

## BDO DOLLAR BOND FUND

## KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT

Month Ended May 29, 2020

## FUND FACTS

<b>Classification:</b> Intermediate Term Bond Fund	<b>Net Asset Value per Unit (NAVPU):</b> USD 173.2546
<b>Launch Date:</b> April 29, 2005	<b>Total Fund NAV:</b> USD 22.966 Million.
<b>Minimum Investment:</b> USD500.00	<b>Dealing Period:</b> Up to 2:30pm of any banking day
<b>Minimum Additional Investment / Maintaining Participation:</b> USD500.00	<b>Redemption Settlement:</b> Three (3) banking days after the notice of redemption is received
<b>Minimum Holding Period:</b> 30 calendar days	<b>Early Redemption Fee:</b> 0.50% of Original Participation Amount

## FEES\*

Trustee Fees: <u>0.0646%</u>	Custodianship Fees: <u>0.0000%</u>	External Auditor Fees: <u>0.0000%</u>	Other Fees: <u>0.0000%</u>
BDO Trust and Investments Group	Standard Chartered Bank, Citibank	Punongbayan & Araullo	None

\*As a percentage of average daily NAV for the month valued at USD 22.929 Million.

## INVESTMENT OBJECTIVE AND STRATEGY

The Fund aims for capital preservation and income generation by investing in higher yielding short to medium-term bond investments and other similar fixed income securities. The Fund's benchmark is the Markit iBoxx Philippines USD 1-3 Index.

## CLIENT SUITABILITY

A client profiling process should be performed prior to participating in the Fund to guide the prospective investor if the Fund is suited to his/her investment objectives and risk tolerance. Clients are advised to read the Declaration of Trust/Plan Rules of the Fund, which may be obtained from the Trustee, before deciding to invest.

- ♦ The BDO Dollar Bond Fund is primarily suitable for individual and corporate investors with moderate risk appetite and who are looking for higher yields and are willing to take the attendant risks due to the medium-term assets the Fund may have.
- ♦ Participants/trustors are recommended to stay invested in the Fund for at least three (3) years.

## KEY RISKS AND RISK MANAGEMENT

You should not invest in this Fund if you do not understand or are not comfortable with the accompanying risks.

**Interest Rate Risk.** This is the possibility for an investor to experience losses due to changes in interest rates. The purchase and sale of a debt instrument may result in profit or loss because the value of a debt instrument changes inversely with prevailing interest rates.

**Market/Price Risk.** This is the possibility for an investor to experience losses due to changes in market prices of securities. It is the exposure to the uncertain market value of a portfolio due to price fluctuations.

**Liquidity Risk.** This is the possibility for an investor to experience losses due to the inability to sell or convert assets into cash immediately or in instances where conversion to cash is possible but at a loss.

**Credit Risk/Default Risk.** This is the possibility for an investor to experience losses due to a borrower's failure to pay the principal and/or interest in a timely manner on instruments such as bonds, loans, or other forms of security, which the borrower issued.

**Reinvestment Risk.** This is the risk associated with the possibility of having lower returns or earnings when maturing funds or the interest earnings of funds are reinvested.

The Fund employs a risk management policy based on modified duration. Modified duration measures the sensitivity of bond prices to interest rate movements. As interest rates rise, bond prices fall. The higher the duration, the more the NAVPU will fluctuate in relation to changes in interest rates. All the Fund's investment outlets undergo evaluation in accordance with the Trustee's Investment Policy Manual. Regulatory exposure limits are monitored on a regular basis. The Fund may also use financial derivative instruments solely for the purpose of hedging risk exposures.

- ♦ THE UIT FUND IS NOT A DEPOSIT AND IS NOT INSURED BY THE PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC).
- ♦ RETURNS CANNOT BE GUARANTEED AND HISTORICAL NAVPU IS FOR ILLUSTRATION OF NAVPU MOVEMENTS/FLUCTUATIONS ONLY.
- ♦ WHEN REDEEMING, THE PROCEEDS MAY BE WORTH LESS THAN THE ORIGINAL INVESTMENT AND ANY LOSSES WILL BE SOLELY FOR THE ACCOUNT OF THE CLIENT.
- ♦ THE TRUSTEE IS NOT LIABLE FOR ANY LOSS UNLESS UPON WILLFUL DEFAULT, BAD FAITH OR GROSS NEGLIGENCE.

**BDO DOLLAR BOND FUND**

**KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT (Page 2)**

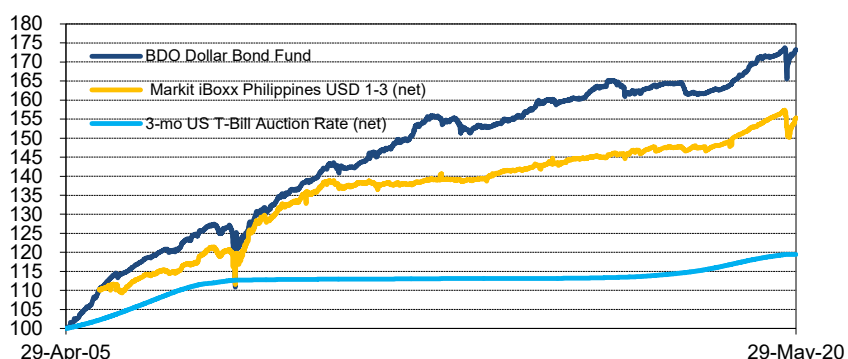
Month Ended May 29, 2020

**FUND PERFORMANCE AND STATISTICS**

**AS OF May 29, 2020**

(Purely for reference purposes and is not a guarantee of future results)

**Fund's NAVPu vs Benchmark & Risk-Free Rate**



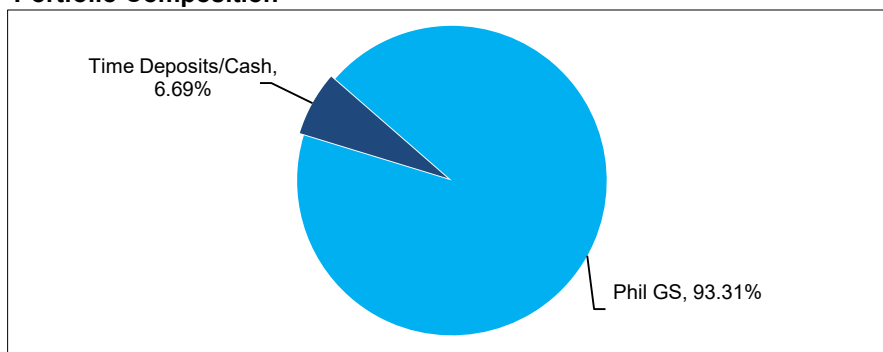
**Cumulative Performance (%)**

Period	1 mo	3 mos	6 mos	1 yr	3 yrs
Fund <sup>1</sup>	0.91%	0.15%	1.06%	3.18%	6.07%
Benchmark <sup>2</sup>	1.28%	-1.23%	-0.07%	2.23%	5.35%

<sup>1</sup> Past performance is not indicative of future performance.

<sup>2</sup> The Fund's benchmark is the Markit iBoxx Philippines USD 1-3 Index commencing Sept 2, 2019.

**Portfolio Composition**



**NAVPU over the past 12 months**

Highest	USD 173.7774
Lowest	USD 165.5366

**Statistics**

Weighted Ave. Duration	2.24
Volatility, Past 1 Year <sup>3</sup>	3.03%
Sharpe Ratio <sup>4</sup>	0.62
Information Ratio <sup>5</sup>	0.27
Weighted Ave. Yield (net) <sup>6</sup>	0.64%

<sup>3</sup> Volatility measures the degree to which the Fund fluctuates vis-à-vis its average return over a period of time.

<sup>4</sup> Sharpe Ratio is used to characterize how well the return of a Fund compensates the investor for the level of risk taken. The higher the number, the better.

<sup>5</sup> Information Ratio measures reward-to-risk efficiency of the portfolio relative to the benchmark. The higher the number, the higher the reward per unit of risk.

<sup>6</sup> Net of taxes and trust fees

**Top Ten Holdings<sup>7</sup> (%)**

Issue	% of Portfolio
PHIL/BB 21 1/15/2021 4%	46.77%
PHIL/BB 24 1/21/2024 4.2%	27.96%
PHIL/BB 25 3/16/2025 10.625%	16.00%
TD Own Bank 6/1/2020 0.25%	6.67%
Total	97.40%

<sup>7</sup> The complete list of portfolio holdings is available upon request

**OTHER DISCLOSURES**

**RELATED PARTY TRANSACTIONS**

The Fund has investments

	Transaction	Market Value (Mln)
BDO Unibank, Inc.	Time Deposit Placement	1.513
SM Group China Bank	Time Deposit Placement	0.00

Investments in the said outlets were approved by the Trust Committee. Likewise, all related party transactions are conducted on an arm's length and best execution basis and within established limits.

## BDO DOLLAR BOND FUND

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Month Ended May 29, 2020

## OTHER DISCLOSURES

## OUTLOOK AND STRATEGY

The 10yr US Treasury bond yield moved in a range from .60% to .74% during the month after the US Treasury announced a massive refunding requirement for May which pushed the yield higher. They also launched a new 20yr bond. However, this was offset after US Fed Chair Powell in his press conference said that the pandemic would put the US economy at risk of long-term economic harm. This has prompted a sharp rally in the Treasury bond as the market see low risk of US Treasury yields rising with US Fed seen maintaining rates at near zero. The fund realigned the position by selling ROP25 and buying ROP40 to take advantage of a wider spread in the 20 year tenor. The fund's duration is now at 2.24 from last month's 1.96.

## INVESTMENT POLICY / PROSPECTIVE INVESTMENTS

The Fund may invest in deposits in the trustee's own or in other banks, securities issued or guaranteed by the Philippine Government or the BSP, tradable securities issued by any supranational entity and exchange-listed fixed income securities. Subject to BSP guidelines and the Trustee's Trust Committee approval, the Fund may also avail of financial derivative instruments solely for the purpose of hedging risk exposures, as well as invest in other tradable investment outlets/categories as may be deemed suitable for the Fund.

## OTHER BASIC FUND FACTS

<b>Trust Fee:</b> 0.75% p.a.	<b>Bloomberg Ticker:</b> <BDODBF PM>
<b>Initial NAVPU:</b> USD100.00	<b>NAVPU Availability:</b> Every trading day at 7:30 p.m.
<ul style="list-style-type: none"> <li>• Available via the Easy Investment Plan (EIP) effective November 17, 2017. The EIP is an investment build-up plan that enables investors to attain their financial goals and financial wellness through the twin habits of regularly saving and investing via selected BDO UITFs; subject to a non-completion fee of 0.50% or original participation amount.</li> <li>• The availability via the Easy Redemption Plan (ERP), a redemption facility that allows participants to partially, automatically and regularly receive regular cash pay-outs from their investments in units of participation in the Fund, has not been implemented yet. Participants will be notified once this feature is available.</li> <li>• The availability of Fund's Switching Feature, a feature which allows an existing Participant to request that his UITF units of participation be redeemed and the proceeds thereof reinvested in the units of participation of one or several BDO UITF/s (up to a maximum of five UITFs) with the same or longer settlement period and the same currency without the need to wait for the usual settlement period for redemptions, has not been implemented yet. Participants will be notified once this feature is available.</li> <li>• The results of the latest annual audit are available to all participants upon request via email (investments@bdo.com.ph)</li> </ul>	
• <b>Distribution Channels:</b> Head Office, Invest Online and Local BDO Branches	

## OTHER PERFORMANCE INDICATORS

Period	Fund	Benchmark	Risk-Free Rate <sup>8</sup>
Year to Date	0.86%	-0.28%	0.30%
Five Years Ago	8.29%	8.31%	5.33%
Since Inception	73.25%	55.35%	19.24%
CAGR <sup>9</sup> Since Inception	3.71%	2.96%	1.17%

<sup>8</sup> Refers to the 3-mo US T-Bill rates.

<sup>9</sup> Compounded Annual Growth Rate (CAGR) measures how fast an investment would have grown over time if it grew at a steady rate instead of actual varying rates.

## BDO DOLLAR BOND FUND

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Month Ended May 29, 2020

## OTHER DISCLOSURES

**Best Performance (Past Five Years)**

Inclusive Dates 6/16/2015-3/6/2020	Biggest Gain 9.47%	No. of Days to Achieve 1,725 days
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**Maximum Drawdown and Recovery in NAVPUs<sup>10</sup> (Past Five Years)**

Maximum Drawdown Period 7/11/2016-11/15/2016	Biggest Loss -2.59%	Recovery Period (days) 825 days
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<sup>10</sup> *Maximum Drawdown is the maximum percentage loss that a fund incurs over a time period.*

*Maximum Drawdown Period is the length of time the maximum drawdown occurs.*

*Recovery Period is the length of time taken by a fund to surmount its maximum drawdown.*

**RESIDENCY OF TARGET MARKET**

Filipino Citizens, Philippine residents, and domestic corporations with capacity to contract and who are not considered US Persons under the US securities and tax laws.

Prospective participants/clients should also consult their own tax advisors as to the specific Philippine tax consequences of acquiring, holding and redeeming of units of any Fund/investment outlet, as well as the consequences arising under the laws of any other taxing jurisdiction

BDO Unibank, Inc.-Trust and Investments Group is regulated by the Bangko Sentral ng Pilipinas (BSP). For any inquiries and complaints relating to our services and products you may 1) call 840-7000 locals 4265 / 4244 / 4035 / 7032; 2) send an email to [trust.complaints@bdo.com.ph](mailto:trust.complaints@bdo.com.ph) ; or 3) visit/call/email your assigned Trust Marketing Officer or the Branch Manager/Marketing Officer of your servicing branch. For more details on BDO's complaints handling process, please visit: [www.bdo.com.ph/consumer-assistance](http://www.bdo.com.ph/consumer-assistance). You may also file your complaints at BSP Financial Consumer Protection Department at (632) 708-7087 or [consumeraffairs@bsp.gov.ph](mailto:consumeraffairs@bsp.gov.ph) . To know your rights under BSP Circular No. 857 (Regulations on Financial Consumer Protection), please access a copy at the BSP website ([www.bsp.gov.ph](http://www.bsp.gov.ph) ).

## NOTICE TO THE PARTICIPANTS OF BDO DOLLAR BOND FUND

19 June 2020

### Subject: Consolidation of BDO Dollar Bond Fund into BDO Medium Term Dollar Bond Fund

Dear Valued Investor,

We wish to inform you that the consolidation of BDO Dollar Bond Fund (DBF) into BDO Medium Term Dollar Bond Fund (MTDBF)\*, which was deferred until further notice, has been rescheduled and will be implemented on **22 July 2020**. The DBF remains closed for additional participation and Easy Investment Plan (EIP) subscription in preparation for the fund consolidation.

With the MTDBF as the surviving fund, you will get access to a more diversified investment strategy due to its flexibility to invest in medium to long term bond investments for better return opportunities. Similar with the DBF, the MTDBF is suitable for investors with moderate risk appetite. Please refer to *Annex A* for the comparative key features of the Funds.

We advise you to carefully evaluate the foregoing. If you are amenable to this consolidation and that the MTDBF is suitable to your investment profile, there is no need for you to do anything. Your decision to remain invested in the DBF by **22 July 2020** will be deemed as your conformity and your investments will be subject to the following:

1. Your outstanding units of participation in the DBF (including EIP contributions), which are evidenced by Confirmation/s of Participation (COP/s) shall be redeemed and the redemption proceeds will be invested in the MTDBF based on the applicable Net Asset Value per unit (NAVpu) on consolidation date. Please refer to *Annex B* for additional information for EIP participants of DBF.
2. As a result, your DBF COP/s shall be considered redeemed and will be replaced by MTDBF COP/s. You may obtain your MTDBF COP/s at your UITF servicing branch (i.e. the branch where you originally booked your UITF/EIP transaction) only upon surrender of the original DBF COP/s. For transactions booked via BDO Invest Online, your COP/s will be available for viewing online.
3. No transactions for the DBF will be allowed on the consolidation date of 22 July 2020. The DBF is deemed terminated effective 23 July 2020.

If you are not in conformity with the above, you may redeem your UITF investments and/or unsubscribe from your EIP in DBF **before 22 July 2020**. Early redemption fees, if any, shall be waived. You may get in touch with your UITF servicing branch to discuss other BDO UITFs/investment products that may better match your requirements.

For clarifications, please feel free to call us at the following numbers: 8840-7000 locals 34255, 33832, 34244, 34035, 33446, 37032. You may also email us at [investments@bdo.com.ph](mailto:investments@bdo.com.ph) and we will be glad to assist you.

Thank you for your continued trust and business.

Sincerely,

**BDO Unibank, Inc.-Trust and Investments Group**

By:



**RAFAEL G. AYUSTE, JR**

Senior Vice President & Trust Officer

\* The fund consolidation was approved by the BDO Board of Directors on its meeting held on 27 February 2020 and was originally scheduled on 17 April 2020. This was rescheduled to 22 May 2020 but was deferred anew until further notice due to the implementation of enhanced and modified enhanced community quarantine, which had affected clients' mobility and put the Bank's operations under skeleton force/shortened banking hours.

## ANNEX A

### Comparative Key Features of BDO Dollar Bond Fund and BDO Medium Term Dollar Bond Fund

Features	BDO Dollar Bond Fund	BDO Medium Term Dollar Bond Fund
Fund Classification	Intermediate Term Bond Fund	Medium Term Bond Fund
Risk Profile	Moderate	Moderate
Investment Objective and Strategy	The Fund aims for capital preservation and income generation by investing in higher yielding short to medium term bond investments and other similar fixed income securities. The Fund's benchmark is the Markit iBoxx Philippines USD 1-3 Index.	The Fund aims for capital preservation and income generation over the medium term by investing in higher yielding medium to long term bond investments and other similar fixed income securities. The Fund's benchmark is the Markit iBoxx Philippines USD 3-5 Index.
Minimum Initial / Additional Investment	USD 500	USD 500
Minimum Holding Period	30 calendar days	30 calendar days
Early Redemption Fee	0.50% of original participation amount	1.00% of original participation amount
Management Fee	0.75% p.a.	1.00% p.a.
Dealing Period	Up to 2:30 p.m. of any banking day	Up to 2:30 p.m. of any banking day
Settlement Period	Three (3) banking days after notice of redemption is received	Three (3) banking days after notice of redemption is received
Historical Fund Performance (as of May 29, 2020)		
<ul style="list-style-type: none"> <li>• Past 1 Year</li> <li>• Past 3 Years</li> </ul>	3.18% 6.07%	4.98% 8.64%

*\*Past performance is not indicative of future performance.*

## ANNEX B

### Additional Information for EIP Participants of BDO Dollar Bond Fund

- Prior to consolidation date, you may unsubscribe from your DBF EIP and have the flexibility to enroll your preferred subscription details in MTDBF. EIP non-completion fees and/or early redemption fees, if any, shall be waived.
- EIP contributions in the DBF not yet covered by a COP will also be redeemed and the redemption proceeds will be invested in MTDBF based on the applicable NAVpu on consolidation date.
- **FOR CLIENTS WITH EIP SUBSCRIPTIONS IN BOTH DBF and MTDBF UNDER THE SAME EIP ACCOUNT:** Corresponding units of participation from the redemption of your DBF EIP contributions not yet covered by a COP will be added to your outstanding MTDBF units, if any. Your existing EIP details (e.g. amount, contribution date, frequency, amount for COP issuance, etc.) in MTDBF shall be retained, while your subscription details in DBF shall be discontinued.
- **FOR CLIENTS WITH EIP SUBSCRIPTION IN DBF ONLY:** An EIP schedule in MTDBF shall automatically be created under the same EIP account following the EIP details (e.g. amount, contribution date, frequency, amount for COP issuance, etc.) of your DBF EIP.