

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

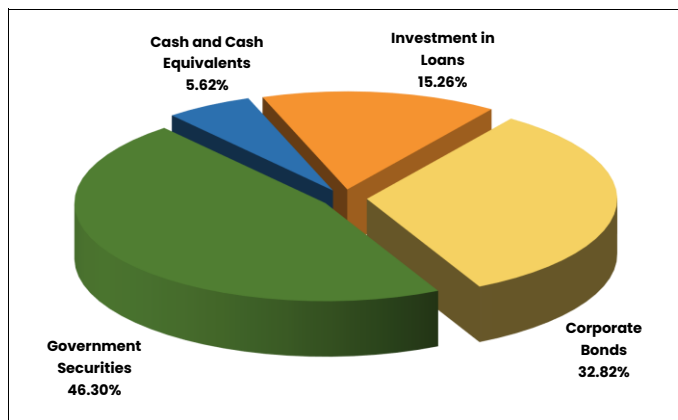
NAVPU as of February 29, 2024
Inception Date
Fund Classification

1.8264
December 2006
Fixed Income Fund

Domicile
Fund Currency

Republic of the Philippines
Philippine Peso

PORTFOLIO COMPOSITION



HISTORICAL PERFORMANCE February 29, 2024

NAVPU	Year-to-date Return
1.8264	0.24%

	Annual Return	Cumulative Return
One-year	2.33%	2.33%
Three-year	0.44%	1.33%
Five-year	1.18%	6.06%

MARKET RECAP AND OUTLOOK

February's local bond yields climbed by 15 basis points (bps) on average from the previous month alongside the market's cautious and timid view on the policy direction locally. Year-to-date, yields inched up by 30 bps from end-2023 levels. The Bangko Sentral ng Pilipinas (BSP) decided to keep its benchmark interest rates at 6.50%, which was widely anticipated by market players. Although, the local central bank adjusted its "baseline" inflation forecast to 3.6% from 3.7% in December while indicated that the country's economic growth could moderate in 2024 attributed to the force from policy tightening carried out in the past two years. Lastly, market analysts are still inclined with the BSP retaining its hawkish stance, withholding any policy relaxation supposing that the US Fed has prematurely laid out its rate cuts this year.

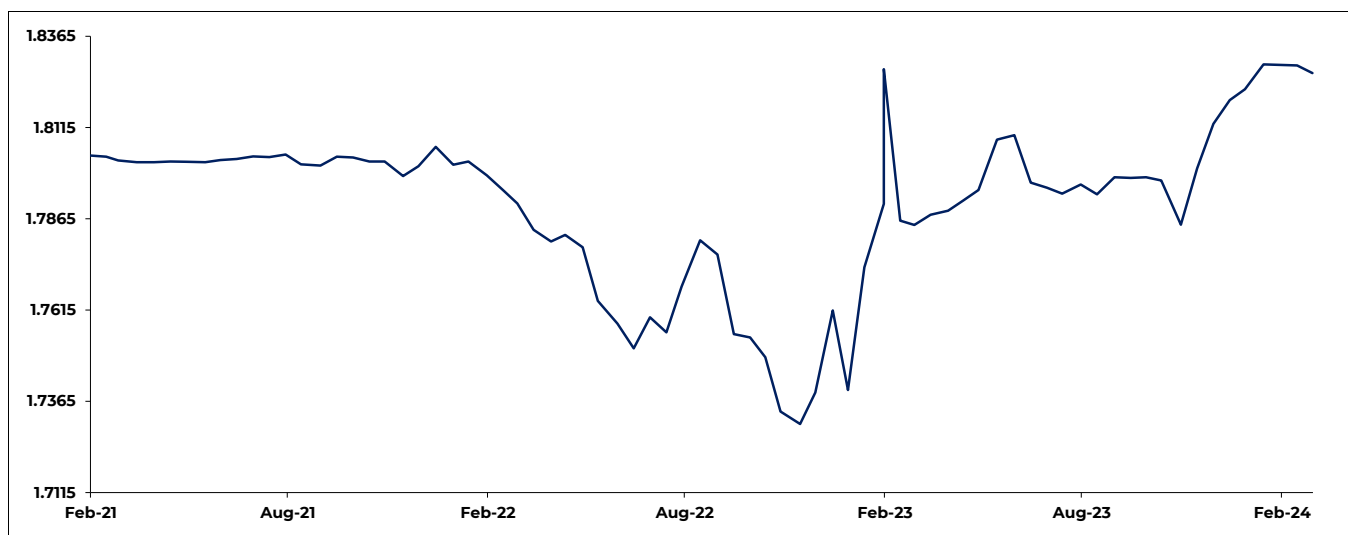
The Bureau of Treasury (BTr) raised a total of P59.3 billion in its Treasury bills (T-bills) offering for the month. In its latest auction last February 26, the agency accumulated a total of P14.8 billion despite bid offers reaching P35.77 billion. Broken down, the BTr borrowed P5 billion via the 91-day T-bills, with the papers yielding an average rate of 5.7100%. Meanwhile, the government awarded P4.8 billion for the 182-day securities and was quoted at an average rate of 5.9710%. Lastly, the agency raised P5 billion from the 364-day debt papers on rates of 6.0850%.

Aside from its T-bill offerings, the Treasury borrowed P242.72 billion via its Treasury Bonds (T-bonds) issuances in February. On February 6, the government rejected all bids for the P30 billion offering on 5-year securities. Meanwhile, the Treasury raised P584.90 billion through the 30th tranche of the retail T-bonds (RTB 30) issuance, which ran from February 1 to 23, yielding a paid-out interest of 6.2500%. Lastly, the bureau fully awarded its P30-billion for the new 20-year debt notes with a robust demand of P91.42 billion and was quoted with a coupon rate of 6.2500%.

Meanwhile, the BSP's term deposit facility (TDF) continued to be met with underwhelming demands. During its latest auction on February 28, the local central bank awarded P113.93 billion for its week-long facility. In turn, the securities yielded an average rate of 6.5650%. The BSP sapped in P74.96 billion for the 14-day debt notes and were quoted at an average yield of 6.5948%. At a different auction, the central bank auctioned its 28-day securities to award P70 billion alongside an average rate of 6.7558%. Likewise, the 56-day papers accumulated P30 billion from its latest offering amid a quoted average yield of 6.7253%.

In the coming weeks, we view the local bond market to endure its apprehensive environment amidst market players awaiting for fresh economic leads and officials' rhetorics to indicate the policy direction in the near-term. Yields may continue to soar amidst the hawkish stance of the BSP despite the downwardly adjusted projection for inflation. The release of the February consumer price index (CPI) may make or break the market, making this an immediate market focal point early in the month. The market is projecting the inflation rate to settle between the 2.8%-3.6% range. If realized, this would be the third straight month that the inflation comes contact the central bank's medium-term target of 2.0% to 4.0%.

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.