

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

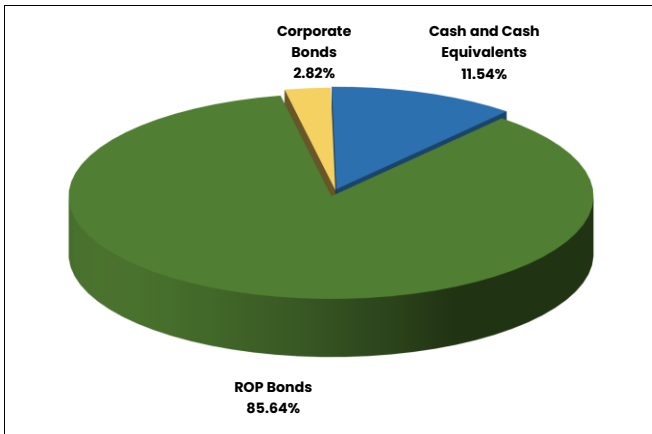
NAVPU as of May 29, 2026
Inception Date
Fund Classification

1.4639
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) declined from end-2025 levels as yields increased by 38 basis points, mirroring the broader U.S. Treasury (UST) market where benchmark yields rose by 24 basis points from end-2025 levels. This upward pressure was primarily driven by a shift toward defensive positioning, as sticky energy inflation and a resilient U.S. labor market forced a rapid reassessment of early-year rate cut expectations, fueling concerns over a prolonged period of restrictive interest rates.

The main trigger that pushed yields higher was a breakdown in talks between the U.S. and Iran. This raised concerns over oil supply disruptions near the Strait of Hormuz and temporarily pushed global crude oil prices to severe highs. This jump in energy costs renewed worries about inflation, reducing market hopes for near-term interest rate cuts. At the same time, recent data showed that while U.S. economic growth slowed down to 1.6% in the first quarter, inflation measures like the CPI and PCE jumped to a three-year high of 3.8%. With inflation remaining sticky and well above the target, investors cut back on longer-term bonds, leading to weaker demand at U.S. Treasury auctions as the market struggled to absorb heavy government debt supply.

Looking at U.S. monetary policy, the outlook for interest rates has shifted significantly, pointing to a prolonged hold on any rate cuts for the remainder of the year. While the Fed kept its target interest rate unchanged at 3.50% to 3.75%, the new leadership faces a difficult environment where economic growth is softening but inflation is not cooling fast enough. Because of this uncomfortable mix, investors have completely dropped their early-year expectations for multiple rate cuts in 2026. Instead, the broader market consensus has shifted toward a "higher-for-longer" path out of necessity. Analysts now believe the Fed will keep rates elevated for most of the year, with some even tracking the possibility of an eventual rate hike if inflation pressure continues to build.

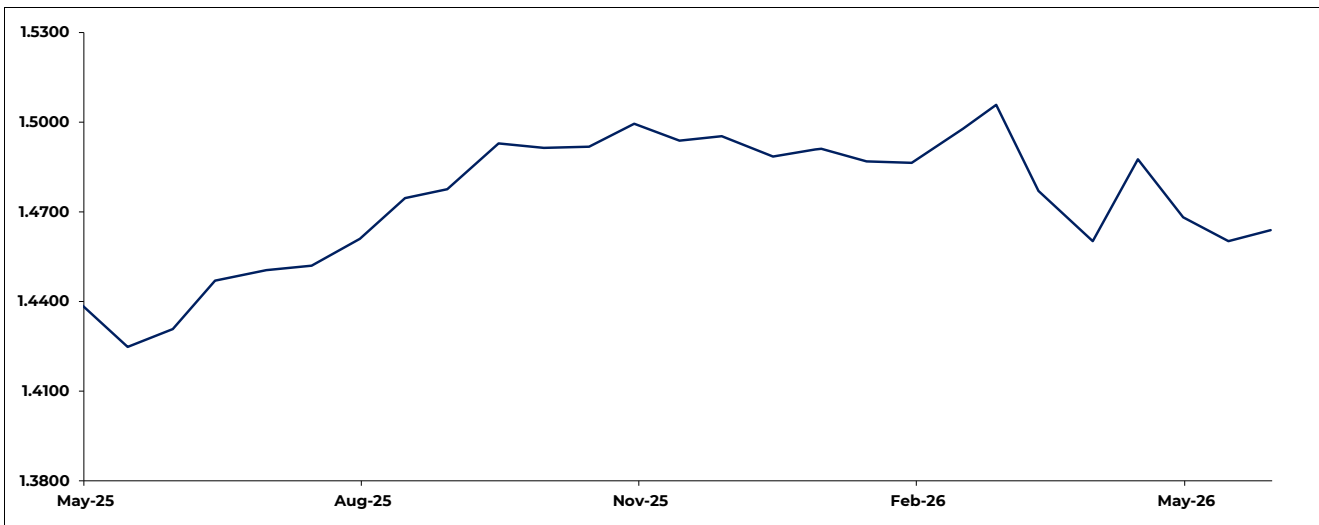
As we move to June 2026, both U.S. Treasuries and ROP bonds are expected to trade sideways in a high, tight range. The market is stuck in a tug-of-war between two opposing forces. On one side, the prolonged Middle East conflict and heavy government debt supply are keeping energy costs and inflation stubbornly high, forcing the Fed to maintain interest rates at their current restrictive levels. On the other side, slowing U.S. economic growth that dropped to 1.6% in the first quarter prevents market yields from climbing any higher. Because these forces balance each other out, bond yields will likely move sideways until clearer economic data breaks the tie.

HISTORICAL PERFORMANCE

May 29, 2026

NAVPU		Year-to-date Return	
1.4639		-1.82%	
	Annual Return	Cumulative Return	
One-year	2.74%	2.74%	
Three-year	1.77%	5.41%	
Five-year	-1.30%	-6.33%	

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.