

CHINA BANK DOLLAR CASH FUND



Since 1920

KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT

As of June 30, 2023

FUND FACTS

Classification:	Money Market Fund	Net Asset Value per Unit (NAVPU):	1.045719
Launch Date:	April 08, 2019	Total Fund Net Asset Value (NAV):	USD14.44 million
Minimum Investment :	USD500.00	Dealing Day:	Daily up to 12:00nn
Additional Investment:	At least USD100.00	Redemption Settlement:	Next banking day from date of notification
Minimum Holding Period:	5 calendar days	Early Redemption Penalty:	1.50% p.a. of the proceeds

FEES¹

Trustee Fees: 0.0125%	Custodianship Fees: None	External Auditor: 0.0012%	Licensing Fee: 0.0036%
China Bank – Trust and Asset Management Group		SGV & Co.	Bloomberg Index Services Limited

¹As a percentage of average daily NAV for the month valued at USD14.39 million.

INVESTMENT OBJECTIVE AND STRATEGY

The China Bank Dollar Cash Fund intends to achieve liquidity and to potentially earn higher than USD time deposits by investing in fixed-income securities mostly time deposits, special savings accounts and government securities with an average duration of not more than one (1) year. The Fund aims to outperform its benchmark which is the Bloomberg US Treasury Bills 3-6 months.

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 Dollar Cash Fund is suitable only for investors who:

- Have a conservative risk appetite;
- Are seeking a high level of liquidity with returns better than deposits; and,
- Have an investment horizon of not more than 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.
- **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 which have undergone a rigorous accreditation and evaluation process. Regulatory exposure limits as well as the Fund's average duration are monitored regularly to ensure that exposures are managed. The Fund also 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.

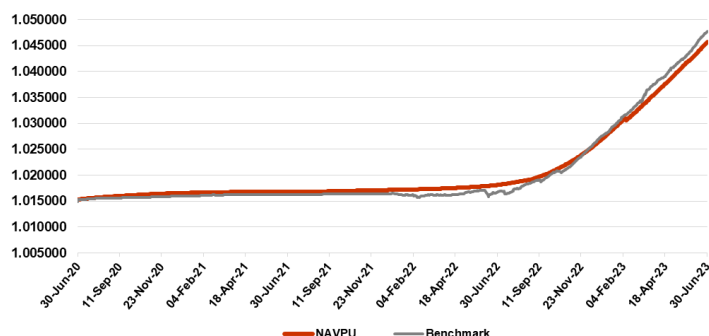
- **THE UITF IS A TRUST PRODUCT AND NOT A DEPOSIT ACCOUNT, AND IS NOT INSURED NOR GOVERNED BY THE PDIC.**
- **THE UITF IS NOT AN OBLIGATION OF, NOR GUARANTEED, NOR INSURED BY THE TRUST ENTITY OR ITS AFFILIATES OR SUBSIDIARIES.**
- **DUE TO THE NATURE OF THE INVESTMENTS OF A UITF, THE RETURNS/YIELDS CANNOT 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.**

For more information, you may call us at (+632) 8885-5863, 8885-5857 and 8885-5884, or email us at online@chinabank.ph, or visit our website at www.chinabank.ph

FUND PERFORMANCE AND STATISTICS AS OF JUNE 30, 2023

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

NAVPU GRAPH



NAVPU OVER THE PAST 12 MONTHS

Highest	1.045719
Lowest	1.018040

STATISTICS

Weighted Average Duration	0.00
Volatility, Past 1 year ²	0.87%
Sharpe Ratio ³	-1.11
Information Ratio ⁴	-2.31

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.

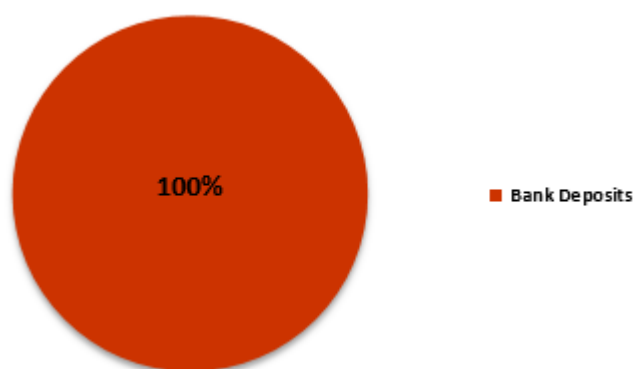
³Sharpe Ratio is used to characterize how well the return of a Fund compensates the investor for the level of risk taken. The higher the number, the better. This is computed by dividing the excess return of the fund against the risk-free rate over the fund's volatility.

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.

CUMULATIVE PERFORMANCE (%)

Period	1mo	3mos	6mos	1yr	3yrs
Fund	0.34%	0.96%	1.82%	2.71%	3.00%
Benchmark	0.38%	0.97%	1.97%	3.06%	3.21%

PORTFOLIO COMPOSITION



TOP HOLDINGS (%)

Deposit - Other Banks	85.54%
Deposit - Own Bank	14.39%
Cash on Hand	0.07%

OTHER DISCLOSURES

RELATED PARTY TRANSACTIONS

The Fund has deposits with the Bank Proper, amounting to USD2.08 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

June saw the US Treasury yield curve move upwards, on the back of a hawkish US Federal Reserve (Fed) as data pointed to strong consumer spending and jobs market which can fuel inflation. US Treasury yields increased by an average of 15 basis points (bps), with the belly underperforming the rest of the curve. Interest rates for 2- to 5-years increased by an average of 44 bps, with the 2-years and 5-years up 47 bps to 4.87% and 39 bps to 4.13%, respectively. Meanwhile, the 10-year tenor increased by 17 bps to fetch 3.81%. This resulted to a wider negative spread between benchmark 2-year and 10-year tenors to -106 bps compared to May's -76 bps spread. Locally, ROPs tracked the movement in the US, as interest rates increased by an average of 16 bps. Similarly the belly underperformed, with the 2-year ROP increasing by 35 bps to end at 4.47%, while the 10-year ROP fetched 4.79%, up 12 bps versus the previous month. This brought the 2y10y spread to narrow to +32 bps from +55 bps in the previous month.

Early in June, inflation pressures seemed to have eased slightly, likely taking pressure off the Fed to continue raising interest rates. The consumer price index (CPI), which measures changes in a multitude of goods and services, increased just 0.1% in May, bringing the annual level down to 4% from 4.9% in April. Excluding volatile food and energy prices, core inflation remained at 0.4% for the month. In addition, the producer price index (PPI), which measures inflation before it reaches consumers rose 1.1% YoY in May. Moreover, the personal consumption expenditures (PCE) price index, excluding food and energy, increased 0.3% for the month of May, in line with expectations. Core PCE, which is the Fed's preferred inflation gauge, rose 4.6% from a year ago, slightly below expectations. Including food and energy, inflation was softer, with a 0.1% increase for the month and a 3.8% rise from a year ago. Consumer spending only rose by 0.1% for the month of May, lower than expected, despite personal income accelerating by 0.4%.

While inflation is moving in the right direction, it remains above the Federal Reserve's 2% target. In light of this, the Fed in their Federal Open Market Committee (FOMC) meeting decided to take a pause in hiking policy rates. They said they will take another six weeks to see the impacts of policy moves as the Fed fights an inflation battle that lately has shown some promising, yet uneven signs. The decision left the key borrowing rate steady in a target range of 5% to 5.25%. However, the two-day meeting came with a projection that another two quarter percentage point moves are on the way before the end of the year. This was reiterated in a meeting of central bank chiefs in late June, where Fed Chair Jerome Powell stated that policy might not be restrictive enough. Moreover, an upwardly revised 1st quarter Gross Domestic Product (GDP) growth

supports this rhetoric. The US GDP growth rate for the 1st quarter was revised to 2%, driven by consumer spending and exports. Corporate profits declined but not as much as initially estimated.

Further data signified strong consumer spending, as new home sales experienced a significant surge in May, rising by 12.2% from April and 20% from the previous year. Sales of new single-family houses reached a seasonally adjusted annual rate of 763,000, surpassing last year's estimated rate of 636,000. Consumer sentiment data from the University of Michigan for June 2023 was revised higher to 64.4, marking the highest level in four months. This improvement reflects a recovery in attitudes following the resolution of the debt ceiling crisis earlier in the month and positive feelings about easing inflation. Both current economic conditions and consumer expectations showed positive gains. However, consumers' views on their personal financial situation remained unchanged due to ongoing concerns about high prices and expenses.

Separately, jobs report for May came out generally stronger than expected. Nonfarm payrolls added 339,000 jobs, higher than consensus estimates of 180,000 and April's record of 294,000 jobs. On the other hand, unemployment rate rose to 3.7% from 3.4% in the previous month, the highest rate since October last year. Additionally, wage growth was up 0.3% month-on-month, in line with expectations and 4.3% year-on-year. Meanwhile, manufacturing activity still remains robust, with new orders for manufactured durable goods growing by 1.7% in May, exceeding expectations. This marks the highest level since February 2022 and the third consecutive month of growth. Transportation equipment drove the increase with a 3.9% rise, particularly in nondefense aircraft and parts. Excluding transportation, new orders grew by 0.6%, supported by increased demand for capital goods.

Looking ahead, we expect the market to trade defensively as it keeps watch on key macroeconomic data, particularly the June inflation report and jobs report. Given the hawkish tone of the Fed, market participants are on a wait and see mode as to whether data moving forward could support this rhetoric. The 2nd quarter GDP is also expected to be a key data that market participants will take its cue from.

INVESTMENT POLICY / PROSPECTIVE INVESTMENTS

The Fund may be invested or reinvested in the following:

- (a) Cash and deposits with local banks or branches including the Trustee's own commercial banking and treasury units;
- (b) Cash and deposits with banks or branches of foreign banks operating in the Philippines and with Financial Institutions (FI) in any foreign country; provided that said FI has at least an investment grade credit rating from a reputable international credit rating agency; and
- (c) Such other tradable financial instruments as may be allowed by the Bangko Sentral ng Pilipinas.

OTHER BASIC FUND FACTS

Trust Fee:	0.15% p.a.	Minimum Maintaining Participation:	USD500.00
Initial NAVPu:	\$1.000000	Redemption Amount:	No minimum amount is imposed provided the minimum maintaining participation is complied with.

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.