

KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT

As of July 31, 2023

FUND FACTS

Classification:	Multi-Asset Fund	Net Asset Value per Unit (NAVPu):	1.588121
Launch Date:	February 18, 2011	Total Fund Net Asset Value (NAV):	Php299.16 million
Minimum Investment :	Php5,000.00	Dealing Day:	Daily up to 12:00nn
Additional Investment:	At least Php1,000.00	Redemption Settlement:	3 banking days from date of notification
Minimum Holding Period:	30 calendar days	Early Redemption Penalty:	1.0% of the amount redeemed

FEES¹

Trustee Fees: 0.0861%	Custodianship Fees: 0.0011%	External Auditor: 0.0020%	Other Fees: None
China Bank – Trust and Asset Management Group	Deutsche Bank AG, Manila Branch Philippine Depository & Trust Corp.	SGV & Co.	

¹As a percentage of average daily NAV for the month valued at Php 297.59 million.

INVESTMENT OBJECTIVE AND STRATEGY

The China Bank Balanced Fund intends to achieve capital appreciation as well as a steady income stream by investing in a diversified portfolio of high-grade tradable fixed-income securities issued by the Philippine government and local corporations and choice equity issues listed in the Philippine Stock Exchange (PSE). Up to 60% of the Fund may be invested in equity issues at any point in time while the balance shall be in fixed-income investments with an average duration of not more than ten (10) years. The Fund aims to outperform its benchmark which is 60% PSE Index (PSEi) + 40% Bloomberg Philippine Sovereign Bond Index 1 to 5 Year (BPHIL15 Index).

CLIENT SUITABILITY

A client profiling process shall 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. Before deciding to invest, clients are advised to read the Declaration of Trust, a copy of which is available at the Trustee’s principal office.

The China Bank Balanced Fund is suitable only for investors who:

- Have an aggressive risk appetite;
- Are seeking long-term capital appreciation through price gains and regular stream of fixed interest income;
- Are willing to accept higher risks involving volatility of returns and possible erosion of principal for potentially better long-term results; and,
- Have an investment horizon of, at least, one (1) year.

KEY RISKS AND RISK MANAGEMENT

The client should not invest in this Fund if the client does not understand or is 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 the market price of securities. It is the exposure to the uncertain market value of a portfolio due to price fluctuations. Given that the Fund may be invested up to 60% in equity issues at any point in time, investors are deemed to be more exposed to this risk.
- **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. These may be caused by different reasons such as trading in securities with small or few outstanding issues, absence of buyers, limited buy/sell activity or underdeveloped capital market.
- **Credit/Default Risk.** This is the possibility for an investor to experience losses due to a borrower’s failure to pay principal and/or interest in a timely manner on instruments such as bonds, loans or other forms of security which the borrower issued. It also includes risk on a counterparty (a party the Trustee trades with) defaulting on a contract to deliver its obligation either in cash or securities.
- **Reinvestment Risk.** This is the possibility for an investor to have lower returns or earnings when maturing funds or the interest earnings of funds are reinvested.

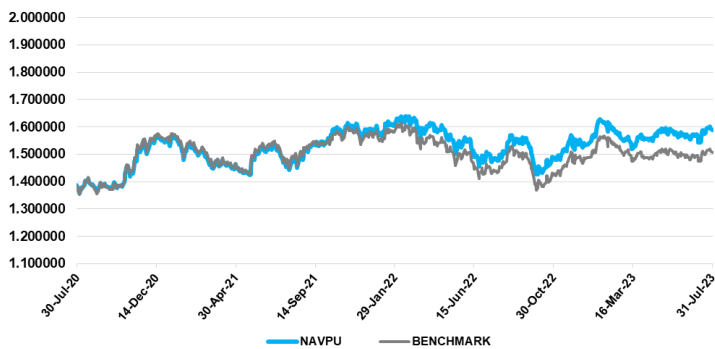
The Trustee only transacts with reputable counterparties and invests in debt securities issued by prime corporate borrowers which have undergone a rigorous accreditation and evaluation process. Internal and regulatory exposure limits as well as the Fund’s average duration for its fixed-income investments are monitored regularly to ensure that exposures are managed. The Fund also employs risk management measures to monitor significant declines in the Fund’s NAVPu and alert the Trustee to review current strategies and take corrective action as necessary. Furthermore, the Fund undergoes an annual review to ensure that it is equipped to fund any redemption requirement in a timely manner and at a reasonable cost during times of financial stress.

- THE UITF IS A TRUST PRODUCT AND NOT A DEPOSIT ACCOUNT, AND IS NOT INSURED NOR GOVERNED BY THE PDIC.
- THE UITF IS NOT AN OBLIGATION OF, NOR GUARANTEED, NOR INSURED BY THE TRUST ENTITY OR ITS AFFILIATES OR SUBSIDIARIES.
- DUE TO THE NATURE OF THE INVESTMENTS OF A UITF, THE RETURNS/YIELDS CANNOT BE GUARANTEED. HISTORICAL PERFORMANCE, WHEN PRESENTED, IS PURELY FOR REFERENCE PURPOSES AND IS NOT A GUARANTEE OF SIMILAR FUTURE PERFORMANCE.
- ANY LOSSES AND INCOME ARISING FROM MARKET FLUCTUATIONS AND PRICE VOLATILITY OF THE SECURITIES HELD BY THE UITF, EVEN IF INVESTED IN GOVERNMENT SECURITIES, ARE FOR THE ACCOUNT OF THE CLIENT. AS SUCH, THE UNITS OF PARTICIPATION OF THE CLIENT IN THE UITF, WHEN REDEEMED, MAY BE WORTH MORE OR WORTH LESS THAN HIS/HER INITIAL INVESTMENT/CONTRIBUTION.
- THE TRUSTEE IS NOT LIABLE FOR LOSSES UNLESS UPON WILLFUL DEFAULT, BAD FAITH OR GROSS NEGLIGENCE.
- THE INVESTOR MUST READ THE COMPLETE DETAILS OF THE FUND IN THE UITF’S PLAN, MAKE HIS/HER OWN RISK ASSESSMENT, AND WHEN NECESSARY, SEEK AN INDEPENDENT/PROFESSIONAL OPINION BEFORE MAKING AN INVESTMENT.

FUND PERFORMANCE AND STATISTICS AS OF JULY 31, 2023

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

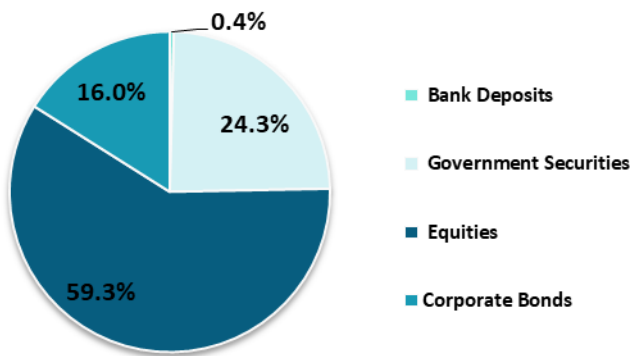
NAVPU GRAPH



CUMULATIVE PERFORMANCE (%)

Period	1mo	3mos	6mos	1yr	3yrs
Fund	1.33%	0.35%	0.25%	6.57%	14.86%
Benchmark	1.24%	-0.11%	-1.48%	3.59%	7.75%

PORTFOLIO COMPOSITION



SECTOR HOLDINGS (%)

Holding	30%
Financial	22%
Property	18%
Industrial	16%
Services	13%
Mining	1%

OTHER DISCLOSURES

RELATED PARTY TRANSACTIONS

The Fund has deposits with the Bank Proper, amounting to Php1.23 million, which were approved by the Board of Directors/Trust Investment Committee. Likewise, all related parties transactions are conducted on an arm’s length basis.

OUTLOOK AND STRATEGY

The Philippine Stock Exchange Index (PSEi) advanced by 123.40pts or +1.91% in July, to close at 6591.47. Fueling the advance was the 3% US inflation print, which was the lowest reading in over 2 years. While the Federal Reserve did still follow through with a 25bp rate hike later in the month, the market welcomed the narrative that the rate hike cycle may be near its end.

The market rally was broad based, with Financials (+5.06%), Mining and Oil (+4.59%), Property (+3.90%), and Services (+3.07%) posting gains. Meanwhile, Holding Firms (-0.90%) and Industrials (-0.56%) bucked the trend. In terms of individual stock performance, ALI (+12.76%), GLO (+10.92%), MBT (+7.72%), JFC (+6.61%) and ICT (+6.48%) were the top advancers. On the other hand, top decliners were URC (-10.84%), CNVRG (-7.51%), AGI (-7.30%), AP (-6.24%), and WLCON (-5.38%). On the earnings front, 7 out of the 30 index members have disclosed their numbers as of the end of the month. By our count, 2 (AP, MER) were ahead, 4 (AEV, BDO, BPI, PGOLD) were in line, and 1 (WLCON) was behind consensus expectations. AP reported a first half core net income of Php17.8 billion, a +95% increase compared to last year. Its power generation business recorded an EBITDA of Php30.2 billion, a +31% growth, primarily driven by the fresh contributions from GNPowr Dinginin and improved availability. Meanwhile, its distribution business recored an EBITDA of Php6 billion, a +101% growth, due to recoveries in demand from areas affected by typhoon Odette. Similarly, MER posted robust financial performance, with a +47% increase in consolidated core net income, reaching Php19.2 billion. Its distribution business contributed Php11 billion or 57% of the core net income, with higher volume of energy sold driving its growth. Meanwhile, its power generation unit contributed Php6.6 billion, or 34% of core net income, driven by the higher earnings of Pacific light and GBPC. In contrast, WLCON reported a net income of Php1.8 billion, a -2.1% decrease compared to the previous year. According to it’s president and CEO, sales declined due to the the slower foot traffic in old stores, high base from last year due to the economic reopening, and slowdown in construction due to multiple holidays. Moreover, operating expenses increased, primarily driven by expansion related expenses, as the company opened 11 stores since the 3rd quarter of last year. In other news, the

NAVPU OVER THE PAST 12 MONTHS

Highest	1.627616
Lowest	1.425790

STATISTICS

Weighted Average Duration	4.26
Volatility, Past 1 year ²	4.44%
Sharpe Ratio ³	0.59
Information Ratio ⁴	3.30

²Volatility measures the degree to which the Fund fluctuates vis-à-vis its average return over a period of time. This is computed by getting the standard deviation of the yearly returns for the past 12 mos.

³Sharpe 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. This is computed by dividing the excess return of the fund against the risk-free rate over the fund’s volatility.

⁴Information Ratio measures the reward-to-risk efficiency of the portfolio relative to the benchmark. The higher the number, the higher the reward per unit of risk. This is computed by dividing the excess return of the fund against the benchmark over the fund’s volatility.

TOP TEN HOLDINGS (%)

SM	10.1%
SMPH	6.6%
SMCGP 04-24 R22	6.6%
BDO	6.1%
FXTN 25-06	5.0%
BPI	4.7%
AC	4.2%
ICT	4.1%
ALI	4.0%
FXTN 25-07	3.4%

consortium of bidders which aims to take MPI private revised their tender offer to Php5.20/share, a +12.3% bump from the initial Php4.63/share offer. Separately, the Philippine Stock Exchange announced the results of the semi-annual review of the PSEi covering the period from July 2022 to June 2023. There will be no changes in terms of index composition, while the weights of BPI, ACEN, and UBP are set to increase to account for their updated free-float levels.

The following month brings in a number of catalysts for the PSEi, particularly on the earnings calendar. Additionally, inflation prints will continue to influence market direction. From a technical perspective, the index now trades above the key 200day moving average, which could act as support. Seasonality however is not supportive, with the month of August historically being weak in terms of market returns.

In the fixed income space, the yield curve bull steepened on cooling inflation. Yields across the curve decline by 1 basis point, with the short-end up to 2 year tenors declining by 27 basis points (bps) on average, while the rest of the curve went up by 18 bps on average. Outperformers were the 1-month to 6-month tenors, which decreased by 38 and 54 bps, to end at 5.6276% and 5.5727%, respectively. Underperformers were the 20-year and 25-year tenors, which increased by 43 and 41 bps, to fetch 6.604% and 6.5985%, respectively. Meanwhile the 5-year and 10-year benchmark rates both increased by 11 bps, fetching 6.2873% and 6.4124%, respectively. Total traded volume for July increased by 64% to Php541.469 billion versus June's Php331.136 billion. Trading volume across various securities classifications increase for the month, especially for FXTNs, RTBs, and corporate bonds, which all more than doubled versus June trading volume. Majority of trades were generated by Bangko Sentral ng Pilipinas' (BSP) bills accounting for 36% of trades, followed by FXTNs accounting for 35%.

June inflation was an early market driver for the month, as local inflation fell to 5.4% in June from 6.1% in May, strengthening the case for easing inflation. The inflation print was within the BSP forecast of 5.3% to 6.1% and was the lowest reading since May of last year. Food prices increased the least in ten months while transport costs eased further. Core inflation, excluding food and fuel, grew by 7.4% year-on-year, the least in five months. The BSP's latest estimates show that average inflation will settle at 5.5% in 2023, lower than the 6.0% announced in March.

Meanwhile, consumer spending indicators remained strong for the month. Car sales increased by 27% in June rising to 36,311 units from 28,691 units sold in the same month last year. The growth may be seen as an indication of rise in consumer spending on big-ticket items and a signal of sustained optimism for the local auto sector. Overseas Filipino Workers' (OFW) remittances increased by 2.9% year-on-year to \$2.78 billion in May 2023. The growth was attributed to higher remittances from both land-based workers with long-term contracts and sea- and land-based OFWs with shorter contracts. The United States remained the top contributor, accounting for 41%, followed by Singapore at 7.1%. For the first five months of 2023, personal remittances reached \$14.46 billion, a 3.1% increase year-on-year. Economists expect steady 3.0% growth in remittances for the rest of the year, due to declining inflation in host countries and advancements in digital banking services. However, the recent figure was noted to be one of the lowest for 2023, possibly affected by the higher cost of living in host countries and the weak Philippine peso. Nevertheless, economic slowdown remains a risk factor for remittance growth.

In the local bond market, the Bureau of Treasury (BTr) fell short of its bond auction program of Php120 billion, awarding only Php108.379 billion for the month, as it rejected defensive bids. The BTr auctioned off 9-, 15-, 6-, and 7-year bonds that fetched an average of 1.78 times bid-to-cover ratio. Yields on the auctions increased by an average of 49 bps compared to previous auctions of same tenors in May and June. The 6-year bond auction, which was the shortest tenor among the auction, fetched the most demand, generating a bid-to-cover ratio of 1.93 times. Meanwhile, T-bill auctions also fell short of the BTr's target as it awarded Php68.636 billion out of its Php75 billion program for July, as yield declined month-on-month. The 91-day T-bill ended the month at 5.224%, down 86 bps versus end of June. The 182-day T-bill fetched 5.789%, down 36 bps from June, while the 364-day T-bill declined by 1 bp to 6.210%.

For the coming month, we expect the market to take its cue from the release of July inflation where another slower print should support bond yields in the near term. Other data to watch out for would also be second quarter gross domestic product (GDP) figures to be released in August, and the upcoming supply of bonds from BTr auctions.

INVESTMENT POLICY / PROSPECTIVE INVESTMENTS

The Fund may be invested or reinvested in the following:

- (a) Select equity issues listed in the PSE, provided the share of said investments shall not exceed 60% of the portfolio at any given time;
- (b) Evidences of indebtedness issued by or guaranteed by the government of the Republic of the Philippines or the Bangko Sentral ng Pilipinas (BSP) or any of its subdivisions or instrumentalities;
- (c) Tradable fixed-income securities issued by private and public corporations which are listed and traded in an organized exchange or market;
- (d) Cash, bank deposits and tradable money market instruments issued by financial institutions accredited by the Trustee including the Trustee's own commercial banking and treasury units;
- (e) Financial derivatives instruments solely for the purpose of hedging risk exposures of the existing investments of the Fund, provided that these are accounted for in accordance with existing BSP hedging guidelines as well as the Trustee's risk management and hedging policies duly approved by the Trust Investment Committee and disclosed to participants; and
- (f) Such other tradable financial instruments as may be allowed by the BSP.

OTHER BASIC FUND FACTS

Trust Fee: 1.00% p.a. Minimum Maintaining Participation: Php5,000.00

Initial NAVPu:	P1.000000	Redemption Amount:	No minimum amount is imposed provided the minimum maintaining participation is complied with.
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IMPORTANT NOTICE

China Banking Corporation (China Bank) may receive customer complaints, inquiries or any concern about its products and services through Customer Contact Center 24/7 Hotline: (+632) 8885-5888 or email: online@chinabank.ph.
China Bank is regulated by the BSP with contact number (+632) 8708-7087 and email address: consumeraffairs@bsp.gov.ph.