

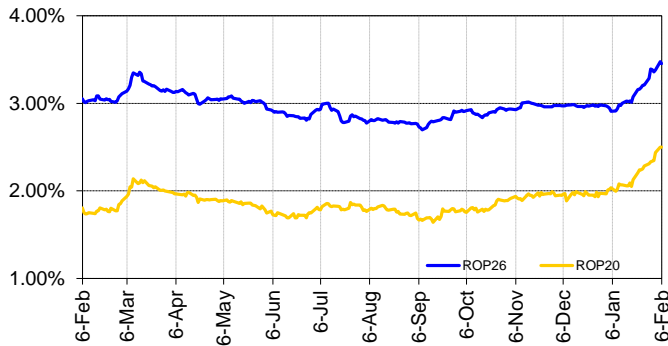
UITF Weekly Update



For the week ending February 06, 2018

*BDO Trust is pleased to inform you that the BDO UITF Weekly Update is now available in the BDO website (www.bdo.com.ph) via the Trust and Investments link

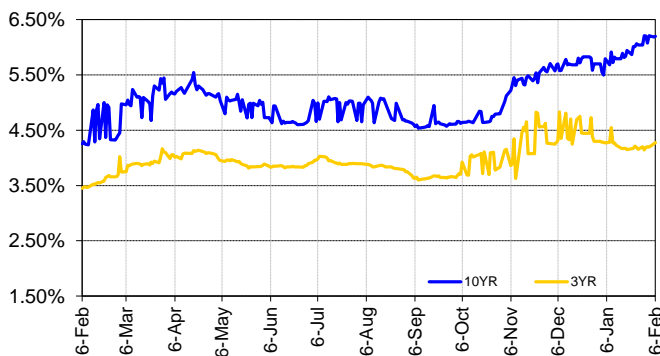
ROP Sovereign Bonds Yield Movements



DOLLAR BOND MARKET

The ROP yield curve shifted upward by an average of 20 basis points (bps), following the surge in US Treasury yields, as investors reacted to the better-than-expected wage and employment data in the US which connotes greater possibilities of a more aggressive regimen of Fed rate hikes this year. Note that the 10-year US Treasury yield reached a high of 2.8% during the week, a level not reached since April 2014. Seasonally-adjusted non-farm payroll employment rose 200,000 in January compared to consensus forecast of just 180,000 while average hourly earnings for private sector employees rose 2.9% last month, higher than the estimated 2.6% for the same period. This led to expectations of higher inflation and consequently a higher interest rate environment moving forward. Current expectations are for three rate hikes this year, the earliest of which is anticipated in March. **However, should the US economy's recovery continue to outperform market estimates and as inflation inches closer to the Fed's 2% target, a fourth rate hike by the Fed might be added to the table for 2018.** As such, the upward trend in US Treasury yields – and likewise ROP yields – is expected to continue, possibly at a faster clip.

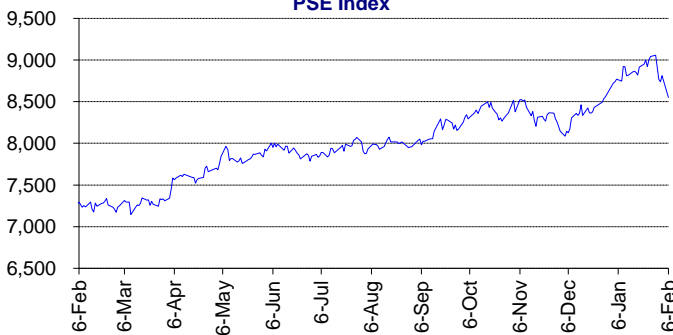
Philippine Benchmark Treasuries Yield Movements



PESO BOND MARKET

Peso bond yields rose during the week, with more pronounced increases seen in the 1-year tenor (around 50 bps) as well as those with longer maturities (13- and 15-year, average of 25 bps), while medium-term tenors (5 to 9 years) rose modestly by around 15 bps. The Bureau of Treasury's recent auction of 7-year Treasury Bonds resulted in a rejection of all bids as investors sought higher yields following the January inflation imprint of 4.0%. Total rejected tenders reached P25.8 billion, higher than the P20.0 billion offer volume, while rates submitted averaged 5.273%, 88 bps higher than the 4.39% average rate in the previous auction. Note that the inflation figure was higher than the consensus estimate of 3.5% and is the highest since October 2014 when inflation reached 4.3%. The surge was driven by higher prices brought about by higher taxes of fuel, sugar-sweetened beverages, and tobacco and alcohol products owing to the implementation of Package 1 of the Comprehensive Tax Reform Program (CTRP). **The upward pressure on interest rates is expected to remain moving forward given the build-up of inflation expectations, spillover effects of the Fed's monetary tightening program, and the need for financing of both the government and private sector locally.** Such a result may force the BSP to raise interest rates once or twice, starting in the second quarter.

PSE Index



Dec 2017 Close: 8558.42
2017 Change: 25.11%

Feb 6, 2018 Close: 8550.42
YTD Change: -0.09 %

STOCK MARKET

The PSEi took a beating along with equity markets globally, following the sell-down in the US stock market as investors reacted belatedly to the rising risk of multiple Fed rate hikes this year. The index lost 360 points or 4.04% to end the week at 8,550. Foreign investors drove the drop, with total outflows reaching \$122.9 million since the start of February. **However, we view the sell-off as excessive and should be taken as a buying opportunity as the slide is only based on sentiment.** Domestic fundamentals remain very sound, even optimistic, despite the weak peso and spurt in inflation. The Philippine economy remains on its growth trajectory with government finances for infrastructure spending boosted by the passage of Package 1 of the CTRP. Note that 34 out of 75 infrastructure projects are expected to break ground this year. In addition, Packages 1B and 2 of the CTRP are already underway and are expected to be passed within the first semester. Finally, earnings growth of listed companies are expected to reach 11-12% in 2018 from 9-10% in 2017. All of these catalysts are seen to push the PSEi towards a conservative yearend forecast of 9,400 in 2018.

MARKET SUMMARY & OUTLOOK

	Peso Bonds Interest Rates	ROP Bonds Interest Rates	P-US\$ Exchange Rate (in numerical)	US Stock Market	Phil. Stock Market
Short Term Outlook (1 - 2 Wks)	↗	↗	→	↘	↘
Long Term Outlook (6Mos - 1Yr)	↗	↗	↗	↗	↗

UITF PERFORMANCE SUMMARY as of February 06, 2018

UITF	Short Name	NAV per unit	1-Week Change	1-Month Change	YTD Change	YoY Change	3-Year Change	5-Year Change	CAGR Since Inception*
PESO FUNDS									
BDO Peso Money Market Fund	PMMF	1,535.41	0.03%	0.14%	0.17%	1.31%	4.16%	6.86%	3.39%
BDO Short Term Fund	STF	100.77	0.03%	0.18%	0.23%	#N/A	#N/A	#N/A	1.85%
BDO GS Fund	GS	192.89	-0.41%	0.02%	0.10%	0.79%	2.61%	8.15%	5.28%
BDO Peso Bond Fund	PFIF	2,017.31	-0.22%	0.00%	0.23%	1.11%	4.73%	11.06%	5.65%
BDO PERA Short Term Fund	PSTF	100.91	0.03%	0.16%	0.21%	#N/A	#N/A	#N/A	1.50%
BDO PERA Bond Index Fund	PBIF	100.58	-0.44%	0.08%	0.15%	#N/A	#N/A	#N/A	0.96%
BDO Peso Balanced Fund	PBAL	3,549.41	-2.39%	-1.78%	-1.15%	-4.70%	-14.16%	-5.40%	9.07%
BDO Equity Fund	EQUITY	486.22	-3.85%	-2.38%	-0.71%	13.47%	5.31%	27.42%	13.20%
BDO Sustainable Dividend Fund	SDF	116.29	-3.84%	-3.20%	-2.10%	-4.77%	-8.73%	#N/A	3.57%
BDO Focused Equity Fund	FEF	102.30	-3.94%	-3.48%	-2.41%	-5.22%	-14.44%	#N/A	0.53%
BDO Equity Index Fund	EQIF	113.41	-4.04%	-2.65%	-0.27%	16.66%	#N/A	#N/A	5.01%
BDO Pera Equity Index Fund	PEIF	124.87	-4.01%	-2.68%	-0.38%	14.48%	#N/A	#N/A	21.53%
BDO ESG Equity Fund	ESGF	117.31	-3.26%	-3.27%	-1.70%	9.76%	#N/A	#N/A	7.70%
FOREIGN CURRENCY DENOMINATED FUNDS									
BDO Dollar Money Market Fund	DMMF	139.85	0.02%	0.10%	0.12%	1.30%	3.91%	6.84%	2.66%
BDO Dollar Bond Fund	DBF	162.92	-0.43%	-0.95%	-0.97%	0.52%	2.09%	6.16%	3.90%
BDO Medium Term Dollar Bond Fund	MTDBF	1.82	-0.46%	-1.55%	-1.53%	0.31%	1.83%	7.48%	4.82%
BDO Developed Markets Property Index Feeder Fund	DMPIFF	103.71	-2.47%	-3.57%	-3.90%	3.87%	#N/A	#N/A	1.33%
BDO China Equity Feeder Fund	CEFF	132.93	-2.01%	2.77%	7.69%	43.34%	#N/A	#N/A	13.36%
BDO Global Equity Select Feeder Fund	GESFF	111.35	-3.57%	-0.38%	1.18%	17.17%	#N/A	#N/A	4.88%
BDO US Equity Feeder Fund	USEFF	122.46	-7.58%	-1.25%	0.89%	6.91%	#N/A	#N/A	11.91%
BDO Europe Equity Feeder Fund	EEFF	104.31	-4.02%	0.42%	2.65%	#N/A	#N/A	#N/A	8.32%
BDO Japan Equity Index Feeder Fund	JEIF	110.77	-2.93%	-2.11%	0.21%	#N/A	#N/A	#N/A	28.25%
INSTITUTIONAL FUNDS									
BDO Institutional Cash Reserve Fund	ICRF	113.66	0.04%	0.18%	0.22%	1.82%	5.69%	9.27%	2.10%
BDO Merit Fund - Intermediate Term Portfolio	MFST	158.22	-0.45%	-0.09%	0.06%	1.32%	3.97%	10.08%	3.85%
BDO Merit Fund - Medium Term Portfolio	MFMT	148.83	-0.57%	-0.31%	-0.33%	0.40%	2.99%	12.14%	5.25%
BDO Institutional Equity Fund	IEF	5,442.62	-3.96%	-2.27%	-0.51%	15.22%	8.31%	31.77%	14.34%

*Compounded Annual Growth Rate (CAGR) since inception allows for UITF comparison regardless of inception dates.

UITF PORTFOLIO as of February 06, 2018

UITF	Short-term Placements	Government Securities	Corporate Securities	Weighted Average Duration	Weighted Average Yield	Equities
PESO FUNDS						
BDO Peso Money Market Fund	100.00%	0.00%	0.00%	0.52	1.65%	N/A
BDO Short Term Fund	87.49%	12.51%	0.00%	0.91	2.06%	N/A
BDO GS Fund	6.81%	93.19%	0.00%	2.69	2.26%	N/A
BDO Peso Bond Fund	6.87%	64.77%	28.37%	2.79	2.55%	N/A
BDO PERA Short Term Fund	87.16%	12.84%	0.00%	0.16	2.47%	N/A
BDO PERA Bond Index Fund	0.71%	99.29%	0.00%	2.75	3.38%	N/A
BDO Peso Balanced Fund	0.83%	39.73%	0.00%	N/A	N/A	59.44%
BDO Equity Fund	3.48%	0.00%	0.00%	N/A	N/A	96.52%
BDO Sustainable Dividend Fund	1.74%	0.00%	0.00%	N/A	N/A	98.26%
BDO Focused Equity Fund	0.92%	0.00%	0.00%	N/A	N/A	99.08%
BDO Equity Index Fund	0.07%	0.00%	0.00%	N/A	N/A	99.93%
BDO Pera Equity Index Fund	0.44%	0.00%	0.00%	N/A	N/A	99.56%
BDO ESG Equity Fund	1.95%	0.00%	0.00%	N/A	N/A	98.05%
FOREIGN CURRENCY DENOMINATED FUNDS						
BDO Dollar Money Market Fund	100.00%	0.00%	0.00%	0.00	1.24%	N/A
BDO Dollar Bond Fund	17.88%	68.54%	13.58%	2.75	1.88%	N/A
BDO Medium Term Dollar Bond Fund	18.66%	76.31%	5.04%	4.36	1.79%	N/A
BDO Developed Markets Property Index Feeder Fund	2.39%	N/A	N/A	N/A	N/A	97.61%
BDO China Equity Feeder Fund	15.28%	N/A	N/A	N/A	N/A	84.72%
BDO Global Equity Select Feeder Fund	9.72%	N/A	N/A	N/A	N/A	90.28%
BDO US Equity Feeder Fund	3.07%	N/A	N/A	N/A	N/A	96.93%
BDO Europe Equity Feeder Fund	4.34%	N/A	N/A	N/A	N/A	95.66%
BDO Japan Equity Index Feeder Fund	0.00%	N/A	N/A	N/A	N/A	100.00%
INSTITUTIONAL FUNDS						
BDO Institutional Cash Reserve Fund	100.00%	0.00%	0.00%	0.80	2.16%	N/A
BDO Merit Fund - Intermediate Term Portfolio	15.63%	69.04%	15.32%	2.36	3.14%	N/A
BDO Merit Fund - Medium Term Portfolio	7.44%	73.93%	18.62%	3.50	3.70%	N/A
BDO Institutional Equity Fund	0.75%	0.00%	0.00%	N/A	N/A	99.25%

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