

**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**

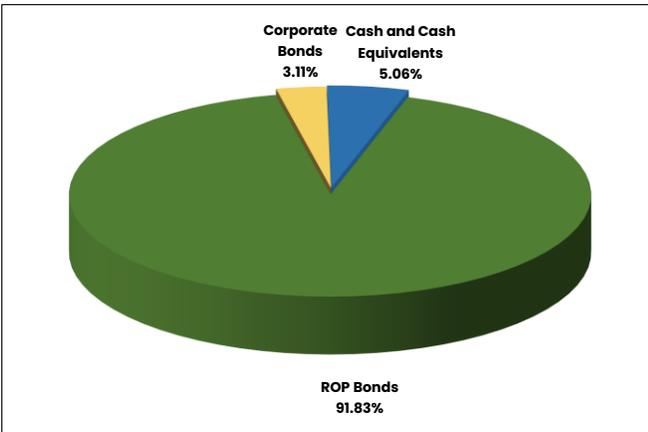
NAVPU as of February 27, 2026  
 Inception Date  
 Fund Classification

1.5058  
 December 2006  
 Bond Fund

Domicile  
 Fund Currency

Republic of the Philippines  
 US Dollar

**PORTFOLIO COMPOSITION**



**MARKET RECAP AND OUTLOOK**

Prices of Philippine sovereign U.S. dollar-denominated bonds (ROP bonds) trended upward from end-2025 levels, as yields declined by 7 basis points. Meanwhile, yields on U.S. Treasury notes fell by 10 basis points from end-2025 levels. The U.S. Treasury market in February 2026 was characterized by a cautious "wait-and-see" approach, resulting in relatively range-bound yields and modest total returns. The Bloomberg U.S. Aggregate Bond Index posted a marginal gain of approximately 0.1% for the month, reflecting a period of consolidation following the volatility of late 2025. Yields across the curve remained elevated but stable: the benchmark 10-year Treasury note ended the month near 3.97%, while the 2-year note hovered around 3.38%. This stability suggests that, while the market is no longer in a state of freefall, investors remain hesitant to drive yields significantly lower until clearer signals emerge regarding the terminal rate of the current cycle.

Performance during the month was primarily dictated by a tug-of-war between resilient economic data and shifting political narratives. On one hand, January's labor data, released in early February, showed a surprising burst of resilience with 130,000 new jobs, far exceeding expectations and pushing the unemployment rate down to 4.3%. On the other hand, cooler inflation prints, with headline CPI slipping to 2.4%, provided a counter-narrative that supported the case for eventual easing. Additionally, the nomination of Kevin Warsh to succeed Jerome Powell as Fed Chair introduced a new variable; markets began pricing in his "productivity-first" philosophy, which suggests that AI-driven growth could allow for lower interest rates without stoking inflation.

Expectations for Federal Reserve policy through the remainder of 2026 are leaning toward a "higher-for-longer-than-hoped" stance, characterized by a deliberate pause in the first half of the year. Following three consecutive rate cuts in late 2025, the Fed held the federal funds rate steady at 3.50%-3.75% during its January meeting, a posture it maintained through February. Current market pricing suggests a high probability—roughly 70% to 90%—that the next rate cut will not occur until the June 2026 meeting. Most analysts project a total of two to three 25-basis-point cuts for the full year, potentially bringing the terminal rate toward a floor of 3.0% by year-end, contingent on inflation moderating toward the 2.5% range.

The primary risks to this outlook involve fiscal policy and the supply of government debt. The U.S. budget deficit is projected to hit \$1.9 trillion in fiscal year 2026, representing 5.8% of GDP. This massive issuance of new debt, coupled with the "One Big Beautiful Act" tax provisions, creates a natural floor for long-term yields. Even as the Fed cuts short-term rates, the 30-year Treasury has struggled to stay below 4.7%, as investors demand a higher term premium to absorb the increasing supply of bonds. This has led to a notable steepening of the yield curve, as the market balances the Fed's easing bias against the reality of persistent fiscal expansion.

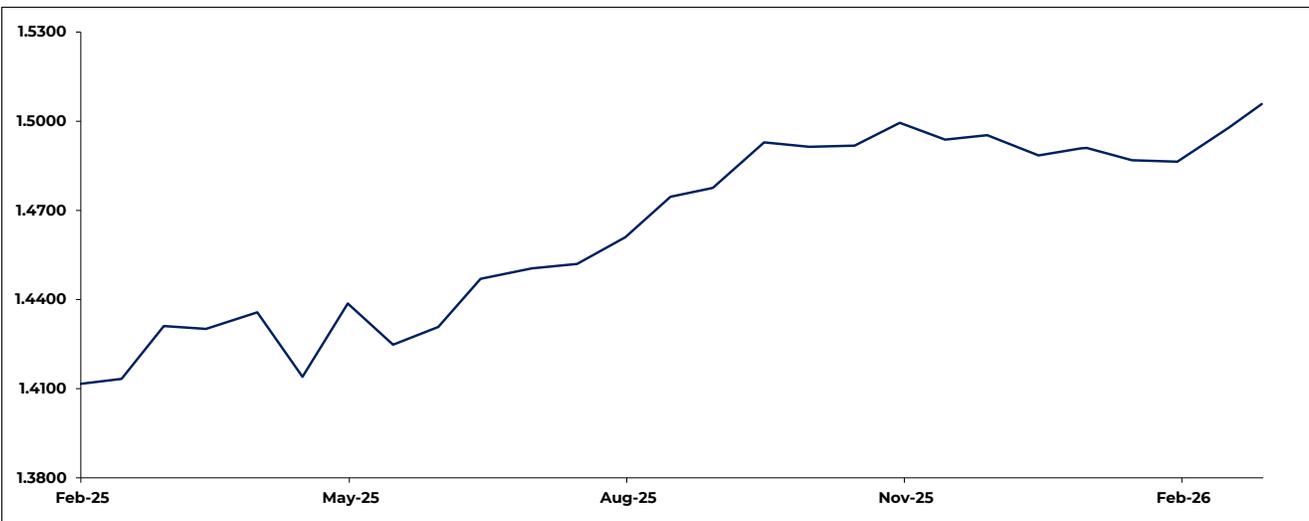
The U.S. stock market in February 2026 was defined by a clear pivot from growth to value, as investors sought refuge in defensive sectors. The technology sector bore the brunt of this shift, with the S&P 500 Information Technology index dropping 5.5% year-to-date; this "tech retreat" was fueled by skepticism over AI profit margins and the market's "Warsh Shock" reaction to the new Fed leadership, which sent the Nasdaq Composite down more than 4% for the month. Conversely, healthcare became a primary safe haven, with the XLV ETF climbing 1.8% in the month's final week alone. While managed care faced some headwinds from conservative 2026 outlooks, the healthcare sector was buoyed by a surge in merger activity and strong demand for stable pharmaceutical giants like GSK and AstraZeneca, which successfully anchored portfolios against the volatility in the tech space.

Looking ahead to March 2026, the prospects for Treasury performance appear neutral to slightly bullish for the "belly" of the curve (5- to 7-year maturities). As the market moves closer to the anticipated June pivot, any further signs of labor market softening or a dip in core PCE inflation could trigger a tactical rally, pushing the 10-year yield toward the 3.75% support level. However, significant price appreciation is likely to be capped by the "Warsh transition" uncertainty and the heavy auction schedule typical of the first quarter. Investors should expect coupon income to remain the primary driver of total returns, with the 10-year yield likely fluctuating within a range of 3.85% to 4.15% as the market digests the final batch of data before the spring policy meetings.

**HISTORICAL PERFORMANCE**  
 February 27, 2026

NAVPU	Year-to-date Return	
1.5058	0.99%	
	Annual Return	Cumulative Return
One-year	5.22%	5.22%
Three-year	3.59%	11.17%
Five-year	-0.80%	-3.94%

**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.