COCOLIFE FIXED INCOME FUND, INC.

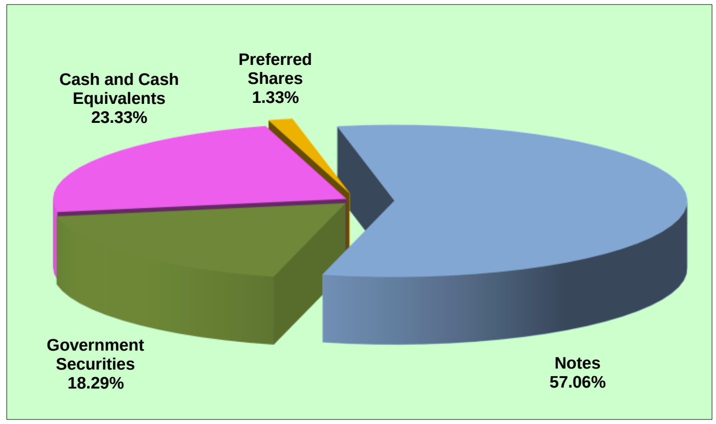
MARCH 2021

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

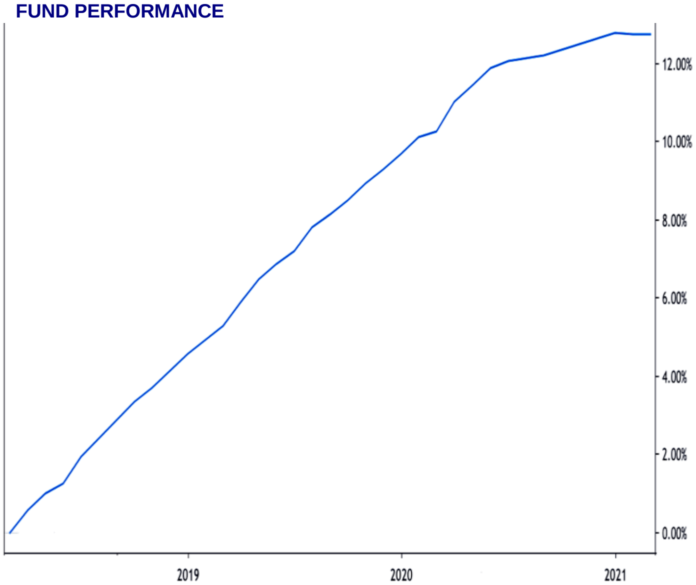
PORTFOLIO ALLOCATION



Fixed Rate Instruments	Up to 1 year	Over 1 year to 5 years	Over 5 years
Cash and Cash Equivalents	23.33%		
Notes	39.08%	17.98%	
Government Securities		18.29%	
Preferred Shares	1.33%		

Remaining Maturity (years) **0.73**

FUND PERFORMANCE



NAVPS 3/31/2021	Year-to-Date Return
3.2174	0.06%

	Compounded Annual Return	Cumulative Return
One-year	2.27%	2.27%
Three-year	4.09%	12.77%
Five-year	4.53%	24.77%

Figures above were based on the fund's actual returns as of March 31, 2021. Note, however, that historical performance is not a guarantee of future results.

FUND MANAGER'S REPORT

For the month of March, local bond yields leaped by 39 basis points (bps), continuing and climbing further from February's finish. The interest for home-grown securities was dismal alongside the alarming resurgence in the COVID-19 cases and the re-implementation of the hard lockdowns across the country's capital. The uncertainty of the Philippines' second wave of the health crisis has potentially spun large doubts of the bleak rebound and growth outlook for the year. The dovish and unyielding resolution of the Bangko Sentral ng Pilipinas towards the policy rate environment would have also throttled such dismal appetite of the local players. During their Monetary Board meeting last March 25, the local central bank opted to leave key interest rates unchanged, still banking such stance would support the economy even recovery is seen at large-risk from the renewed coronavirus disease 2019 (COVID-19) infections. The Monetary Board kept the overnight reverse repurchase rate at an all-time low of 2% for the second consecutive meeting this year. In figures, rates for the overnight lending and deposit facilities were also maintained at 2.5% and 1.5%, respectively. As for the inflation environment, the Philippine Statistics Authority (PSA) has reported the country's inflation rate for March settled at 4.5%, narrower than February's 4.7% print yet nearly double of the 2.5% seen in March 2020. The leverage of downward adjustments in power rates, lower food and beverage prices, and the implementation of price ceiling for meat products resulted to the deceleration of the price index. The BSP has upwardly revised its inflation outlook to 4.2% this year, from the earlier forecast of 4% given in February. This could reflect the recent rocketing of global oil prices and the depreciation of the Philippine peso. The average print for 2022 is seen at 2.8%, slightly higher than the previous projection of 2.7%.

Accordingly, the Bureau of Treasury (BTr) has made a full award for the auction of its Treasury bonds (T-bonds) in March. The Treasury has borrowed P30 billion last March 9, alongside the reissuance of its 10-year securities coming with total bids of P50 billion. In turn, the bonds settled at an average rate of 3.7320%. Meanwhile, the government raked up P30 billion as planned for the reissued 10-year T-bonds last March 23, making the offer nearly two times oversubscribed as bids reached P54 billion. In turn, the debt papers secured an average rate of 4.6140%.

The BTr made a full award on the auction of its Treasury bills (T-bills) last March 29, raising P24 billion with total tenders hitting P79 billion. Broken down, the Treasury raised P7 billion from the 91-day debt notes with bids reaching P22 billion. Accordingly, the average rate of the three-month papers settled at 1.2690%. Likewise, the government borrowed P7 billion for the 182-day T-bills, after the tenor attracted demand by as much as P22 billion. Consequently, the average yield of the six-month bonds was recorded at 1.6090%. For the 364-day securities, the BTr made a full P10-billion award of the one-year securities on offer as tenders hit P35 billion. In turn, the papers fetched an average rate of 1.9260%. To accommodate the overwhelming demands, the BTr also opened its tap facility to offer P5 billion in one-year T-bills.

Meanwhile, the BSP fully awarded the sale of its term deposit facilities (TDFs) last March 31, sapping a total of P480 billion coming from the P685 billion tenders. Broken down, total tenders for the seven-day term deposits amounted to P226 billion, going beyond the P140-billion offering. In turn, the average rate of the one-week tenor was registered at 1.8280%. As for the 14-day facilities, the demand for 14-day deposits reached P459 billion, higher than the P340 billion auction volume. With this, the average rate for the two-week papers settled at 1.8727%. On the other hand, the BSP made a full award for the auction of its short-term debt instruments last March 26. The central bank raised P70 billion, attracting bids of P109 billion for the 28-day bills. In turn, the bills fetched an average rate of 1.934%

In the coming month, the local bond market may remain hushed as players ogle over fresh leads from the local central bank and developments in the economy. Traders may still digest the release of the March inflation rate, even though the latest print slightly eased from its previous month's pace. As they await for the release of significant macro-data, such as the final estimates for the 2020 gross domestic product outturns and labor data, market players may still feel aloof toward the investment façade unless clarity on supportive fiscal and monetary policies emerge. Meanwhile, with the stern call from the BSP of keeping the interest rates unchanged, we expect traders will be cautious as they mull over fresh monetary measures of the local central bank gearing away from the issues of the second wave of COVID-19 in the country.

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 eases to 4.5% in March. According to the Philippine Statistics Authority (PSA), the country's inflation rate settled at 4.5% in March, cooling from the 4.7% in February but quicker than the 2.5% a year ago. The latest data is within the 4.2% to 5.0% forecast range of the Bangko Sentral ng Pilipinas (BSP) for the month. BSP Governor Benjamin Diokno cited the downward adjustment in power rates, lower prices of key food items as primary sources of downward price pressures in March. However, the higher oil prices and a peso depreciation have "partly offset" these factors. On a year-to-date basis, the consumer price growth averaged 4.5%, surpassing the central bank's 2.0-4.0% target range for 2021.

BSP holds policy rate at record low. The Bangko Sentral ng Pilipinas (BSP) left its key interest rate unchanged at a record low last March 25, as it supports an economy whose recovery is at risk from a renewed surge in COVID-19 infections. The Monetary Board kept the overnight reverse repurchase rate at an all-time low of 2% for a third consecutive meeting. In figures, rates for the overnight lending and deposit facilities were also maintained at 2.5% and 1.5%, respectively. The central bank kept policy settings steady since its December meeting, but BSP Governor Benjamin Diokno hinted that they will respond accordingly when the need arises. Meanwhile, the central bank upwardly revised its inflation outlook to 4.2% this year, from the earlier forecast of 4% given in February. The average print for 2022 is seen at 2.8%, slightly higher than the previous projection of 2.7%.

PH unemployment rate hit 8.8% in February. According to the Philippine Statistics Authority's (PSA) February round of the Labor Force Survey (LFS), the country's unemployment rate was recorded at 8.8% in February, up from 8.7% in January. In figures, about 4.187 million unemployed Filipinos with recorded in February. This was more than the 3.953 million recorded in the January round. The February reading was the third-highest since the jobless rates recorded in April 2020 and July 2020 at 17.6% and 10%, respectively. The February survey round marked the first of the monthly surveys to be conducted by the PSA to closely monitor the current job situation in the country amid the pandemic. On the other hand, the country's employment rate stood at 91.2% in February, down from 91.3% in January. In absolute terms, however, the number of employed Filipinos increased to 43.153 million from 41.248 million in January.

Money supply hastens in February. Money supply (M3) rose by 9.4% year-on-year to P14 trillion, quicker than the revised 8.9% surge in January. Month-on-month and seasonally adjusted, M3 was up by 0.1%. The BSP noted that the acceleration of domestic liquidity was due mainly to the faster growth in net claims on the central government, even as bank lending to the private sector remained tepid.

January net exports shrink as recession bites. Exports shrank by 5.2% to $5.49 billion in January from 9.4% growth a year earlier. Meanwhile, imports also fell by 14.9% to $7.911 billion in January, worse than the declines of 8.2% and 2.8% in December and January 2020, respectively. Accordingly, the latest trade figures brought the trade balance to a $2.421-billion deficit in January, wider than the $2.149-billion gap in December, but narrower than the $3.504-billion shortfall in January last year.

Remittances slip as pandemic drags on. Remittances in January slipped by 1.7% to $2.603 billion from $2.648 billion a year ago, falling for a second straight month. Remittances also declined by a tenth or around 9.93% from $2.89 billion in December, when OFWs typically send more money. The central bank expects remittance inflows to grow by 4% this year, in hopes of economic recovery. The lower remittance inflow in January was due to base effects as well as the continued repatriation of OFWs.

Dollar reserves pick up anew in February. The country's gross international reserves (GIR) climbed to $109.082 billion in February following a slight decline in January, boosted by gains from the central bank's investments abroad and its foreign exchange operations. The end-February level inched up 0.38% from the $108.673-billion level in January and rose 23.7% from $88.187 billion logged a year earlier. The month-on-month increase in the GIR level reflected inflows mainly from the BSP's foreign exchange operations and income from its investments abroad. However, this was offset by the lower revaluation adjustments of the BSP's gold holdings amid the decline in international gold prices as well as foreign currency withdrawals meant to service debt obligations. At its end-February level, the GIR is enough to cover 11.7 months' worth of imports of goods and payments of services, and primary income.

Fiscal deficit balloons in February amid ramped spending. The country's budget balance swung to a deficit more than tripled to P116 billion in February against its year-ago level, as the double-digit growth in spending outpaced the uptick in revenues. The budget gap was more than tripled in February from the P37.6 billion in the comparable year ago. It was also wider than the P14-billion fiscal gap in January. The Treasury attributed the wider budget gap to the faster pace of spending versus revenue growth after the government released P45 billion in additional capital to state-run financial institutions for their credit guarantee and lending programs. Overall state spending jumped by 37.3% to P335.5 billion in February from P244.4 billion a year ago. This was also faster than the 1.18% increase in January spending. On the other hand, total revenues grew by 6.2% to P219.6 billion in February from P206.8 billion a year ago, a turnaround from the 11.5% contraction in January.

BoP swings to deficit in February. The country's balance of payments (BoP) swung to a deficit of $2.02 billion in February after the government paid off more foreign loans. The BoP deficit in February reflected outflows, arising mainly from the local central bank's reserve management operations and the foreign currency withdrawals of the National Government. These outflows were partly offset by inflows from the central bank's foreign exchange operations and income from its investments abroad. The government's foreign debt stock as of end-January reached P3 trillion, down 3.2% from a month earlier after it repaid P93.49 billion in foreign debt.

FDI inflows slump to lowest in 5 years. Foreign direct investments (FDI) to the Philippines slid to a five-year low in 2020, as the pandemic drove investors toward safe-havens. FDI net inflows last year shrank by 24.6% to $6.542 billion from $8.671 billion in 2019. This is the lowest since the $5.63 billion in FDI inflows seen in 2015 but exceeded the $6-billion full-year projection made by the BSP. Markedly, FDI inflows dropped for the second straight year. The BSP expects FDI to reach $7.5 billion this year, up 15% from the 2020 level.

Hot money flees away PH in February. Foreign portfolio investment, also known as "hot money", posted a net outflow of $40.41 million in February, reversing the $97.92 million net inflow booked in January and the $40.06 million in February last year. The BSP attributed funds fled the country despite the passage of key laws to attract more investors amid the ongoing global health crisis. On a year-to-date basis, the two-month tally summed up a net inflow of $57.51 million, a reversal of the $446.04 million net outflow recorded in the same period last year.

Peso slightly picks up on lower global oil prices, CREATE bill passage. The Philippine peso closed at P48.53/dollar last March 31, appreciating by 0.12% from end-February's finish of P48.59/$. Early in the month, an upbeat appetite was observed with the start of vaccinations in the country. However, the budding momentum has retracted amidst renewed cautiousness due to the continued increase in new COVID-19 infections. The risk-averse sentiment for the market has dissipated as players took interest for the Peso anew following the slower-than-expected core inflation in the US and the increase in the Philippine dollar reserves. The downward pressures were slightly relieved by the adjustment in global oil prices, which have minor dents in oil supply production. Moreover, the peso strengthened on the back of the recently signed Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act. Republic Act 11534 was signed by President Duterte, which will immediately bring down corporate income tax to 25% from 30% and will further cut it by a percentage point every year from 2023 to 2027 until it reaches 20%. On a year-to-date basis, the Philippine peso recorded a downside of 1.06% from 2020's close of P48.02/$.