



2018

FUND PERFORMANCE REPORT

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

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**MESSAGE
FROM THE
CEO**

Dear Policyholder,

The world economy firmly grew 3.0% in 2018, albeit at a slower pace than in 2017. Asia remains to be the biggest contributor to world GDP, growing 6.3% in 2018. Meanwhile, the Philippine economy continues to display strength despite headwinds in 2018. Local economic growth registered 6.2% in 2018, slower than 2017's 6.7% growth rate.

The year 2018 was a challenging one for both global and local financial markets. It was a story of deflation and rising interest rates in the Philippine setting. The Build, Build, Build Infrastructure program by the government continued to buoy economic growth, resulting in stronger demand for imported raw materials and capital equipment, which contributed to a wider current account deficit and ultimately depreciating the value of the Philippine peso against the US dollar. Meanwhile, the increase in global oil prices and weaker local currency pressured Philippine inflation, which averaged 5.2% in 2018, breaching the Bangko Sentral ng Pilipinas' (BSP) 2.0 to 4.0% target. To abate rising price pressures, the BSP aggressively hiked policy rates by 175bps cumulatively to 4.75%. Given high local interest rates and peso depreciation amid escalating concerns in geo-politics and global trade, the Philippine Stock Index (PSEi) underperformed in 2018 at -12.8%.

Despite the volatility in the market and other factors, BPI-Philam reaffirms its strength and leadership with strong financial performance in 2018 based on audited financial statements:

- Total Assets of PHP 101.88 billion
- Net Worth of PHP 6.36 billion
- Paid up Capital of PHP 0.75 billion
- Gross Premiums of PHP 18.92 billion
- Net Income of PHP 1.39 billion

Thank you for your loyalty and continued patronage. Should you have any inquiries, please do not hesitate to call us at (+632) 528-5501 or e-mail us at BPI-Philam_CustomerService@aia.com. You may also visit our website at www.bpi-philam.com or talk to our Bancassurance Sales Executive at your nearest BPI or BPI Family Bank branch.



SURENDRA MENON
Chief Executive Officer

STATEMENT OF ASSETS AND LIABILITIES

as of December 31, 2018

BPI-Philam Life (formerly Ayala Life) Peso Variable Funds

in PHP Equivalent

	Philippine Stock Index Fund	ALFM Peso Bond Fund
ASSETS		
Cash and cash equivalents	-	-
Financial Assets at FVTPL*	3,136,663	22,514,396
Loans and receivables	5,789	97,573
Accrued income	-	-
	3,142,453	22,611,969
LIABILITIES		
Accounts payable and accrued expenses	-	-
Net Asset Value (NAV)	3,142,453	22,611,969

*Fair Value Through Profit or Loss

STATEMENT OF ASSETS AND LIABILITIES

as of December 31, 2018

BPI-Philam Life (formerly Ayala Life) Dollar Variable Fund

in USD Equivalent

	ALFM Dollar Bond Fund
ASSETS	
Cash and cash equivalents	-
Financial Assets at FVTPL*	198,140
Loans and receivables	1,896
Accrued income	-
	200,035
LIABILITIES	
Accounts payable and accrued expenses	-
	-
Net Asset Value (NAV)	200,035

*Fair Value Through Profit or Loss



MARKET REVIEW

GENERAL OVERVIEW

2018 was an eventful year.

The US Federal Reserve Bank (Fed) raised its short-term interest rates four times or a total of 100 basis points. The Bangko Sentral ng Pilipinas (BSP) followed suit, raising its overnight lending rate by a total of 175 basis points. The Philippine Peso depreciated by 5.3% against the US Dollar, and for the first time since 2004, the country's imports outpaced its exports. Domestic inflation rose to 11-year highs amid disruptions in food supply and the passage of new taxes. Global crude oil prices soared in 2018 as well.

Trade disagreements between the US and China had a dampening impact on the global economy, causing the global Gross Domestic Product (GDP) growth to slow down to 3.6% from 3.8% in 2017. Notwithstanding, the Philippine economy grew at a faster pace than 6% (at 6.2%) for the seventh consecutive year, owing to robust domestic consumption and investment spending.

LOCAL FIXED INCOME MARKET

The year 2018 was difficult for Peso Fixed Income, as rising inflation (5.2%) and the BSP's aggressive monetary policy stance (adding 175 bps to the policy rate) resulted in a spike in yields.

The local currency bond index fell by a total of 4.4% over the year due to mark-to-market losses, as the yield curve climbed 2.6% on average (over 3% at the short end, and over 1% at the long end).

Though inflation is beginning to cool, expectations in 2019 may not yet see significant yield reduction, on the tail end of hawkish policy, a weakening currency, and as elevated infrastructure spending (Php776 billion in capital outlays, or 4% of GDP) increases the need for funding.

Nevertheless, the current environment presents some opportunity for accrual income, especially as corporations continue to take on debt at current rates ahead of a perceived slowdown in the economy.

Overall, while 2019 will likely not see a significant rally for the local bond market, it will most probably be less challenging than 2018.

Volatility may persist in the global space, and the Funds will be actively managed to take advantage of this. Investors in a bond fund must be prepared to withstand volatility as higher investment value is typically achieved over the medium- to long-term.

LOCAL EQUITY MARKET

The Philippine Stock Exchange index (PSEi) dropped in 2018 amid a slew of domestic and international events. Locally, the shoot-up of inflation was a surprise (initial estimate was around 3.9%) to the markets. The current account deficit and the fiscal deficit also shot up amidst the Build, Build, Build program and higher expenditures from the government sector.

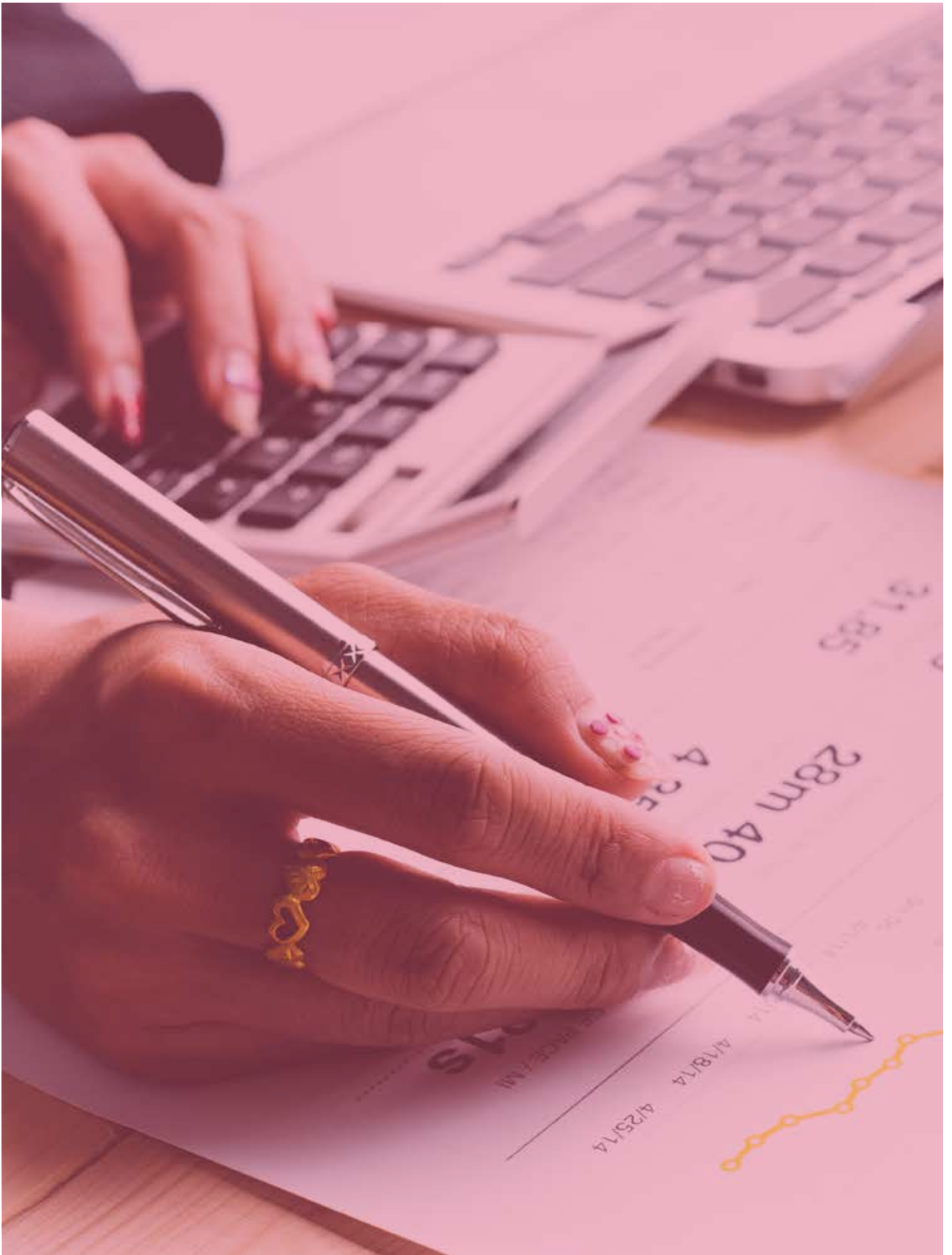
Meanwhile, the US-China trade war heightened risks for a global growth slowdown not only in the US and China, but in emerging countries as a whole due to their participation in the global supply chain.

In the long run, the outlook for local equities remains positive on the back of the Philippines' strong economic fundamentals. Moreover, inflation risk, one of the main concerns of investors in 2018, is forecasted to dissipate following the decline in global crude oil prices and implementation of rice tariffication in 1H2019.

GLOBAL FIXED INCOME MARKET

The 10-year US Treasury bond yield moved from 3% levels in mid-2018 to 2.7% by year-end and going down further to around 2.5% on growth concerns due to weakening consumer demand, souring business sentiment, and not-so-strong federal spending due to a divided legislature in the US.

In 2019, expectations for a more dovish US Fed is mounting and the risk of US rate hikes is abating. Forecasts for US growth and inflation have been revised lower on concerns about slowing global growth, particularly in China, which would also affect the US as well. Recent trade tensions and concerns on global growth have caused a flight to safety. Lower US interest rates will boost attractiveness of emerging market (EM) fixed income assets such as the Philippines.





WEALTH LINK PESO/ EXPRESS UNIT LINK PESO PRODUCTS

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 took on a more defensive stance in 2018 as concerns over inflation and tighter monetary policy were in the background, leading to a higher interest rate scenario. As a result, the Fund decreased its duration and booked more securities as held-to-collect to shield the Fund from further volatility. Towards the end of the year, the Fund shifted some of its liquidity into high-yielding money market instruments.

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

2018 Return	1.87%
2017 Return	2.20%
2016 Return	2.17%
2015 Return	1.12%
2014 Return	1.70%
3 Year Return (annualized as of Dec 31, 2018)	2.08%
5 Year Return (annualized as of Dec 31, 2018)	1.81%
Return since Inception (as of Dec 31, 2018)	52.01%

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

PORTFOLIO STATISTICS (as of December 31, 2018)

Net Asset Value (NAV in PHP thousands) ^b	22,612 ^c
Net Asset Value per Unit	343.38

^b NAV is net of 1.5% policy management charge
^c Based on Audited Financial Statement

PORTFOLIO COMPOSITION

Allocation	% of Fund
Government	12.3
Corporates	70.25
Fixed Income Funds	1.8
Cash, time deposits, and other receivables - net of liabilities	9.47
Preferreds	6.18

TOP THREE HOLDINGS - ALFM PESO BOND FUND

Names	Maturity	%
MPIC Notes	6/30/20	3.06
JG Summit Holdings Bond	8/27/19	2.60
Ayala Corporation Bond	2/10/25	2.51

RETURN SINCE INCEPTION ^d



^d Returns are calculated based on Net Asset Value per Unit



WEALTH LINK PESO/ EXPRESS UNIT LINK PESO PRODUCTS

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 Composit Index (PSEi).

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

2018 Return	-12.40%
2017 Return	24.71%
2016 Return	-2.19%
2015 Return	-3.85%
2014 Return	23.12%
3 Year Return (annualized as of Dec 31, 2018)	2.23%
5 Year Return (annualized as of Dec 31, 2018)	4.81%
Return since Inception (as of Dec 31, 2018)	214.54%

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

PORTFOLIO STATISTICS (as of December 31, 2018)

Net Asset Value (NAV in PHP thousands) ^b	3,142 ^c
Net Asset Value per Unit	828.49

^b NAV is net of 1.50% fund management charge
^c Based on Audited Financial Statement

PORTFOLIO COMPOSITION

Allocation	% of Fund
Equities	99.85
Cash, cash equivalents and other receivables-net of liabilities	0.15

TOP THREE HOLDINGS - PHILIPPINE STOCK INDEX FUND

Names	% of the Fund
SM INVESTMENTS CORPORATION	13.45
SM PRIME HOLDINGS, INC.	8.86
AYALA LAND, INC.	8.60

RETURN SINCE INCEPTION ^d



^d Returns are calculated based on Net Asset Value per Unit



WEALTH LINK DOLLAR/ EXPRESS UNIT LINK DOLLAR PRODUCTS

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 separate variable account, whose fund inception date is July 15, 2008, is invested primarily in the ALFM Dollar 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 was positioned defensively given the tough market environment, having an underweight duration position and preference for accrual income throughout the year. As the outlook improved towards the tail end of 2018, the underweight position was reduced.

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

2018 Return	0.55%
2017 Return	3.15%
2016 Return	3.29%
2015 Return	2.53%
2014 Return	5.89%
3 Year Return (annualized as of Dec 31, 2018)	2.32%
5 Year Return (annualized as of Dec 31, 2018)	3.07%
Return since Inception (as of Dec 31, 2018)	44.38%

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

PORTFOLIO STATISTICS (as of December 31, 2018)

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

200 ^c
 448.28

^b NAV is net of 1.25% fund management charge
^c Based on Audited Financial Statement

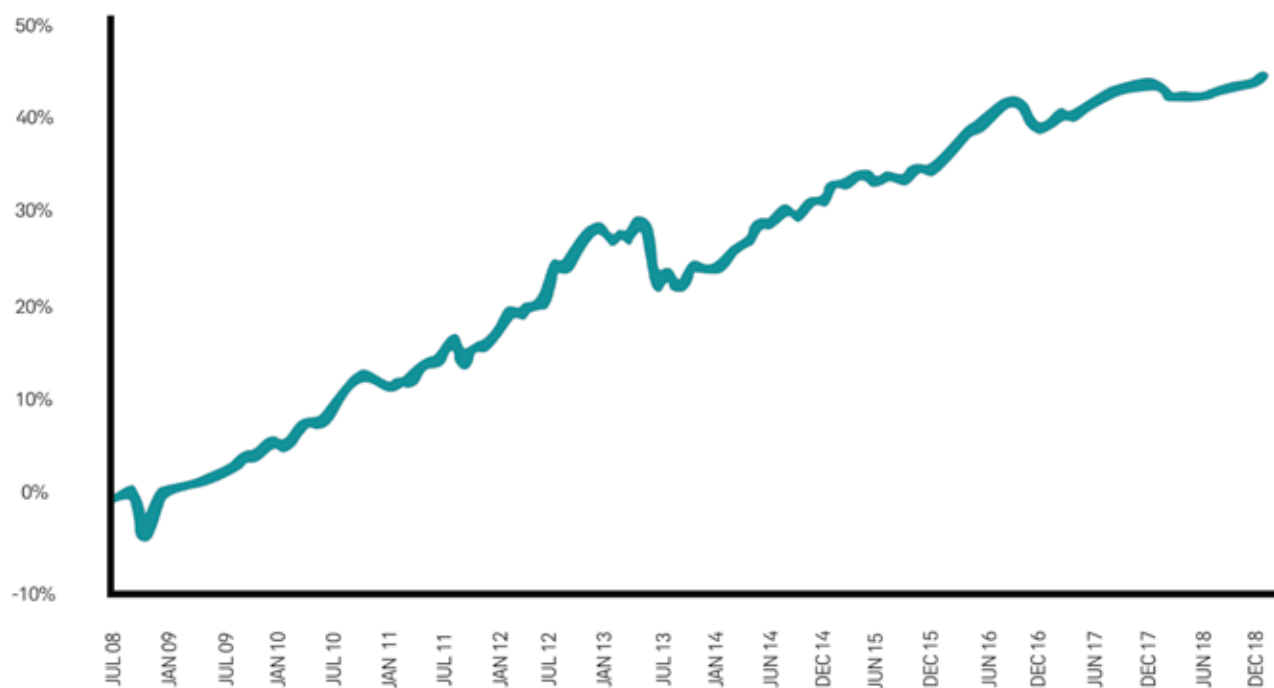
PORTFOLIO COMPOSITION

ALLOCATION	% OF FUND
Government	34.55
Corporates	32.28
Fixed income funds	0.55
Cash, time deposits, and other receivables - net of liabilities	32.62

TOP THREE HOLDINGS - ALFM DOLLAR BOND FUND

NAME	MATURITY	%
Republic of the Philippines Bonds	3/16/25	5.62
Republic of the Philippines Bonds	1/15/19	5.46
Energy Development Corp. Bond	1/20/21	5.27

RETURN SINCE INCEPTION ^d



^d Returns are calculated based on Net Asset Value per Unit



DISCLOSURE STATEMENT

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About BPI-Philam

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

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

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

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