

## BDO DOLLAR BOND FUND



## KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT

Month Ended April 30, 2018

## FUND FACTS

|   |   |
|---|---|
| <b>Classification:</b> Intermediate Term Bond Fund                            | <b>Net Asset Value per Unit (NAVPU):</b> USD161.805   |
| <b>Launch Date:</b> April 29, 2005  | <b>Total Fund NAV:</b> USD 22.922 Million   |
| <b>Minimum Investment:</b> USD2,000.00  | <b>Dealing Period:</b> Up to 2:30pm of any banking day  |
| <b>Minimum Additional Investment / Maintaining Participation:</b> USD2,000.00 | <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>0.0625%</u>    | Custodianship Fees: <u>0.0000%</u> | External Auditor Fees: <u>0.0005%</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 22.993 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 with a portfolio weighted average life of more than one (1) year. The Fund's benchmark is the 1-3 Years ROP Weighted Price Index (based on FMPH prices).

## 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)**

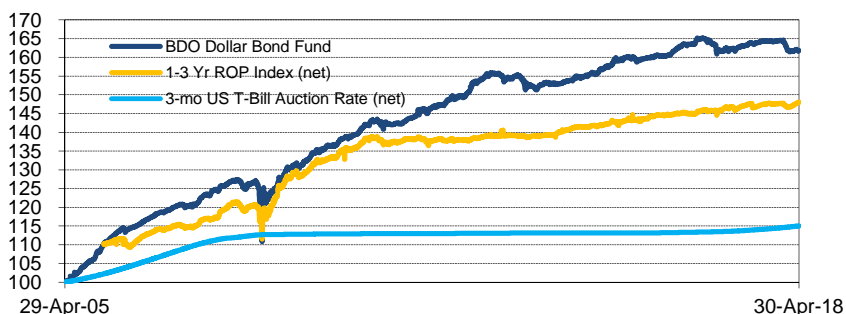
Month Ended April 30, 2018

**FUND PERFORMANCE AND STATISTICS**

**AS OF April 30, 2018**

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

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



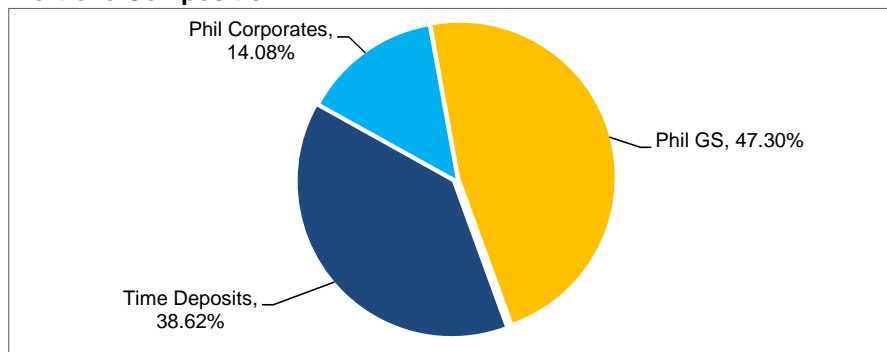
**Cumulative Performance (%)**

| Period                 | 1 mo  | 3 mos  | 6 mos  | 1 yr   | 3 yrs |
|------------------------|-------|--------|--------|--------|-------|
| Fund <sup>1</sup>      | 0.03% | -1.01% | -1.54% | -0.74% | 1.08% |
| Benchmark <sup>2</sup> | 0.21% | 0.30%  | -0.06% | 0.43%  | 2.85% |

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

<sup>2</sup> The Fund's benchmark is the 1-3Yr ROP Weighted Price Index based on Bloomberg's FMPH prices commencing Jan.5, 2006.

**Portfolio Composition**



**NAVPU over the past 12 months**

|         |              |
|---------|--------------|
| Highest | USD 164.5937 |
| Lowest  | USD 161.5034 |

**Statistics**

|  |        |
|--|--------|
| Weighted Ave. Duration                 | 1.85   |
| Volatility, Past 1 Year <sup>3</sup>   | 0.77%  |
| Sharpe Ratio <sup>4</sup>              | (2.44) |
| Information Ratio <sup>5</sup>         | (1.40) |
| Weighted Ave. Yield (net) <sup>6</sup> | 1.92%  |

<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 |
|--------------------------------|----------------|
| ROP 21 1/15/2021 4%            | 18.14%         |
| ROP 20 1/20/2020 6.5%          | 17.52%         |
| EDCPM 2021 1/20/2021 6.5%      | 14.08%         |
| ROP 24 1/21/2024 4.2%          | 9.13%          |
| TD Other Bank 3/29/2019 2.125% | 8.81%          |
| TD Other Bank 6/29/2018 2.125% | 7.93%          |
| TD Other Bank 5/30/2018 1.75%  | 5.28%          |
| TD Other Bank 4/3/2019 2.5%    | 4.50%          |
| TD Other Bank 3/5/2019 2.125%  | 4.40%          |
| TD Other Bank 5/28/2018 1.7%   | 4.31%          |
| Total                          | 94.11%         |

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

**OTHER DISCLOSURES**

**RELATED PARTY TRANSACTIONS**

The Fund has investments and trade transactions with BDO Unibank, Inc., its subsidiaries and related parties, as follows:

|                          | Transaction            | Market Value (Mln) |
|--------------------------|------------------------|--------------------|
| <b>BDO Unibank, Inc.</b> | Time Deposit Placement | 0.246              |
| <b>SM Group</b>          |                        |                    |
| China Bank               | Time Deposit Placement | 0.000              |

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

## KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT (Page 3)

Month Ended April 30, 2018

## OTHER DISCLOSURES

## OUTLOOK AND STRATEGY

The 10-year US Treasury bond yield rose to 2.95% at the end of April from 2.78% after minutes of the March FOMC meeting showed that a majority of the policymakers agreed that further rate hikes are warranted this year with labor market conditions expected to improve further and core inflation seen to move up to the FOMC's 2.0% target in the medium term. The recently released solid jobs data as well as rising consumer confidence and spending support this positive view on the US economy. The US Federal Reserve will likely raise rates two to three more times this year, supporting the upward trend of US Treasury yields, and consequently, dollar ROP yields as well. The fund's duration is now at 1.85 from 1.86 last month.

## 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                      | -1.65% | -0.10%    | 0.50%                       |
| Five Years Ago                    | 4.31%  | 6.11%     | 1.74%                       |
| Since Inception                   | 61.80% | 47.59%    | 15.12%                      |
| CAGR <sup>9</sup> Since Inception | 3.77%  | 3.04%     | 1.09%                       |

<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 April 30, 2018

**OTHER DISCLOSURES****Best Performance (Past Five Years)**

|                                       |                       |                                      |
|---------------------------------------|-----------------------|--------------------------------------|
| Inclusive Dates<br>9/6/2013-7/11/2016 | Biggest Gain<br>9.17% | No. of Days to Achieve<br>1,039 days |
|---------------------------------------|-----------------------|--------------------------------------|

**Maximum Drawdown and Recovery in NAVPUs<sup>10</sup> (Past Five Years)**

|  |                        |                                    |
|--|------------------------|------------------------------------|
| Maximum Drawdown Period<br>5/3/2013-9/6/2013 | Biggest Loss<br>-2.62% | Recovery Period (days)<br>341 days |
|--|------------------------|------------------------------------|

<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) ).