December 2023

DOLLAR BOND FUND

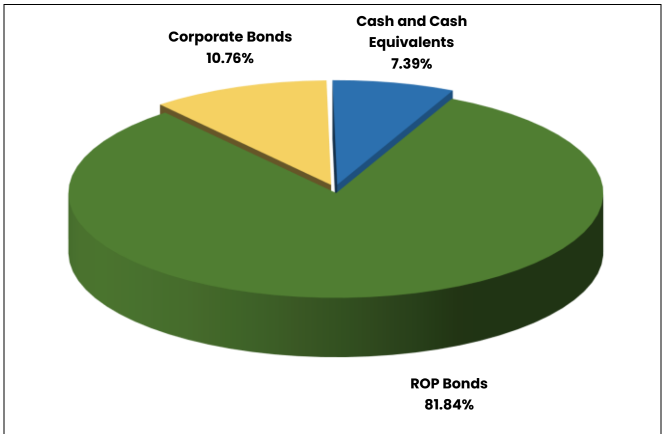
INVESTMENT OBJECTIVE

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 December 31, 2023	**1.4298**
Inception Date	December 2006
Fund Classification	Bond Fund
Domicile	Republic of the Philippines
Fund Currency	US Dollar

PORTFOLIO COMPOSITION



HISTORICAL PERFORMANCE

December 31, 2023

NAVPU
1.4298

	Annual Return	Cumulative Return
One-year	5.78%	5.78%
Three-year	-3.36%	-9.76%
Five-year	-0.56%	-2.77%

MARKET RECAP AND OUTLOOK

Prices of Philippine sovereign US-denominated bonds (ROP bonds) went up by 3.22% in December compared to previous month's levels. Notably, prices of securities in the belly to long-term have significantly risen compared to November levels in expectations of rate cuts early in 2024.Likewise, prices climbed against end-2022 levels by 0.62% as recent data shows signs of a soft landing for the US economy. Early in the month, traders were cautious while waiting for the resolution of the US Federal Reserve during its final review of the year. Optimistic sentiment arose after the November US inflation was reported at an annualized rate of 2.6%, dropping further from 2.9% as of October. Consequently, the easing inflation data supported the US Fed to keep its policy rates unchanged between 5.25% and 5.50%. Policymakers signaled that the historic monetary policy tightening engineered over the last two years is at an end and lower borrowing costs are coming in 2024.

Meanwhile, the European Central Bank resolved to keep interest rates unchanged and pushed back previous expectations of imminent cuts during its December Monetary Policy meeting. The central bank reaffirmed that current rates would remain intact at record highs albeit the slowing down of the inflation as well as the market expected. ECB President Christine Lagarde highlighted that inflation would bounce back alongside upward inflationary pressures continues to linger. This remark clashes the more dovish tone taken by her US governor counterpart Jerome Powell. In a smaller policy transition, the ECB divulged its proposal to wipe out its last surviving bond-buying programs from the COVID-19 pandemic.

For January, we expect the market to be more optimistic with the US Fed signaling at least 3 rate cuts for 2024. This line of action is interpreted as the US central bank may be concluding its monetary tightening campaign and may start cutting rates as early as 1st quarter of the 2024. However, the uncertainty remains on when these rate cuts could occur, reiterating the priority to tame down inflation within the 2.0% target.

FUND PERFORMANCE

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