PESO SYSTEMATIC GLOBAL SUSTAINABLE INCOME FUND

As of January 31, 2024

Key Information and Investment Disclosure

FUND INFORMATION

Launch Date	January 16, 2023	Net Asset Value per Unit (NAVPU)	PHP	1.021364
		Total Fund NAV (Mn)	PHP	376.86

INVESTMENT OBJECTIVE AND STRATEGY

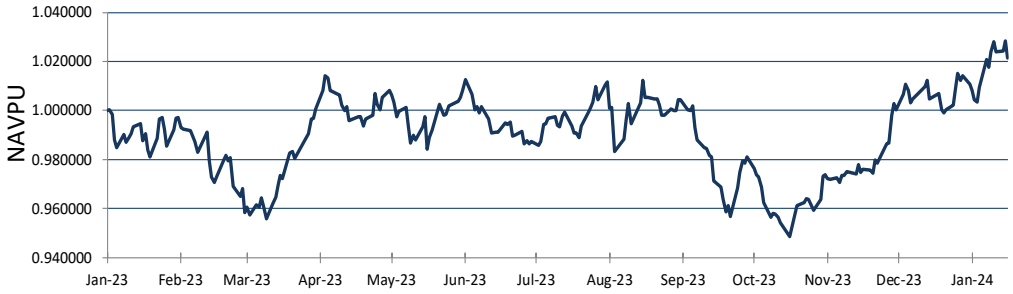
The Peso Systematic Global Sustainable Income Fund seeks to achieve income and long-term capital growth by investing majority of its assets in a global fund that invests in a manner consistent with Environmental, Social and Governance (**ESG**) principles. Income payout of the Peso Systematic Global Sustainable Income Fund is in Philippine pesos. Income payouts are not guaranteed and are not paid out of the capital of the fund.

RISK PROFILE

The Peso Systematic Global Sustainable Income Fund is **moderately aggressive** as it invests both fixed income and equity securities. The Fund employs a three (3) sleeve allocation, with equal allocations to sustainable defensive equities, sustainable growth equities and sustainable fixed income securities. This fund is suitable for investors seeking regular income payouts and sustainable investments. The fund is unhedged and therefore, has currency risk exposure.

FUND PERFORMANCE AND STATISTICS

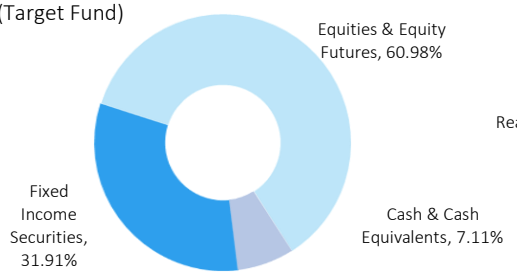
Purely for reference purposes and is not a guarantee of future results

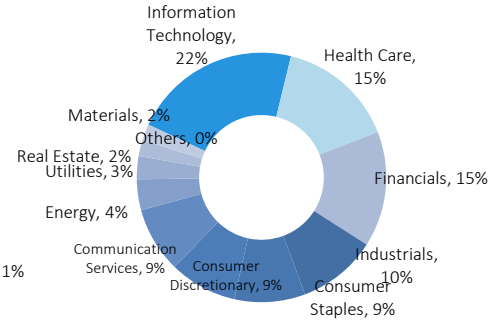


YTD	1.66%
YOY	3.41%
Since Inception	2.14%

ASSET & SECTOR ALLOCATION

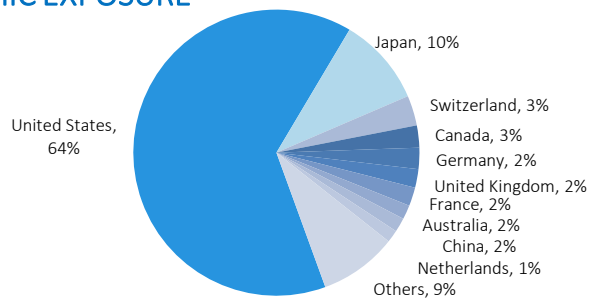
(Target Fund)





GEOGRAPHIC EXPOSURE

(Target Fund)



TARGET FUND'S TOP HOLDINGS

(as at end January 2024)

- Microsoft Corp
- Apple Inc
- Amazon.com Inc
- Nvidia Corp
- Visa Inc
- Novartis AG
- Merck & Co Inc
- Amgen Inc
- Applied Materials Inc
- Coca-Cola Co

MARKET REVIEW

A euphoric climax to 2023 had seen global stocks surge close to 15% over the final 2 months of the year. It was therefore somewhat unsurprising that 2024 began against a more moderate backdrop for risk assets.

Developed market share prices initially traded down before remaining relatively range bound through the opening weeks of the year. Share prices

Disclaimer. The information published herein should be used for information purposes only and does not constitute an offer, recommendation, advice or solicitation to any person to enter into any transaction. All information is subject to change without prior notice. No responsibility or liability is accepted for errors of facts or for any opinion expressed herein.

exhibited strong reversal effects with the desperate grab for risk observed into the close of 2023 unwinding. This played out in sharp underperformance of winning Q4 2023 soft-landing expressions. This included small caps (Russell 2000 -3.8% in January) and longer duration and speculative growth stocks.

On the other hand, the new year saw several popular 2023 momentum trades re-accelerate. This included resumed outperformance of higher quality tech and AI exposures (e.g., shares in Nvidia surged another 22% over January), and Japanese stocks (+7.8% local currency return for the TOPIX).

In contrast, exposure to continued economic weakness and negative sentiment towards China along with broader concerns about the global real estate sector re-emerged as losing themes. At the same time, the outset of the corporate reporting season suggested that 2024 might see greater dispersion in both company results and share price performance, which could present a fertile market environment for active management. This was particularly notable across the large cap tech complex. An exceptionally positive response to results from Meta and Amazon contrasted with abnormally negative investor reaction to signs of weakness from both Tesla and Apple.

To this end, stock specific news flow appeared to dominate macro for much of the month. This was despite both growth and inflation data generally reaffirming the "soft-landing thesis" that markets had rotated towards at the end of 2023. In this respect 6 month annualized Personal Consumption Expenditures (PCE) moving down towards the 2% level was a notable highlight.

The continued evidence of a Goldilocks mix of robust growth and falling inflation, ultimately helped equity markets regain some upward momentum towards the end of January. This enabled the global stocks to deliver a positive return in the month. This was despite renewed hawkishness from the FOMC injecting a fresh bout of volatility at the end of the month.

This pushback from some central bankers on the market's dovish outlook for rate cuts, proved a less positive environment for fixed income. Segments of risk assets, meanwhile, were buoyed as economic data further fuelled hopes for a 'soft landing'. This optimism was slightly tempered at the end of the month when the Federal Reserve (the Fed) struck a less dovish tone at its January meeting. While strong economic data added credence to market hopes for a 'soft landing', it also made pre-emptive rate cuts in the first quarter look less likely. Core government bonds reversed some of last year's gains, as markets scaled back the number of rate cuts priced for 2024.

Global government bonds were down 1.8% over the month, but it was UK Gilts that remained the major laggard, as sticky services inflation and still elevated wage growth made the prospect of imminent rate cuts from the Bank of England (BoE) look unlikely. Within credit, the European high yield bond market was the outlier in posting positive returns, delivering 0.9%, while its US counterpart delivered flat returns over the month. Global investment grade credit, meanwhile, posted negative returns in January despite spreads tightening. A stronger US dollar was a headwind for emerging market debt, which fell 1.2% on the month.

FUND PERFORMANCE

Within the Sustainable Defensive Equity Income sleeve the strategy faced headwinds from an overweight in food producer Bunge due to a topic momentum signal, as well as text-based signals looking at broker sentiment and analyst revision insights. The company's share price has underperformed since last year. An underweight in IBM – motivated by our proprietary machine learned models and a signal looking at brand sentiment – negatively contributed to performance as the company's earnings showed it benefitting from increased interest in AI, prompting a surge in the share price. In general, positioning within IT was a detractor of performance; the strategy was also underweight Juniper Networks (which has been acquired by HP), and overweight Apple based on online sentiment and rankings, as well as cashflows. The fund also had an overweight in Fujitsu due to its positive ESG scoring (a constraints driven position, rather than due to a model view). This position has since been closed out due to the potential consequences facing the company after the post office scandal in the UK.

Within the Sustainable Growth Equity Income strategy, performance was positively influenced by its overweight position in Nvidia, The strategy had an overweight on the stock due to the relative value of its equity and bonds, as well as spending on R&D and a tactical signal looking at companies likely to benefit from interest in AI. The signal looking at relative value of equity and bonds was also responsible for our underweight in Tesla, along with a contrarian signal that looks at informed and uninformed news. Underweight Tesla contributed significantly to performance during the month as Tesla shares were hurt by negative sentiment towards the Electric Vehicles (EV) industry. An overweight in Itochu Corp also contributed to relative performance, with the position driven primarily by our machine learned model, while Toyota Motor has a favorable Industry Adjusted ESG score and neutral view within our alpha model. Many Japanese companies rallied earlier in the month amid optimism about the health of the Japanese economy.

Within the Sustainable Global Credit Screened strategy, the Investment Grade strategy delivered -0.06% in the month, in line with benchmark, the BBG Barclays Global Aggregate Corporate Index (USD Hedged) Index. Within industrials, the Fund's positioning in selected consumer non-cyclical sub-sectors, namely overweights to food & beverage as well as underweights to healthcare detracted. Underweighting selected communication sub-sectors, particularly wirelines and wireless also weighed on performance. However, overweight allocations to selected pharmaceutical names within consumer non-cyclicals marginally offset the losses. Within financial institutions, underweighting selected property related financial issuers was additive while underweights to selected banking names offset these gains. Within utilities, positioning across the sub-sectors marginally added value. The High Yield strategy returned 0.55% meaningfully outperforming its benchmark, the ICE BofAML Developed Markets High Yield Constrained 100% USD Hedged Index. Within industrials, the Fund's underweight positioning within selected communication sub-sectors, namely cable & satellite, media & entertainment, and wireless as well as within selected consumer cyclical sub-sectors, particularly leisure and automotive

Disclaimer. The information published herein should be used for information purposes only and does not constitute an offer, recommendation, advice or solicitation to any person to enter into any transaction. All information is subject to change without prior notice. No responsibility or liability is accepted for errors of facts or for any opinion expressed herein.

generated alpha. Overweights to selected tech companies as well as to selected wirelines communication names also outperformed. However, overweight allocations to selected airlines within transportation as well as to selected diversified manufacturing names within capital goods offset some of the gains. Within financial institutions, underweights to selected property related financial issuers underperformed, however underweighting selected REITs and overweighting selected banking names offset some of the losses. Within utilities, underweight positioning within selected electricity providers as well as overweight positioning within selected natural gas providers marginally added value.

POSITIONING AND OUTLOOK

As we head into February, our base case view remains that economic growth will remain robust, and we believe it will be unlikely we experience a U.S. recession in 2024. We hold this view despite the strong market returns in 2023, and while it does indeed feel like we have experienced a significant rally already, we think this rally has a lot further to go.

Our proprietary data shows inflation continues its path to full normalization – tracking close to 2% in real time - driven by possible disinflation in core goods and both wages and shelter returning to pre-Covid norms.

This positive view on growth is in part driven by trends in credit card spending, auto sales, and consumer sentiment that is far too positive to be recession consistent. From a corporate perspective, business-to-business e-invoicing volumes growth is improving in US and Europe. We also see signs of Inventory re-stock coupled with increases in Government spending. On the negative side, we do see in the data a rise in delinquencies & bankruptcies, but these are still at or below long-term averages.

On many metrics, we are only back to end-July at best. The average return following critical turning points is high, positive, and long-lived, and periods following peak rates and no recession tend to be very constructive for risk assets. Indeed, the trajectory after peak rates without a recession implies double digit upside for equities from here.

UNIT INCOME DISTRIBUTION

Income payout of the Peso Systematic Global Sustainable Income Fund is in Philippine pesos. Income payouts are not guaranteed and are not paid out of the capital of the fund.

Record Date	Ex-Dividend Date	Distribution Per Unit	Ex-Dividend NAVPu (Php)	Annualised Yield
25-Jan-24	26-Jan-24	0.0052	1.023808	6.31%

ADDITIONAL INFORMATION

Target Fund	BGF Systematic Global Sustainable Income & Growth Fund	ISIN	LU2496683546	
Launch Date	September 22, 2022	Net Asset Value per Unit (NAVPU)	USD	10.53
Bloomberg Ticker	BGTYAUD:LX	Total Fund NAV (Mn)	USD	31.07

Disclaimer. The information published herein should be used for information purposes only and does not constitute an offer, recommendation, advice or solicitation to any person to enter into any transaction. All information is subject to change without prior notice. No responsibility or liability is accepted for errors of facts or for any opinion expressed herein.