COCOLIFE FIXED INCOME FUND, INC.

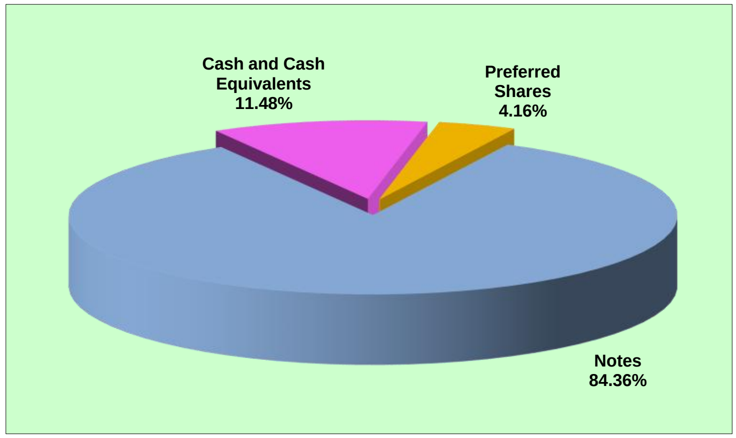
MARCH 2019

Cocolife Fixed Income Fund, Inc. is an income-oriented mutual fund, which seeks to generate regular interest income, consistent with its policy to preserve capital and to maintain liquidity of its investments through a diversified portfolio of corporate bonds, government securities and other fixed income instruments.

FUND FACTS AND FIGURES

Launch Date	2003
Structure	Mutual Fund
Domicile	Republic of the Philippines
Currency	Philippine Peso
Minimum Initial Investment	Php 1,000.00
Minimum Additional Investment	Php 500.00
Sales Load	2% of the NAVPS
Redemption Fee	
< 1 year from purchase date	3.5% of NAVPS
Fund Manager	Cocolife Asset Management Co., Inc.
Custodian Bank	UCPB-TBD
Transfer Agent	UCPB-TBD
External Auditor	Punongbayan & Araullo

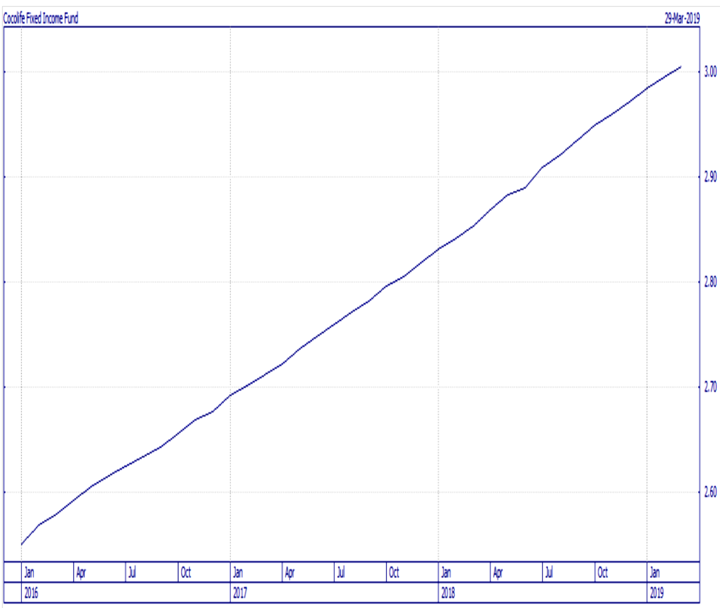
PORTFOLIO ALLOCATION



Fixed Rate Instruments	Up to 1 year	Over 1 year to 5 years	Over 5 years
Cash and Cash Equivalents	11.48%		
Notes	53.37%	30.99%	
Preferred Shares		4.16%	

Weighted Maturity (years) 1.14

FUND PERFORMANCE



NAVPS 3/29/2019	Year-to-Date
3.0042	1.12%

	Compounded Annual Return	Cumulative Return
One-year	5.30%	5.30%
Three-year	5.22%	16.50%
Five-year	5.26%	29.22%

Figures above were based on the fund's actual returns as of February 28, 2019. Note, however, that historical performance is not a guarantee of future results.

FUND MANAGER'S REPORT

For the month of March, local bond yields declined by an average of 33 basis points (bps), plunging further from the previous month's 1.5-bps drop amid improved expectations in the local fixed income space. As expected, the Bangko Sentral ng Pilipinas (BSP) decided to maintain benchmarks steady during its March 21 Monetary Board meeting, keeping rates within the 4.25-5.25% range, but with key rate of 4.75% still at decade high. The central bank's decision was based on its assessment that prevailing policy settings remain appropriate as latest baseline forecasts show inflation settling within the 2-4% for both 2019 and 2020. As for the expected reserve requirement ratio (RRR) reduction, no adjustments were made with the BSP noting that "it's a live issue, it's always on the table, but the issue is timing".

Accordingly, the Bureau of Treasury (BTr) made a partial award for the auction of its Treasury bills (T-bills) last March 25. The government raised P17.455 billion out of the programmed P20 billion auction size. Broken down, the Treasury accepted P3.455 billion for the 91-day papers, which was half of the P6 billion planned offer and despite tenders reaching P6.605 billion. As a result, the three-month notes fetched an average rate of 5.787%. Meanwhile, the 182-day securities received P11.76 billion worth of bids, allowing the BTr to award the P6 billion target and in turn, fetched a lower rate of 5.927%. The government also offered P8 billion from the 364-day notes as demands reached P12.818 billion. Accordingly, average yields dropped to 6.044%.

Meanwhile, the Treasury made a full award for the auction of its Treasury bonds (T-bonds) in March alongside favorable appetite for the long-tenor securities. The government raised P20 billion for the reissuance of its 10 year debt papers last March 12, with tenders reaching P54.603 billion. The debt securities fetched an average rate of 6.196%, 63.3 bps down from the 6.829% recorded in the previous auction last January 8. Likewise, the BTr awarded P20 billion for the reissued 7-year T-bonds last March 26 as bids came at P73.685 billion. Accordingly, the debt notes fetched an average rate of 5.934%, 15.3 bps lower than the 6.087% fetched when the debt papers were last offered on February 12.

The BSP also saw strong demands for the auction of its term deposit facility (TDF) offering. This is despite the central bank slashed the auction volume of the facilities and even refused to offer one-month papers in its last auction for the month. The 30-billion auction block was fully awarded, resulting to the average rates for the 7-day and 14-day to drop by 4.9831% and 5.0567%, respectively.

In the coming month, the local bond market may trade sideways with a positive bias as we see moderation if not cutbacks in the interest rate environment. The latest headline inflation print of 3.3% in March confirms recovery in general prices and is expected to continue amid easing inflation pressures on global oil price movements and food commodities. Likewise, the current interest rate environment may still be accommodative as the central bank hinted on an unchanged policy stance in the near-term. However, with the slower pace of domestic liquidity growth, many speculate that the BSP needs to curb reserve requirement for banks immediately to mitigate any risk to the financial façade. Meanwhile, the Treasury has announced its proposed borrowing program for the 2nd quarter, trimming the volume to P315 billion in a bid to push yields down and adapt with the auctions which are generally skewed towards the long-end tenors.

RISK DISCLOSURE. *The value of investments in mutual funds is not guaranteed and will vary from day to day depending on the market value of the individual securities in its portfolio. Factors that can affect the value of these securities include economic conditions, interest rates, government regulations and taxations, and corporate performance.*

RISK MANAGEMENT. *The company shall manage interest rate risk by actively monitoring the prevailing interest rates. The fund maintains sufficient liquidity in the form of short term deposits which may be withdrawn anytime at minimal cost. Loans to private corporations will be limited only to high credit quality Philippine companies that meet the set standards.*

Inflation decelerates to 3.3% in March. According to the Philippine Statistics Authority (PSA), the country's inflation rate eased further to 3.3% in March, registering the lowest reading since January 2018's 3.4%. The Bangko Sentral ng Pilipinas (BSP) attributed the cooling of the inflation with the lower prices of rice and other agricultural products. On a year-to-date basis, the inflation print averaged to 3.8%, which settled within the 2-4% government target band yet higher than the 3.1% BSP forecast for full-year 2019. Meanwhile, core inflation slid further to 3.5%, coming from the 3.9% in February and the 3.4% in March 2018.

BSP keeps policy rates in first meeting under Diokno. The BSP decided to maintain benchmark policy rates unchanged during its Monetary Board meeting last March 21, keeping rates within the 4.25-5.25% range, with the key rate of 4.75% still at decade high. Note that this year's second rate-setting meeting was the first of the new BSP Governor Benjamin E. Diokno. The central bank's decision was based on its assessment that prevailing policy settings remain appropriate. Latest forecasts indicate inflation may settle within the 2-4% for both 2019 and 2020, while inflation expectations continue to stabilize within the target band.

PSA revises 4Q2018 GDP growth to 6.3%. The PSA adjusted the country's gross domestic product (GDP) growth for the 4th quarter to 6.3% from the previous 6.1% estimate amid data changes related to trade and several other commodities. The Philippines' gross national income (GNI) and net primary income (NPI) were also revised upward to 5.7% and 2.7%, respectively, from 5.2% and 0.9%. However, full-year GDP stayed at 6.2% which was below the government's downwardly-revised 6.5-6.9% target in 2018 and slower than 2017's 6.7%.

Unemployment rate falls to 10-year low in January. According to the PSA, the country's unemployment rate further declined to 5.2% in January, slightly improving from the 5.3% registered a year earlier and the lowest rate recorded since 2009. Nevertheless, the labor force participation rate fell to 60.2% in January 2019 from 62.2% in January 2018. The National Economic and Development Authority (NEDA) attributed this to lower labor participation in the agriculture sector that "overshadowed" employment gains in the industry and services sectors.

February posts 6-year low money supply growth. Money supply grew by 7.1% in February to P11.497 trillion, registering anew its slowest pace in over six years following the softer growth in bank loans. Domestic liquidity further eased, posting lower than the upwardly-revised 7.7% pace in January and the weakest since September 2012. Meanwhile, the money supply still rose by 0.7% on a month-on-month basis.

Net exports commence 2019 with $3.76B deficit. Exports in January reached $5.279 billion, 1.7% less than the $5.373 billion recorded in the same month last year. Analysts attributed the decline of exports to 'weak perception' on the prospects of trade, particularly in Asia, as well as the 'inherent economic slowdown in major economies'. Meanwhile, the country's imports grew by 5.8% to $9.035 billion in January from last year's $8.536 billion. With the easing inflation and domestic consumption seen to recover, imports also spiked anew and is expected to continue growing this year. Accordingly, January's trade deficit stood at $3.756 billion, bigger than the $3.752 billion deficit in December 2018 and the $3.163 billion in January 2018.

Remittances post $2.48B inflows. The country's remittances grew in January to $2.484 billion, climbing by 4.4% from the $2.379 billion of the comparable 2018 figure. However, month-on-month, the latest inflows were 12.8% less than December's all-time high $2.849 billion. The BSP attributed the decline with the weakening of the peso, which was considered as a boon for beneficiaries of remittances as they end up getting higher peso value for their dollars.

FX reserves rise in February at $82.9B. The country's gross international reserves (GIR) settled at $82.89 billion in February, higher than the revised $82.49 billion in January. Notably, this was the highest GIR level in 27 months or since hitting $85.11 billion in October 2016. The rise in GIR was attributed to inflows arising from the BSP's foreign exchange operations, net foreign currency deposits by the national government, and income from its investments abroad'. Current foreign reserves are equivalent to 7.3 months' worth of imports of goods and payments of services and primary income. It is also equivalent to 6.3 times the country's short-term external debt based on original maturity and 4.1 times based on residual maturity.

BoP posts 4th month of surplus in February. The country's balance of payments (BoP) strengthened anew in February, posting $467 million surplus, a turnaround from the $429 million deficit recorded in the same month last year. The BSP said the continued inflows in February stemmed mainly from the national government's foreign currency deposits as well as its foreign exchange operations and income from investments abroad. Moreover, the central bank noted that the latest statistics was the 4th consecutive month that the BoP data posted a surplus. Year-to-date, the country's BOP position yielded a surplus of $3.17 billion due to higher remittances, reversing the $961 million deficit registered in January and February last year.

January records P44.5B budget surplus, reverses 9-month deficit. The country's budget balance posted its first fiscal surplus in nine months last January following the drop in state spending amid the delayed enactment of 2019's P3.757 trillion national budget. The fiscal balance yielded a P44.5 billion surplus as it commenced the year, more than four times of the P10.2 billion surfeit recorded in 2018 and a reversal of the nine straight months of deficit since April 2018's P46.315 billion. Broken down, the government raked P256.7 billion in revenues, roughly 7% more than the P238.9 billion collected in January last year. Meanwhile, interest payments grew by 6% to P45.9 billion from P43.5 billion in the comparable year ago data.

2018 FDI ends at $9.8B, misses gov't target. Foreign direct investments (FDI) settled at $677 million in December, 4.8% lower than the $712 million received in the same month in 2017, marking a sustained year-on-year drop since August. The latest data brought full-year FDI at $9.802 billion, down 4.4% from the $10.256 billion received in 2017. Markedly, the full-year FDI inflows were the first drop recorded in three years. Moreover, the amount is also lower than the $10.4 billion net inflows targeted figure, which would otherwise been a fresh record high. The decline in FDIs may be attributed to the continuing uncertainty over TRABAHO bill and risks to peace and order in certain areas of the country, which may discourage investor confidence.

Hot money records $340M inflows in February. Foreign portfolio investments, also known as hot money, registered $340 million net inflows in February, reversing the $529 million net outflows posted a year ago yet lower than the $763 million recorded in January. The BSP attributed the net inflows in February to 'investor optimism arising from developments on the trade negotiations between the US and China as well as the passage of the tariffication law, which is expected to help boost the rice supply in the country and thereby temper inflation'.

Peso depreciates anew on global growth fears. The Philippine peso closed March at P52.50/dollar, weaker by 1.55% from P51.70/$ close in February. The decline of the peso was attributed to investors' souring sentiments alongside fears on the global economic slowdown. As central banks globally adopt a more dovish stance, players flock back to safer haven currencies such as the Japanese yen and the US dollar. Despite the depreciation, the foreign exchange is still seen with slight window of opportune amid the resumption of trade talks between the US and China which may contribute to risk-on sentiment for most Asian markets. Moreover, the forex still posted a year-to-date gain of 0.15% from 2018's close of P52.58.