

# 2020 FUND PERFORMANCE REPORT



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







# Message from the CEO

## To our Policyholders,

By now, we are all well aware of the challenges the economy faced in the past year.

Along with the worldwide spread of the COVID-19 virus came lockdowns, transport restrictions, and an abrupt shift to e-commerce. The Philippine Stock Exchange Composite Index (PSEi) lost 8.64% and only 11 of 30 benchmark names managed to generate positive returns. Philippine gross domestic product (GDP) declined by 9.6% and since foreign investors were less likely to acquire riskier assets overseas, we had net outflows of around \$2.5 billion.

Despite these challenges, however, we have already begun our journey towards recovery.

The future looks positive.

Global equities ended 2020 on a good note after recuperating from the plunge due to the pandemic. Bangko Sentral ng Pilipinas (BSP) also reduced policy rates to 2.00%, cut the reserve requirement ratio (RRR) to 12%, and bought government bonds through direct purchases or the secondary market, all of which have helped inject PHP 2.0 trillion in liquidity into our financial system and provided a cushion against the economic recession. Market optimism for 2021 was driven by ongoing COVID-19 vaccine developments, the reopening of businesses, and more powerful e-commerce platforms.

Although it may take more time for the global economy to return to normal speed, even with the vaccine, this unexpected growth shows that we can rise and power through the trials.

As always, we would like to thank you for your trust and patronage. Together, we will come out strong.

Sincerely,

**SURENDRA MENON**  
Chief Executive Officer





# Market Review

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## GENERAL MARKET OVERVIEW

The 2019 novel coronavirus swept across the world throughout most of 2020, crippling economic growth and adversely affecting the lives of many segments of the global population.

As the pandemic broke out in 1Q2020, a deep and intense recession followed, with various countries initiating unprecedented strict lockdowns to prevent the swift spread of the virus. Mass gatherings were banned, mobility/travel restricted, and many businesses disrupted. With millions of people becoming jobless, governments launched massive fiscal stimulus programs while central banks deployed monetary easing measures, to provide a lifeline to individuals and a safety net for businesses in distress.

## LOCAL EQUITY MARKET

2020 was an unusual year. As the pandemic from the COVID-19 virus contagion hit the Philippines, lockdowns were imposed, and the economy struggled. The country's gross domestic product (GDP) contracted by 9.6%, and the Philippine Stock Exchange Index (PSEi) touched 8-year lows, alongside its peers like Thailand (-8.26%) and Indonesia (-5.09%).

While the PSEi initially dropped by 41% (from its 2019 close of 7,815), it managed to recover and close the year at 7,139.71 with an 8.64% loss, as positive vaccine developments spurred market optimism in the last quarter of the year. Net foreign outflows amounted to \$2.5 billion, as investors continued to be cautious and stayed away from riskier assets. Despite this, the PSEi's price-earnings ratio (PER) remained expensive at 19.6x, higher than that of MSCI Asia ex-Japan (16.2x) which advanced 22.5%.

In 2021, we expect the PSEi to close near the 7,456 level, based on our estimate of its fair value of 15-16x PER. This assumes that COVID-19 vaccines will be broadly available by the end of the year up to 2022. In the absence of herd immunity and with earnings risk remaining high, though, volatility will persist. As usual, liquidity will influence the outcome. All the same, the low interest rate environment, expected positive vaccine developments and recovery in corporate earnings provide the basis for optimism.





## GLOBAL EQUITY MARKET

Global equities ended on a positive note in 2020, despite the pandemic. Unprecedented monetary, fiscal, and regulatory responses of governments boosted risk appetite.

Equities in Asia's emerging markets (MSCI Emerging Markets Index) outperformed, returning 18.7%, as the US dollar weakened, and international trade resumed. US stocks rallied quite strongly from a 34% decline in March 2020 to return 18.4% for the year, fueled by the technology and healthcare sectors. By the second half of 2020, high-frequency data such as the US Markit manufacturing purchasing managers' index (PMI), unemployment rate, jobless claims, etc. indicated expansion and recovery.

Likewise, equity markets in Korea, China, and Taiwan rallied with returns of more than 25% as technology-related supply chain stocks outperformed. In 4Q2020, positive developments in three vaccines boosted sentiment and added fuel to the post-US Presidential election rally.

China led the global economic recovery, with its gross domestic product (GDP) expanding 2.3%, even as, generally, economies contracted 3.3% year on year. Europe succumbed to a second wave and shrank 6.3%. Japan shrank 4.8%.

Looking ahead, we expect fiscal and monetary policies globally to remain accommodative to support economies. The low interest rate environment, recovery from the pandemic and improvements in corporate earnings will likely lift global equities higher. While equities shall still be the preferred asset class over bonds, particularly in an environment where negative real rates exist in many places globally, it could have a bumpy ride until there is proper vaccine deployment and mass immunization.





## LOCAL FIXED INCOME MARKET

In 2020, domestic fixed income assets returned strongly, with the BPI Philippine Government Bond Index advancing 10.5% year on year. Marked-to-market gains were realized as government bond yields (based on the benchmark Bloomberg Philippine Sovereign Bond Index AI) sank to their all-time low of 2.64% in July, before closing the year at 2.65%, from 4.28% in end-2019.

The Bangko Sentral ng Pilipinas (BSP) eased monetary policy via the reduction in policy rates, from 4.00% to 2.00%; reduction in banks' reserve requirement ratio (RRR), from 14% to 12%; and purchase of government bonds. In total, the BSP injected PHP2 trillion in liquidity (or about 10% of nominal GDP) to bring down interest rates, support borrowers and encourage spending. To further help the economy recover, the BSP announced its intention to maintain its accommodative monetary policy by keeping its policy rates low and bringing the RRR down to 9% by 2023.

However, the need for larger government funding may put pressure on borrowing costs. The government is expected to borrow PHP2.3 trillion in 2021 and PHP2.2 trillion in 2022, which are significantly higher than the PHP876 billion net financing in 2019. Inflation, which is expected to average 4.2% in 2021 (from 2.6% in 2020), may also be a source of concern.

Post-pandemic and as economic activity returns to normal, we may see interest rates bottoming out, as it is unlikely that they will fall again significantly given the mixed pressures from ample liquidity in the financial system, large government financing, and higher inflation. This may favor cash or bonds with shorter tenors so as to protect portfolios from marked-to-market losses and provide an opportunity to redeploy funds when interest rates rise. We thus expect modest accrual returns in 2021.





## GLOBAL FIXED INCOME MARKET

Large, swift, and unprecedented monetary, fiscal, and regulatory responses of governments, early in the year, enabled historic-low interest rates and the recovery in the price of risk assets in 2020.

Global investment-grade government bonds, as measured by the FTSE World Government Bond Index, returned 10.11%, year on year. US dollar-denominated Asian debt instruments (JPM Asia Credit Index) gained 5.89%.

To boost investor's appetite for risk, the US Federal Reserve adjusted the federal funds target rate from 1.71% in February to 0.25% in March – a level not seen since the U.S. subprime mortgage crisis. At the start of February, US Treasury yields recorded 1.50% (based on Bloomberg Barclays US Treasury Index), compared to 1.72% at the beginning of 2020. By the end of March, Treasury yields retreated to 0.57%, before dipping to their all-time low of 0.408% in July and closing at 0.57% in December.

Since then, central banks have pledged to keep interest rates low and maintain their quantitative easing for an extended period, to buy more time for economies to recover. The US Federal Reserve projected its low rates will hold until 2023, to allow more time for the US GDP, the jobless rate, and inflation to make a full recovery.

Looking ahead, global interest rates may bottom out sooner as vaccine inoculations enable economies to return to normalcy; governments and corporates borrow aggressively and add to the supply of fixed income securities in the market; and, inflation expectations, fueled by rising oil prices, rise abruptly. We expect interest rates to stay below their 2019-levels, nevertheless.

All the same, the sharp drop in yields in 2020 will cap marked-to-market gains. Thereafter, interest rates may rise as economic activities gain more traction.







The background of the image is a deep red color. It features faint, semi-transparent financial charts. On the left side, there are candlestick charts and a bar chart. On the right side, there is a prominent geometric pattern consisting of several overlapping triangles that form a larger upward-pointing triangle, symbolizing a bullish market trend. The text 'BPLAC-ALAI FUNDS' is written in a large, bold, white sans-serif font, positioned in the upper left quadrant of the image.

# BPLAC-ALAI FUNDS



# Statement of Assets and Liabilities

as of December 31, 2020

## BPI-PHILAM (FORMERLY AYALA LIFE) PESO VARIABLE FUNDS

In PHP Equivalent		
	Philippine Stock Index Fund	ALFM Peso Bond Fund
<b>ASSETS</b>		
Cash and cash equivalents	-	-
Financial assets at FVPL*	3,035,047	24,177,066
Loans and receivables	5,789	97,961
Accrued income	-	-
Other assets	-	-
Total Assets	3,040,836	24,275,027
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	-	-
Total Liabilities	-	-
<b>Net Asset Value (NAV)</b>	<b>3,040,836</b>	<b>24,275,027</b>

## BPI-PHILAM (FORMERLY AYALA LIFE) DOLLAR VARIABLE FUND

in USD Equivalent		
		ALFM Dollar Bond Fund
<b>ASSETS</b>		
Cash and cash equivalents		-
Financial assets at FVPL*		213,871
Loans and receivables		1,841
Accrued income		-
Other assets		-
Total Assets		215,711
<b>LIABILITIES</b>		
Accounts payable and accrued expenses		-
Total Liabilities		-
<b>Net Asset Value (NAV)</b>		<b>215,711</b>

\*Fair Value through Profit or Loss





## Wealth Link Peso/Express Unit Link Peso Product Fund

BPI-Philam 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 0.32% for the month of December 2020, outperforming its benchmark by 13 basis points. Year-to-date, return amounted to 3.71%, outperforming its benchmark by 81 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 <sup>a</sup>

2020 Return	3.71%
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, 2020)	3.26%
5 Year Return (annualized as of Dec 31, 2020)	2.83%
Return since Inception (as of Dec 31, 2020)	64.27%

**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, 2020)

Net Asset Value (NAV in PHP thousands) <sup>b</sup>	24,275 <sup>c</sup>
Net Asset Value per Unit	371.07

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

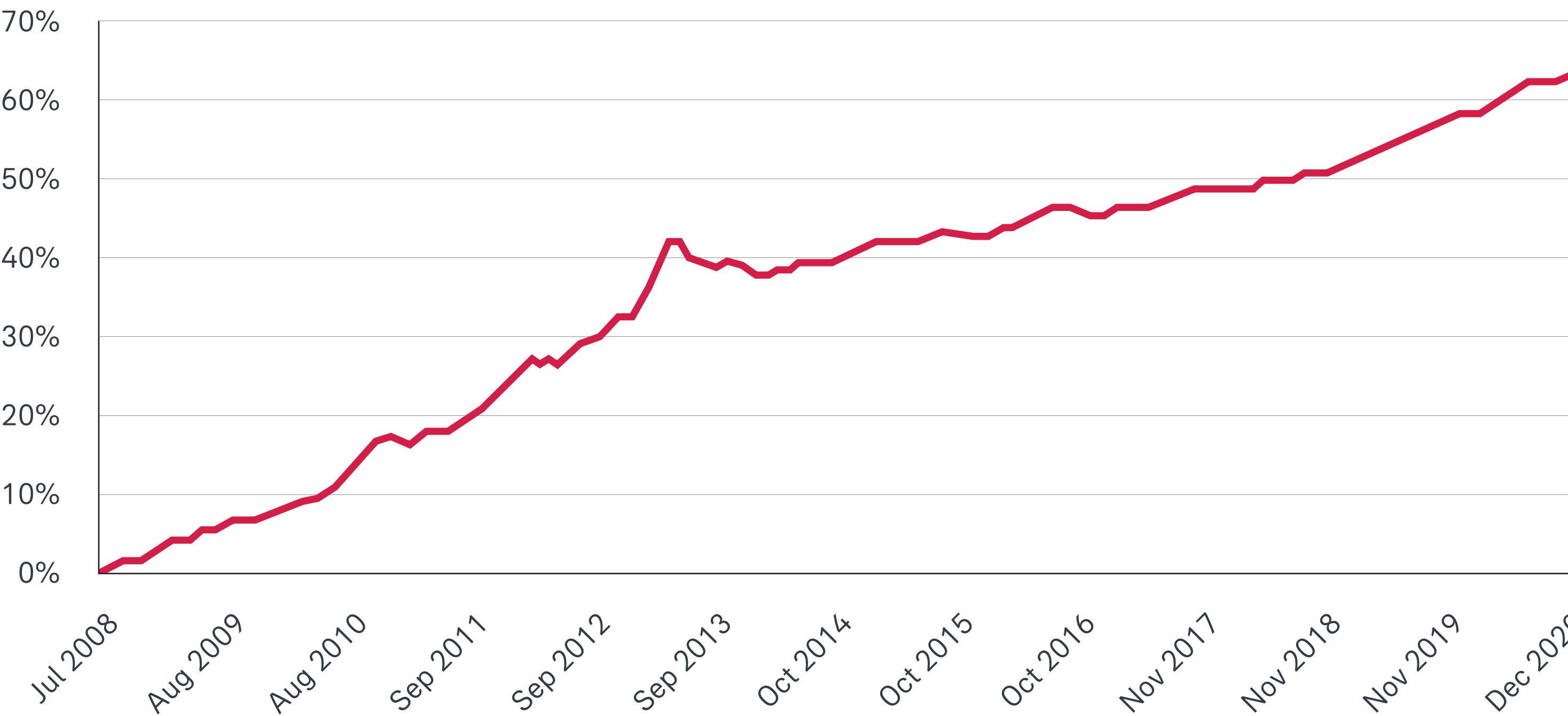
**PORTFOLIO COMPOSITION**

Allocation	% of Fund
Government	21.81
Corporates	65.82
Fixed Income Funds	1.47
Cash, time deposits, and other receivables - net of liabilities	3.73
Preferreds	7.17

**TOP THREE HOLDINGS - ALFM PESO BOND FUND**

Name	Maturity	%
Retail Treasury Bond	8/12/2025	4.54
Republic of the Philippines Bond	1/15/2021	3.26
SM Investments Corp Bond	12/9/2023	3.05

**ALFM PESO BOND FUND**  
**Return Since Inception <sup>d</sup>**



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





# Wealth Link Peso/Express Unit Link Peso Product Fund

BPI-Philam 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 5.07% for the month of December 2020, underperforming the benchmark by 6 basis points. The Fund will continue to track the Philippine Stock Exchange Index (PSEi).

## FUND PERFORMANCE <sup>a</sup>

2020 Return	-8.08%
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, 2020)	-5.36%
5 Year Return (annualized as of Dec 31, 2020)	0.67%
Return since Inception (as of Dec 31, 2020)	204.35%

**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, 2020)

Net Asset Value (NAV in PHP thousands) <sup>b</sup>	3,041 <sup>c</sup>
Net Asset Value per Unit	801.65

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

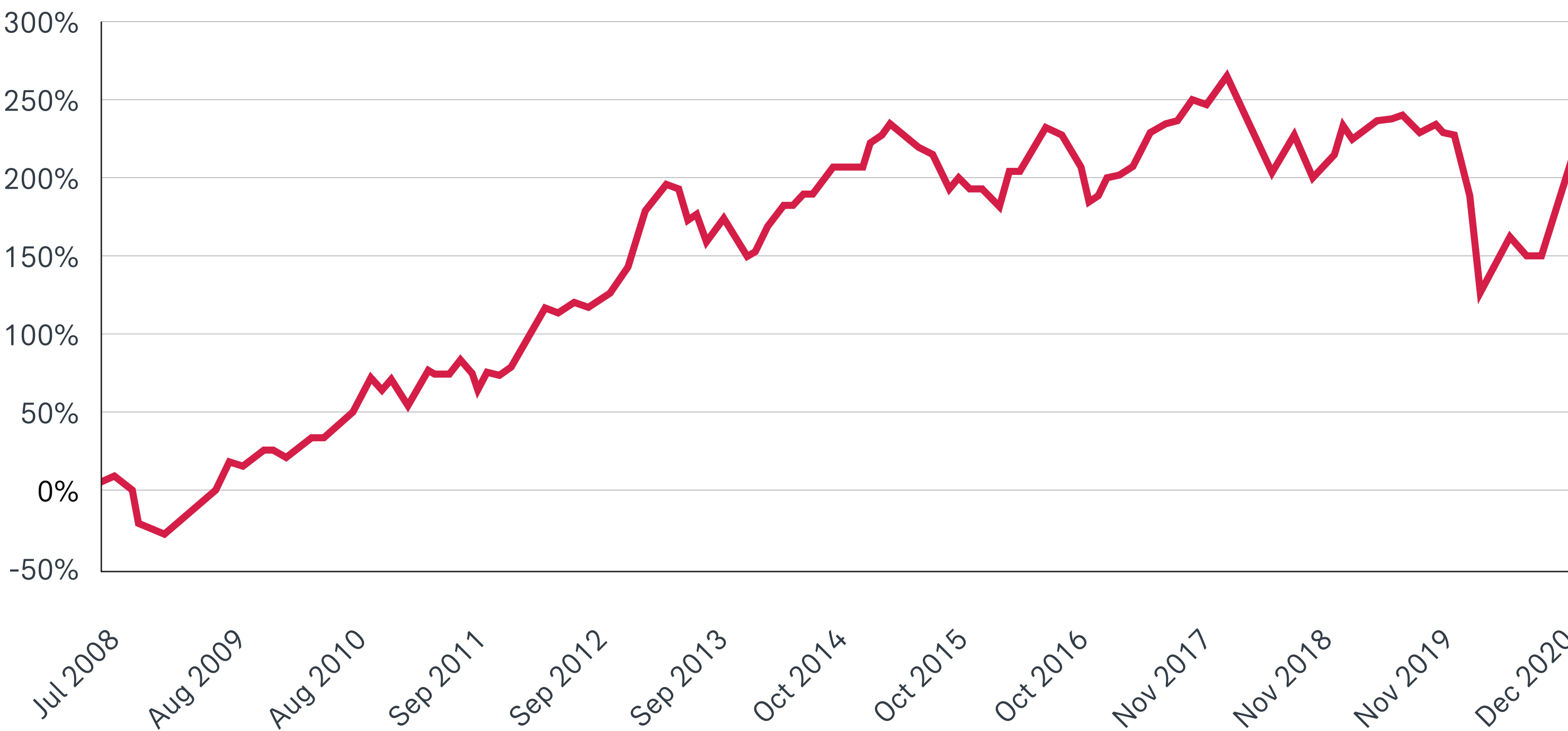
**PORTFOLIO COMPOSITION**

Allocation	% of Fund
Equities	99.30
Cash, Time Deposits, and Other Receivables - Net of Liabilities	0.70
Money Market Funds	0.00

**TOP THREE HOLDINGS - PHILIPPINE STOCK INDEX FUND**

Name	% of Fund
SM Investments Corporation	16.46
SM Prime Holdings, Inc.	11.10
Ayala Land, Inc.	9.19

**PHILIPPINE STOCK INDEX FUND**  
**Return Since Inception <sup>d</sup>**



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





# Wealth Link Dollar/Express Unit Link Dollar Product Fund

BPI-Philam 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 0.31% for the month of December 2020, outperforming its benchmark by 22 basis points. Year-to-date, return amounted to 3.34%, outperforming its benchmark by 197 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 <sup>a</sup>

2020 Return	3.34%
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, 2020)	2.77%
5 Year Return (annualized as of Dec 31, 2020)	2.95%
Return since Inception (as of Dec 31, 2020)	55.84%

**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, 2020)

Net Asset Value (NAV in USD thousands) <sup>b</sup>	216 <sup>c</sup>
Net Asset Value per Unit	483.87

- b** NAV is net of 1.25% policy management charge  
**c** Based on Audited Financial Statement

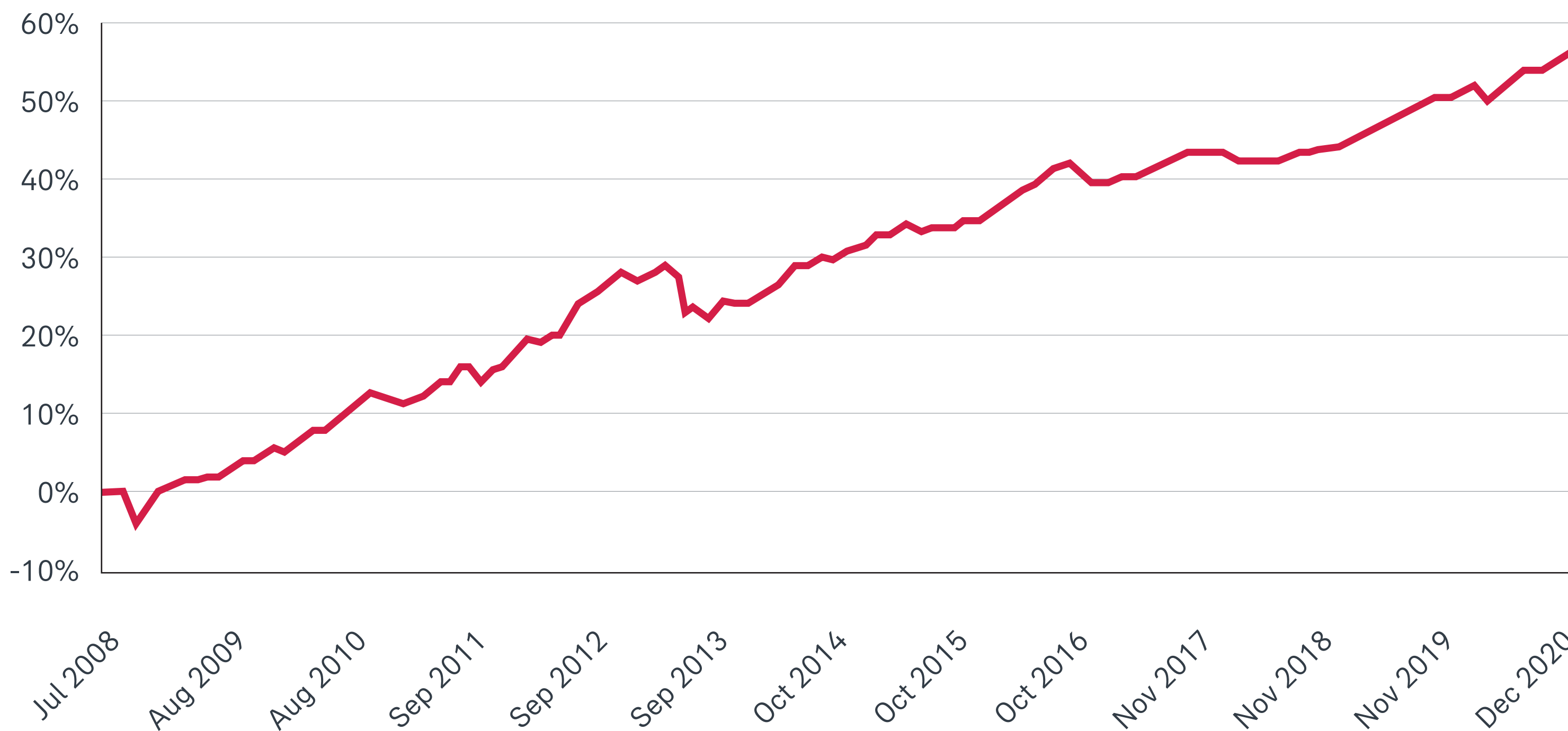
**PORTFOLIO COMPOSITION**

Allocation	% of Fund
Government	37.66
Corporates	52.52
Fixed Income Funds	8.76
Cash, Time Deposits, and Other Receivables - Net of Liabilities	1.06

**TOP THREE HOLDINGS - ALFM DOLLAR BOND FUND**

Name	Maturity	%
Aboitiz Equity Ventures, Inc. Bond	1/16/2030	7.32
AC Energy Bond	1/29/2024	5.95
JG Summit Holdings Bond	1/23/2023	4.78

**ALFM DOLLAR BOND FUND**  
**Return Since Inception <sup>d</sup>**



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



# Disclosure Statement

**Readership:** This document is intended solely for the addressee(s). Its content may be legally privileged and/or confidential.

**Opinions:** Any opinions expressed in this document may be subject to change without notice. We are not soliciting or recommending any action based on this material.

**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-Philam internal data. The content included herein has been shared with various in-house departments within BPI-Philam 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-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 (AIA Philam Life) and Bank of the Philippine Islands (BPI). AIA 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 2019 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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