**COCOLIFE**

**August 2023**

# DOLLAR BOND FUND

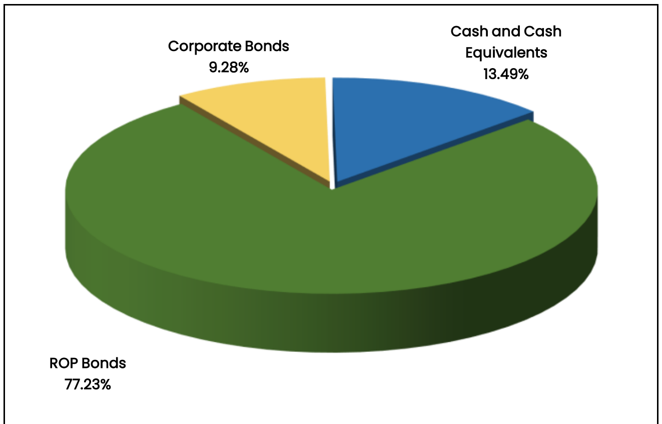
## INVESTMENT OBJECTIVE

The Dollar Bond Fund seeks to generate regular interest income, consistent with its policy to preserve capital and to maintain liquidity of its investments. The fund shall be invested primarily in dollar-denominated fixed-income instruments ranging from debentures, money market instruments and government securities.

## KEY FIGURES

| | | | |
|---|---|---|---|
| **NAVPU as of August 31, 2023** | **1.3645** | **Domicile** | Republic of the Philippines |
| **Inception Date** | December 2006 | **Fund Currency** | US Dollar |
| **Fund Classification** | Bond Fund | | |

## PORTFOLIO COMPOSITION




## HISTORICAL PERFORMANCE

**August 31, 2023**

| NAVPU | Year-to-date Return |
|---|---|
| 1.3645 | 0.95% |

| | Annual Return | Cumulative Return |
|---|---|---|
| One-year | -2.68% | -2.68% |
| Three-year | -4.59% | -13.15% |
| Five-year | -1.48% | -7.20% |

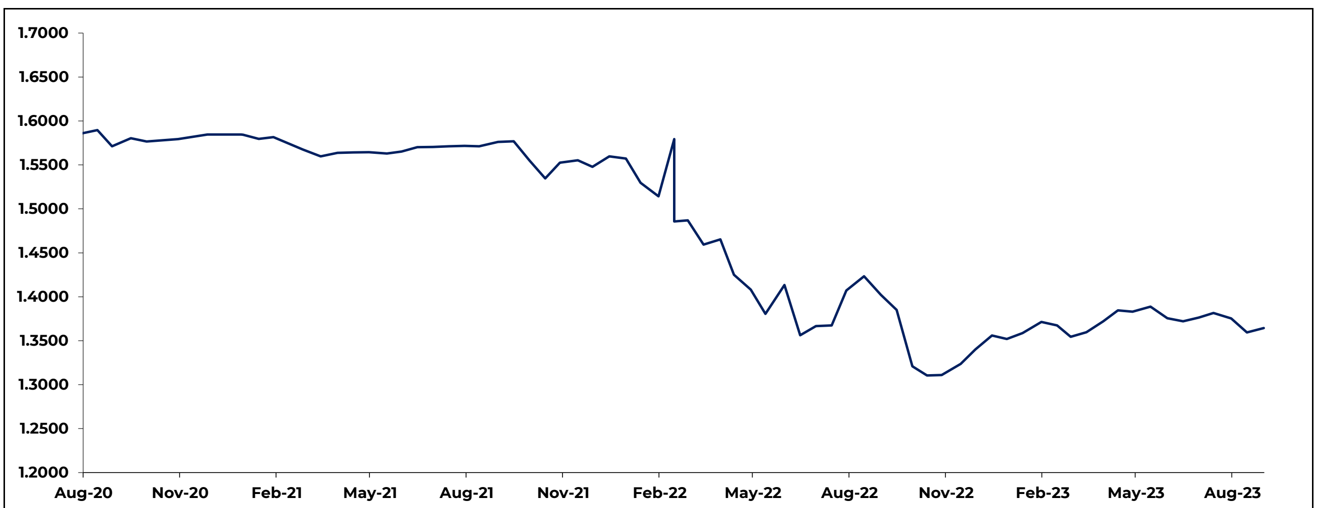
## MARKET RECAP AND OUTLOOK

The prices of Philippine sovereign US-denominated bonds (ROP bonds) in August were down by 1.50% from its previous month's levels. Likewise, the price trend compared to end-2022 levels were lower by 2.24%. Sentiments continued to be dry amidst the enduring caution of most traders alongside the rhetorics of key officials towards policy direction amidst the still elevated inflation rate. The yields on benchmark US Treasuries have hit new 16-year highs as investors come to grips with an economy that refuses to slow. The uptrend was attributed to the hawkish minutes results, showing Fed policymakers saw "significant upside risks to inflation, which could require further tightening of monetary policy". The succession of improving economic data raised reservations that the Fed will start cutting rates any time soon. US inflation rose by 3.2% in July, reflecting the first increase after a 12-month period of gradual cooldown in prices.

On other news, the People's Bank of China (PBOC) unexpectedly trimmed off its benchmark rates in a new signal that authorities are building up gears to boost its economic revival. The Chinese central bank lowered the rate on 401-billion yuan worth of one-year medium-term lending facility (MLF) loans to financial institutions by 15 basis points to 2.50% from 2.65% previously. The surprising rate cut was a prompt response to support subdued credit data and China recovery that may unleash yuan depreciation pressure. Notably, China continues to be an outlier among major central banks with its stance of relaxing its monetary policies along its issues of stalling recovery and deflationary pressures. China's consumer price index (CPI) reading fell 0.3% in July following slower domestic spending weighs on the country's post-COVID economic recovery. The latest data was China's first negative figure since early 2021, when prices were weaker as the pandemic hit demand, and pork prices fell. Analysts view that China's slide into deflation would lead to more calls for government stimulus as Beijing also attempts to tackle the deteriorating trade activity and the sluggish growth of its property sector.

For the dollar bond market, US Treasury yields may continue moving sideways with a potential downward bias. The second round of estimates of the US economic data, which showed a pullback in the economy following the downward revision to the 2Q2023 GDP to 2.1% may lead to further trader discontent. Notably, the previous speculations that the July rate hike was the final stopover of the Fed's monetary tightening could be sequestered alongside the hawkish Fed rhetorics during the Jackson Hole symposium. Though, for the meantime, investors may monitor supplementary indicators for guidance onto the subsequent progress of the economy.

## 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.