

PESO FIXED INCOME FUND

INVESTMENT OBJECTIVE

The Peso Fixed Income Fund seeks to generate regular interest income, consistent with its policy to preserve capital and maintain liquidity of investment through a diversified portfolio of high-grade bonds and evidence of debt of solvent corporations and institutions.

KEY FIGURES

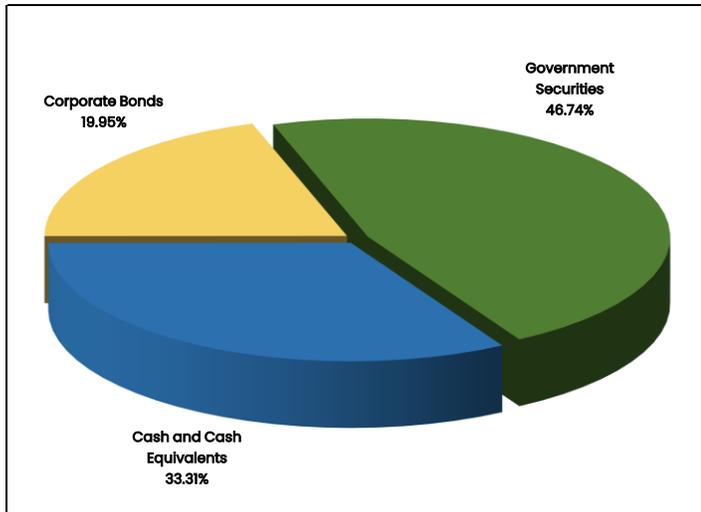
NAVPU as of December 31, 2021
Inception Date
Fund Classification

1.8012
 December 2006
 Fixed Income Fund

Domicile
Fund Currency

Republic of the Philippines
 Philippine Peso

PORTFOLIO COMPOSITION



MARKET RECAP AND OUTLOOK

For the month of December, local bonds' yields dropped by 2 basis points from end-November levels. This is the first time that yields reversed after four consecutive months of rise. However, on a year-to-date basis, local notes' yields soared by 91 bps from end-2020 levels. The slight optimism in the façade could be attributed to most players cheering on the government's announcement to remain under Alert Level 2 in December. Enterprises and households were merry, in time to the Christmas holidays, as the protocols allowed increased capacity for different business and recreational activities. More so, the financial system was well-guarded by the local central bank with their decision during their final Monetary Board meeting for the year. The Bangko Sentral ng Pilipinas (BSP) maintained its key policy rates at record lows, keeping the overnight reverse repurchase rate at 2%, alongside the overnight deposit and lending rates at all-time lows of 1.5% and 2.5%, respectively. BSP Governor Benjamin Diokno said they see enough scope to keep a patient hand on the BSP's policy levers owing to a manageable inflation environment. However, the potential bounce-back of the economy in 2022 was started to become unpromising after news of the Omicron-variant spread in the country, which caused the reimposition of lockdowns and stricter protocols at the onset of the new year.

The Bureau of Treasury (BTr) has rejected all bids for the sale of its Treasury bonds (T-bonds) in December. Had the agency accepted all bids, it could have sapped a sum of P40 billion for the two separate auctions. On December 7, the Treasury turned down all tenders at the auction for the 10-year notes even as tenders reached P42 billion, more than twice the P20 billion up for auction. Had it fully awarded the bonds, the average yield would have settled at 5.0710%. Meanwhile, the BTr also rejected all bids for reissued 7-year T-bonds last December 14. The government did not accept any tenders for the securities, alongside bid offers of P52 billion, more than twice the P20 billion on offer. Had it fully awarded its offer, the reissued seven-year bonds' average yield would have been 4.3950%.

Meanwhile, the Treasury made a full award on the auction of its Treasury bills (T-bills) last December 13, raking a total of P10 billion alongside P53 billion tenders. Broken down, the BTr borrowed P2 billion as planned via the issuance of 91-day debt papers which settled an average yield of 1.1250%. Meanwhile, the government raised P3 billion from the 182-day securities which fetched at an average rate of 1.3850%. For the 364-day bills, the Treasury made a full P5-billion award while being quoted at an average rate of 1.6250%.

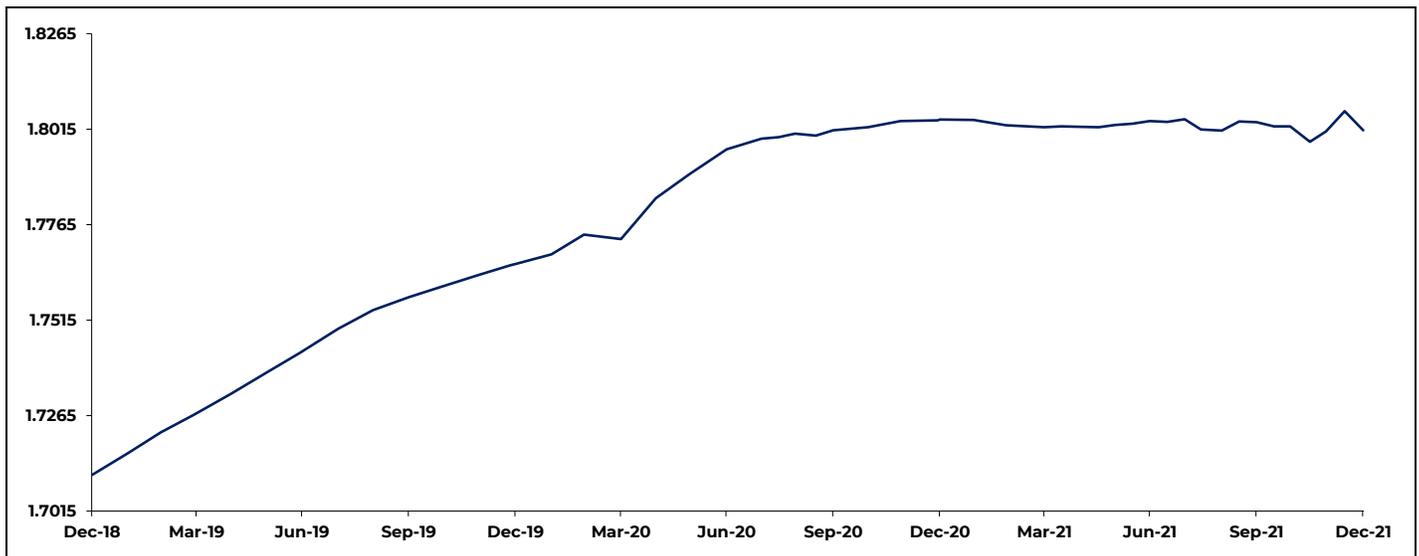
The BSP has fully awarded its term deposit facilities (TDFs) during its sale on December 29. Total tenders amounted to P535 billion for the last offering for 2021, which surpassed the P400-billion auction volume. Broken down, the seven-day term deposits sapped bids of P196 billion, surpassing the P170 billion auction volume while the average rate settled at 1.7428%. As for the demand for the two-week deposits, bids amounted to P338 billion, higher than the P230-billion offer. As such, the average rate of the paper was recorded at 1.8011%. Meanwhile, the BSP fully awarded its short-term securities in an earlier auction on December 17. The central bank raised P80 billion from the sale of its 28-day bill as total tenders shored up P104 billion while recording an average rate of 1.8534%.

The local bond market may continue to be silent, transitioning to the new year, as players monitor the progress of the PH COVID-19 story. More so, many local players may still show cautiousness and shy away from active play as macro figures continue to struggle especially the inflation data and unemployment. Prior to the infection resurgence, we expect sound data to be released especially on household consumption and on human productivity. The fresh COVID-19 wave, brought about by the holidays and the Omicron spread though, could curb such growth momentum alongside renewed lockdowns and more restrictive quarantine protocols. As means of assuring the stability of the financial façade, traders may mull over the BSP monetary board meeting, as such event could stir the pot and dictate the movements on securities' yields.

HISTORICAL PERFORMANCE

	Annual Return	Cumulative Return
One-year	-0.16%	-0.16%
Three-year	1.73%	5.27%
Five-year	2.53%	13.30%

FUND PERFORMANCE



DISCLAIMER: Historical performance is not indicative of future results. The price per unit may go up or down depending on market fluctuations. The Fund is NOT a deposit product, and, as such, yields are NOT guaranteed. The performance of the fund is reflected by the Net Asset Value (NAV) computed at the end of each business day.