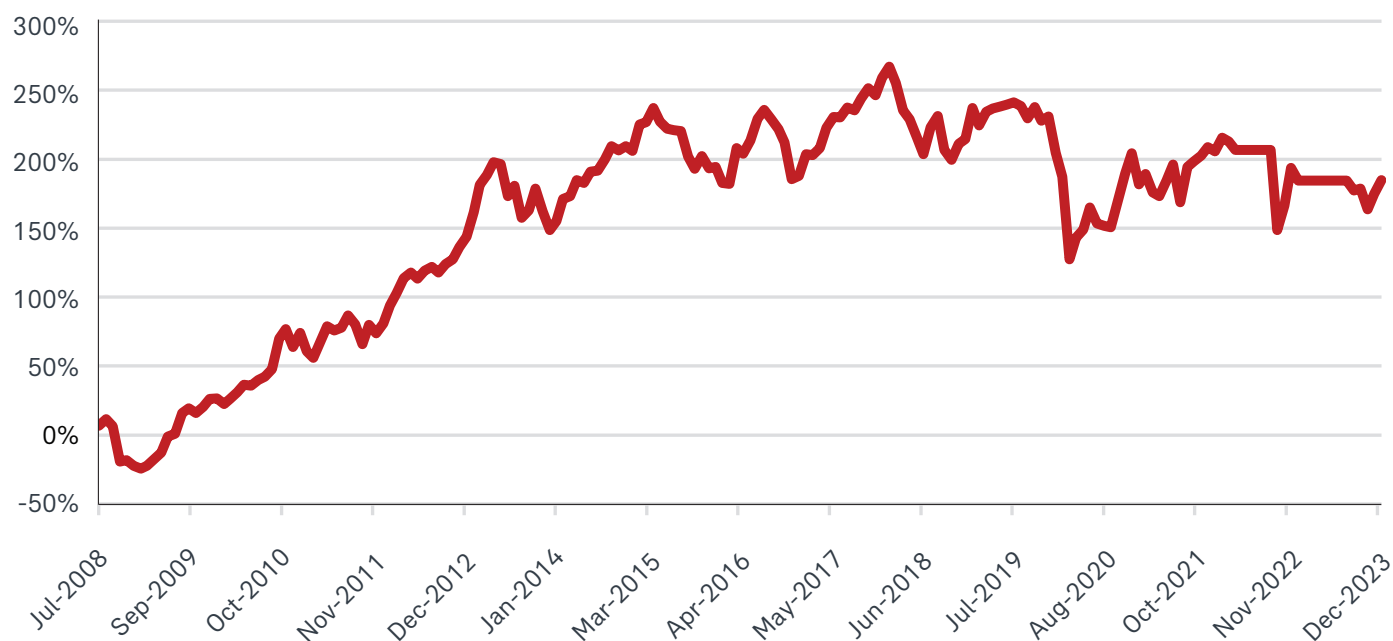
PORTFOLIO COMPOSITION

Allocation	% of Fund
Equities	99.14
Cash, Time Deposits, and Other Receivables - Net of Liabilities	0.86

TOP HOLDINGS - PHILIPPINE STOCK INDEX FUND

Name	% of Fund
SM Investments Corporation	14.22
SM Prime Holdings, Inc.	9.78
BDO Unibank, Inc.	8.41
Bank of the Philippine Islands	7.28
Int'l Container Terminal Services, Inc.	7.11

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 0.65% for the month December 2023, outperforming its benchmark by 15 basis points. Year-to-date, return amounted to 3.17%, underperforming its benchmark by 298 basis points. The fund manager is looking to gradually add duration to the portfolio. This is in light of signs that the Federal Reserve may be nearing the end of its rate hike cycle. 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

2023 Return	3.17%
2022 Return	-1.96%
2021 Return	1.19%
2020 Return	3.34%
2019 Return	4.45%
2018 Return	0.55%
3 Year Return (annualized as of Dec 31, 2023)	0.78%
5 Year Return (annualized as of Dec 31, 2023)	2.01%
Return since Inception (as of Dec 31, 2023)	59.50%

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, 2023)

Net Asset Value (NAV in USD thousands) ^b	187 ^c
Net Asset Value per Unit	495.24

b NAV is net of 1.25% fund management charge

c Based on Unaudited Financial Statement

PORTFOLIO COMPOSITION

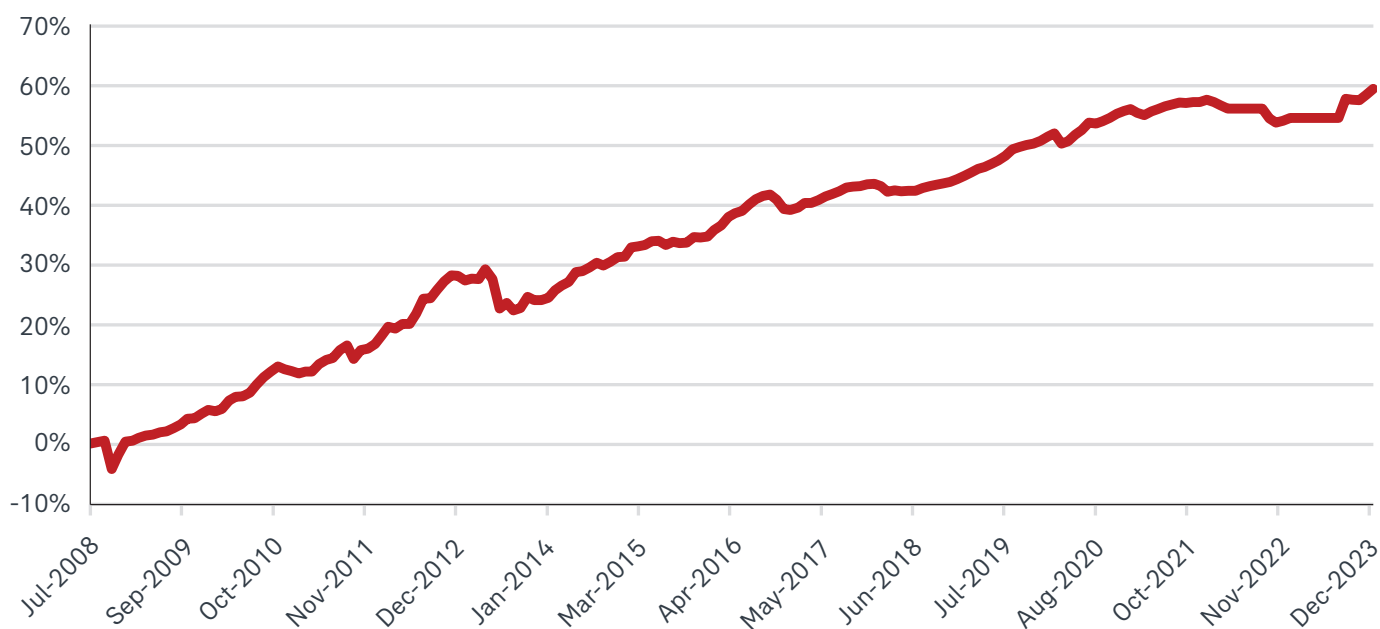
Allocation	% of Fund
Government	24.38
Corporates	70.98
Fixed Income Funds	3.00
Cash, Time Deposits, and Other Receivables - Net of Liabilities	1.63

TOP HOLDINGS - ALFM DOLLAR BOND FUND

Name	Maturity	%
Aboitiz Equity Ventures, Inc. Bond	2030	8.50
Ayala Corporation Bond	2071	7.20
First Pacific Bond	2027	5.28
JG Summit Holdings Bond	2030	4.88
Manila Water Corp Bond	2030	4.79

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 700 branches and 1,500 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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