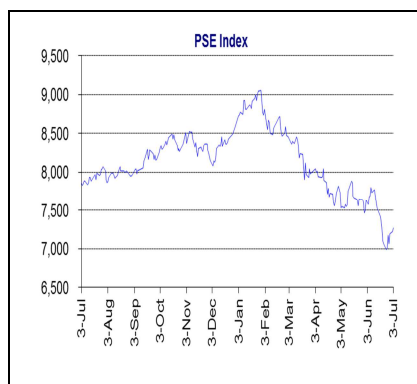


# UITF Updates

For the week of July 3, 2018



**PESO STOCK MARKET**

- The Philippine Stock Exchange Index (PSEi) climbed back to the 7,200 level on quarter-end window dressing activities; by July 4, it was back at the 7,300 level
- Downside risk remains though given the continuing weak peso, escalating trade war concerns, and fund flows to Developed Markets (DM) from Emerging Markets (EM)
- Q3 inflation data and Q2 corporate earnings results are near-term catalysts; however, both may disappoint
- PSEi seen range-bound between 6,900 and 7,500 over the next few months unless local and global concerns ease

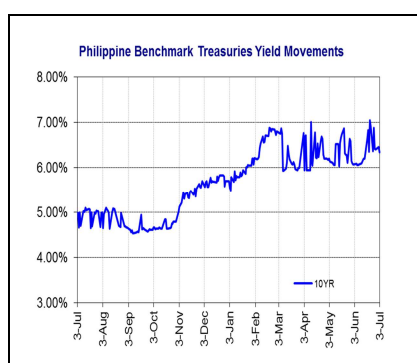
**PSE Index**

Short-Term Outlook

↘

Long-Term Outlook

↗



**PESO BOND MARKET**

- Sideways movement in peso bond yields for the week as investors await June inflation data for direction
- June inflation is expected to be around 4.7 to 4.8%, same as consensus, and slightly higher than the 4.6% print in May. This falls within the BSP's wide 4.3 to 5.1% forecast but is slightly below the Finance department's 4.9%
- Overall, peso bond yields are expected to remain on the uptrend on rising US Fed rate, additional supply of government securities, and other domestic fiscal concerns

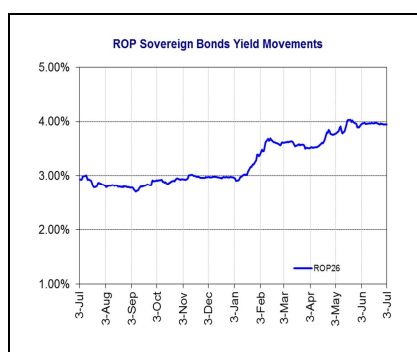
**Interest Rates**

Short-Term Outlook

↗

Long-Term Outlook

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**DOLLAR BOND MARKET**

- ROP yields also moved sideways despite the 10-year US Treasury bond yield declining below 2.9%
- Renewed demand for safe haven assets such as US government bonds amid rising trade tensions between the US and other major countries pulling down US bond yields
- ROP yields though are still expected to move higher with the US Fed now more aggressive in raising its policy interest rates until 2020 and expected increased supply of foreign-currency debt papers in the second half of 2018

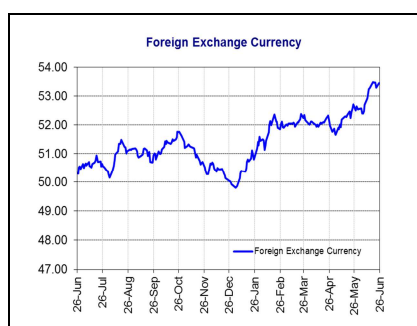
**Interest Rates**

Short-Term Outlook

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Long-Term Outlook

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**FOREIGN EXCHANGE (USD-PHP)**

- Sustained weakness across EM currencies versus the US dollar over trade war concerns, global funds outflow from EMs, and sustained Fed rate increases
- Further widening of the Philippine trade deficit is an added weakness for the peso
- USD-PHP rate can hit the P54.0 level late in the third quarter before temporarily recovering by year-end to P53 or lower due to seasonal OFW remittance inflows

**Exchange Rate**

Short-Term Outlook

↗

Long-Term Outlook

↗

## SELECTED INDICATORS

<b>2.83%</b> 10yr US Treasury Yield*	<b>6.34%</b> 10yr Phil. GS Yield*	<b>6.8%</b> Q1 2018 Phil. GDP Growth	<b>4.6%</b> May 2018 Phil. Inflation	<b>53.36</b> USD-PHP*
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\*As of July 3, 2018

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# INVESTMENT QUARTERLY

## INVESTMENT CONSIDERATIONS & RECOMMENDATIONS

<p><b>Accelerating GDP Growth</b> China's GDP grew 6.9% in 2017, well above the government's target of 6.5% for the same period. Growth is expected to remain robust in 2018 as the country's largest growth driver shifts from fixed investments to personal consumption.</p>	<p><b>BDO China Equity Feeder Fund (CEFF)</b></p> <p>This dollar-denominated fund invests in a target fund composed of stocks of companies listed in or whose primary business activity is in China. This fund is ideal for investors who would like to take advantage of China's economic revival with its improved growth outlook and potential to attract foreign funds.</p>	<p><b>+5.88%</b> Year-to-date</p> <p><b>+30.70%</b> Since Inception (10/29/2015)</p>
<p><b>Synchronized Global Growth</b> The world's major developed markets and emerging economies have seen sustained synchronized uptrends in both economic growth and corporate earnings momentum.</p>	<p><b>BDO Global Equity Index Feeder Fund (GEIFF)</b></p> <p>This newly-launched dollar-denominated fund gives investors access to the world's 23 developed markets by investing in a target fund that tracks the MSCI World Index. The target fund's composition includes investments in some of the largest and most well-known corporations in the world such as Apple, Inc. and Microsoft Corporation. Investors who would like to spread their exposure to offshore markets and take advantage of the global growth story may participate in this UITF.</p>	<p><b>-2.39%</b> Year-to-date (Target Fund)</p> <p><b>-3.21%</b> Since Inception (2/28/2018)</p>
<p><b>Strengthening European Economic Backdrop</b> Many indicators in Europe are pointing towards an economic rebound, with retail sales, purchasing managers' indices, and employment all on an uptrend.</p>	<p><b>BDO Europe Equity Feeder Fund (EEFF)</b></p> <p>This dollar-denominated fund taps into a target fund invested in stocks of companies domiciled in or exercising the predominant part of their economic activity in Europe. Investors who would like to take advantage of the nascent European growth momentum and the turnaround of political risks may invest in this fund.</p>	<p><b>-1.17%</b> Year-to-date</p> <p><b>+0.42%</b> Since Inception (7/26/2017)</p>
<p><b>Passage of the US Tax Reform Program</b> Proposed tax reform measure in the United States include reduced taxes for corporations, small businesses, and individuals. An effective passage and implementation of this program will likely further stimulate economic activity and boost profits in the United States.</p>	<p><b>BDO US Equity Feeder Fund (USEFF)</b></p> <p>This dollar-denominated fund taps into a target fund invested in stocks listed in the US Stock Exchange. Investors who would like to take advantage of the current US growth momentum and a strengthening US dollar may choose this fund.</p>	<p><b>-1.35%</b> Year-to-date</p> <p><b>+19.75%</b> Since Inception (04/18/2016)</p>
<p><b>Higher Purchasing Power from Tax Reform Measures</b> Corporations have started to feel the effects of the recent reduction in personal income taxes. Most Filipino taxpayers are likely to allocate their higher disposable incomes to increased consumption spending and even investment, further contributing to the robust Philippine growth story.</p>	<p><b>BDO Equity Index Fund (EQIF)</b></p> <p>This fund's portfolio consists of the same component companies of the Philippine Stock Exchange Composite Index and their weightings, thus mirroring the returns of the local market index. This fund is ideal for investors who may want to invest in a proxy fund for the Philippine stock market that does not feature the attendant risks of trying to outperform it.</p>	<p><b>-6.84%</b> Year-to-date</p> <p><b>+5.95%</b> Since Inception (7/10/2015)</p>

\*return figures as of March 28, 2018. All return figures reckoned in the funds' respective currencies.

### How to Invest:

THROUGH BDO ONLINE*	THROUGH A BDO BRANCH
<p>Step 1. Log on to your BDO Invest Online account Step 2. Complete client suitability form Step 3. Choose a fund and start investing!</p>	<p>Step 1. Visit any BDO branch. Step 2. Speak to certified UITF marketing personnel Step 3. Choose a fund and start investing!</p>

**UITF PERFORMANCE SUMMARY as of July 03, 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*
<b>PESO FUNDS</b>									
BDO Peso Money Market Fund	PMMF	1,546.26	0.04%	0.16%	0.88%	1.49%	4.33%	6.81%	3.34%
BDO Short Term Fund	STF	101.71	0.05%	0.22%	1.16%	#N/A	#N/A	#N/A	2.07%
BDO GS Fund	GS	192.57	0.17%	-0.36%	-0.06%	0.31%	2.64%	4.36%	5.10%
BDO Peso Bond Fund	PFIF	2,012.88	0.15%	-0.29%	0.01%	0.55%	3.23%	6.65%	5.45%
BDO PERA Short Term Fund	PSTF	101.74	0.02%	0.15%	1.03%	1.62%	#N/A	#N/A	1.71%
BDO PERA Bond Index Fund	PBIF	100.52	0.10%	-0.44%	0.09%	0.42%	#N/A	#N/A	0.51%
BDO Peso Balanced Fund	PBAL	3,224.11	1.56%	-3.29%	-10.21%	-15.26%	-14.83%	-14.43%	8.12%
BDO Equity Fund	EQUITY	421.86	2.86%	-4.01%	-13.85%	-7.10%	-5.23%	6.18%	11.55%
BDO Sustainable Dividend Fund	SDF	99.83	3.03%	-4.43%	-15.96%	-23.40%	-16.17%	#N/A	-0.04%
BDO Focused Equity Fund	FEF	88.85	3.31%	-4.05%	-15.25%	-23.18%	-17.69%	#N/A	-2.48%
BDO Equity Index Fund	EQIF	96.70	3.78%	-4.75%	-14.97%	-8.01%	#N/A	#N/A	-1.12%
BDO Pera Equity Index Fund	PEIF	105.34	2.76%	-5.64%	-15.97%	-9.73%	#N/A	#N/A	3.42%
BDO ESG Equity Fund	ESGF	104.55	2.45%	-4.02%	-12.39%	-6.79%	#N/A	#N/A	1.75%
<b>FOREIGN CURRENCY DENOMINATED FUNDS</b>									
BDO Dollar Money Market Fund	DMMF	140.52	0.03%	0.11%	0.60%	1.28%	3.89%	6.63%	2.62%
BDO Dollar Bond Fund	DBF	161.73	-0.01%	-0.03%	-1.69%	-1.20%	1.53%	5.60%	3.72%
BDO Medium Term Dollar Bond Fund	MTDBF	1.80	0.03%	-0.27%	-2.98%	-2.61%	1.11%	6.53%	4.55%
BDO Developed Markets Property Index Feeder Fund	DMPIFF	106.91	-0.43%	0.32%	-0.94%	3.57%	13.35%	#N/A	2.13%
BDO China Equity Feeder Fund	CEFF	117.71	-2.72%	-7.84%	-4.64%	14.05%	#N/A	#N/A	6.28%
BDO Global Equity Select Feeder Fund	GESFF	106.59	-1.72%	-1.64%	-3.14%	3.87%	#N/A	#N/A	2.42%
BDO US Equity Feeder Fund	USEFF	129.32	0.02%	3.74%	6.54%	12.90%	#N/A	#N/A	12.35%
BDO Europe Equity Feeder Fund	EEFF	96.41	-1.48%	-3.17%	-5.13%	#N/A	#N/A	#N/A	-3.83%
BDO Japan Equity Index Feeder Fund	JEIF	103.80	-2.05%	-2.85%	-6.10%	#N/A	#N/A	#N/A	4.66%
BDO Global Equity Index Feeder Fund	GEIF	96.98	-1.02%	-1.20%	#N/A	#N/A	#N/A	#N/A	-8.59%
<b>INSTITUTIONAL FUNDS</b>									
BDO Institutional Cash Reserve Fund	ICRF	114.75	0.05%	0.22%	1.18%	2.05%	5.93%	9.41%	2.12%
BDO Merit Fund - Intermediate Term Portfolio	MFST	158.39	0.14%	-0.05%	0.16%	0.61%	4.10%	9.31%	3.74%
BDO Merit Fund - Medium Term Portfolio	MFMT	148.02	0.34%	-0.34%	-0.88%	-0.61%	3.23%	9.94%	4.91%
BDO Institutional Equity Fund	IEF	4,726.38	3.08%	-3.92%	-13.60%	-6.43%	-2.58%	10.43%	12.64%

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

**UITF PORTFOLIO as of July 03, 2018**

UITF	Short-term Placements	Government Securities	Corporate Securities	Weighted Average Duration	Weighted Average Yield	Equities
<b>PESO FUNDS</b>						
BDO Peso Money Market Fund	98.94%	0.00%	1.06%	0.76	1.86%	N/A
BDO Short Term Fund	77.00%	10.00%	13.00%	0.85	2.73%	N/A
BDO GS Fund	6.46%	93.54%	0.00%	2.55	2.84%	N/A
BDO Peso Bond Fund	6.43%	62.26%	31.31%	2.48	3.08%	N/A
BDO PERA Short Term Fund	49.29%	50.71%	0.00%	0.45	3.48%	N/A
BDO PERA Bond Index Fund	2.09%	97.91%	0.00%	2.56	4.08%	N/A
BDO Peso Balanced Fund	3.05%	44.08%	0.00%	N/A	N/A	52.87%
BDO Equity Fund	17.28%	0.00%	0.00%	N/A	N/A	82.72%
BDO Sustainable Dividend Fund	10.65%	0.00%	0.00%	N/A	N/A	89.35%
BDO Focused Equity Fund	18.78%	0.00%	0.00%	N/A	N/A	81.22%
BDO Equity Index Fund	0.16%	0.00%	0.00%	N/A	N/A	99.84%
BDO Pera Equity Index Fund	0.23%	0.00%	0.00%	N/A	N/A	99.77%
BDO ESG Equity Fund	7.05%	0.00%	0.00%	N/A	N/A	92.95%
<b>FOREIGN CURRENCY DENOMINATED FUNDS</b>						
BDO Dollar Money Market Fund	100.00%	0.00%	0.00%	0.00	1.45%	N/A
BDO Dollar Bond Fund	36.59%	48.79%	14.61%	1.60	2.15%	N/A
BDO Medium Term Dollar Bond Fund	31.38%	64.29%	4.32%	3.06	2.11%	N/A
BDO Developed Markets Property Index Feeder Fund	1.00%	N/A	N/A	N/A	N/A	99.00%
BDO China Equity Feeder Fund	9.66%	N/A	N/A	N/A	N/A	90.34%
BDO Global Equity Select Feeder Fund	1.22%	N/A	N/A	N/A	N/A	98.78%
BDO US Equity Feeder Fund	11.52%	N/A	N/A	N/A	N/A	88.48%
BDO Europe Equity Feeder Fund	1.38%	N/A	N/A	N/A	N/A	98.62%
BDO Japan Equity Index Feeder Fund	0.00%	N/A	N/A	N/A	N/A	100.00%
BDO Global Equity Index Feeder Fund	1.26%	N/A	N/A	N/A	N/A	98.74%
<b>INSTITUTIONAL FUNDS</b>						
BDO Institutional Cash Reserve Fund	100.00%	0.00%	0.00%	0.78	2.51%	N/A
BDO Merit Fund - Intermediate Term Portfolio	8.78%	75.63%	15.59%	2.05	3.91%	N/A
BDO Merit Fund - Medium Term Portfolio	3.47%	77.90%	18.63%	3.20	4.47%	N/A
BDO Institutional Equity Fund	8.48%	0.00%	0.00%	N/A	N/A	91.52%

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