

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

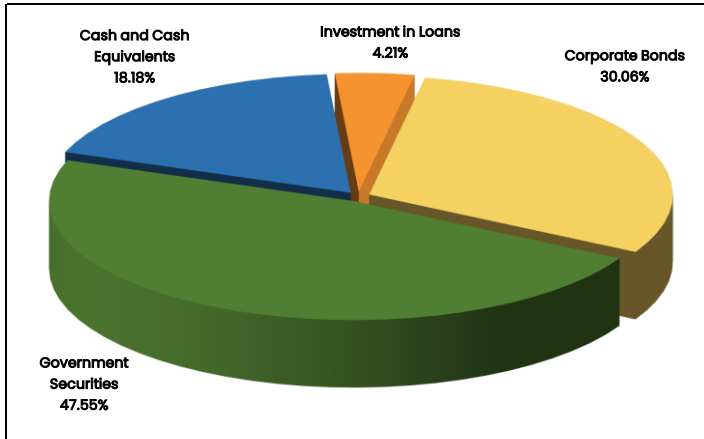
NAVPU as of July 31, 2022
Inception Date
Fund Classification

1.7679
 December 2006
 Fixed Income Fund

Domicile
Fund Currency

Republic of the Philippines
 Philippine Peso

PORTFOLIO COMPOSITION



MARKET RECAP AND OUTLOOK

For July, the yields of local bonds rose by 19 basis points (bps) from end-June levels, further widening its gap from end-2021 by 160-bps. The market showed signs of buying confidence but remained vigilant amidst the uncertainties presented by the inflation rate and the monetary policy environment. June inflation accelerated to 6.1%, tagged as the fastest pace in almost 4 years, amidst the uptick in the food and transport prices. This brought the year-to-date average inflation to 4.4% for the first half of the year. To mitigate this looming threat, the Bangko Sentral ng Pilipinas (BSP) surprisingly raised the benchmark rates by 75 bps in an off-cycle meeting during the month. BSP Governor Felipe Medalla said the Monetary Board raised its key rate to 3.25%, bringing back the rate to the March 2020 level. The BSP's surprise move followed the two quarter-point rate hikes each in May and June. So far, the policymakers have already raised benchmark interest rates by a total of 125 bps this year.

The Bureau of Treasury (BTr) has made a fruitful auction in July, fully awarding its Treasury bonds (T-bonds). Early in the month, the Treasury has raised P35 billion for the reissued 7-year bonds last July 5 at an average rate of 5.9080%. Likewise, the government raised the same amount from the resale of its 10-year securities on July 12 and settled at an average yield of 6.7600%. On July 19, the BTr fully awarded the auction of its fresh 10-year debt notes raising another P35 billion at an average rate of 6.8650%. Lastly, the Treasury shored up P35 billion on July 26 for the reissued 25-year securities and yielded an average rate of 6.8940%.

The government partially awarded the Treasury bills (T-bills) last July 25, raising P13.75 billion even as bids totaled to P38.84 billion. The BTr borrowed P5 billion for the 91-day bills with an average rate of 2.2730%. The Treasury also made a full P5-billion award of the 182-day notes with an average yield of 3.1420%. However, the agency only accepted P3.75 billion for the 364-day securities alongside the average rate of 3.3560%.

The BSP has also partially awarded its term deposit facilities (TDFs) on July 27 with the auction raking in only P247.37 billion, from the P310 billion planned offering. Broken down, the BSP borrowed P149.48 billion for the 7-day notes with an average yield of 3.3839%. Meanwhile, the 14-day papers awarded P97.89 billion alongside an average rate of 3.4900%. As for the separate auction of BSP's short-term 28-day instruments last July 29, the central bank awarded P150 billion with an average rate of 3.5129%.

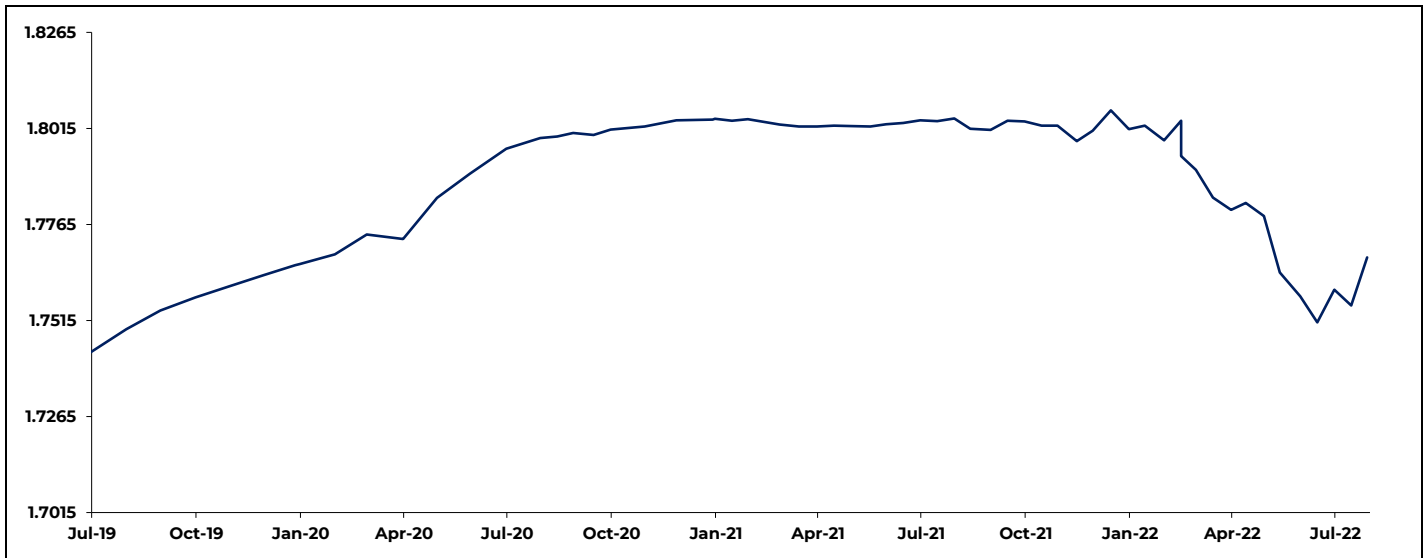
For the coming weeks, investors in the local bond market may continue to be cautious while mulling over the release of key economic data such as the July inflation print and the second quarter gross domestic product (GDP) later in the month. Inflation expectations remains high at 6.4%, which could also fuel the local central bank to provide further tightening at its upcoming Monetary Board meeting. Meanwhile, analysts are optimistic of the stellar outturns of the GDP print given the improved working conditions and lower COVID cases during the April to June period.

HISTORICAL PERFORMANCE
 July 31, 2022

NAVPU	Year-to-date Return
1.7679	-1.85%

	Annual Return	Cumulative Return
One-year	-2.01%	-2.01%
Three-year	0.36%	1.07%
Five-year	1.64%	8.48%

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.