

KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT

As of March 31, 2023

FUND FACTS

| | | | |
|-------------------------|-----------------------------|-----------------------------------|--|
| Classification: | Long-Term Fixed Income Fund | Net Asset Value per Unit (NAVPu): | 1.840622 |
| Launch Date: | March 24, 2006 | Total Fund Net Asset Value (NAV): | Php232.66 million |
| Minimum Investment : | Php5,000.00 | Dealing Day: | Daily up to 12:00nn |
| Additional Investment: | At least Php1,000.00 | Redemption Settlement: | Next banking day from date of notification |
| Minimum Holding Period: | 30 calendar days | Early Redemption Penalty: | 1.0% of the amount redeemed |

FEES¹

| | | | |
|---|--|---------------------------|------------------|
| Trustee Fees: 0.0646% | Custodianship Fees: 0.0011% | External Auditor: 0.0018% | 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 Php234.71 million.

INVESTMENT OBJECTIVE AND STRATEGY

The China Bank Fixed Income Fund intends to achieve a steady stream of income by investing in a diversified portfolio of high-grade marketable fixed-income securities such as government securities, tradable corporate bonds/notes of varying tenors as well as bank deposits and money market placements with an average duration of not more than ten (10) years. The Fund aims to outperform its benchmark which is the Bloomberg Philippine Sovereign Bond Index 5+ Year (BPHIL5 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 Fixed Income Fund is suitable only for investors who:

- Have a moderate risk appetite;
- Are willing to assume a certain level of risk in consideration for higher returns; and,
- Have an investment horizon of, at least, three (3) years.

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.
- **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.

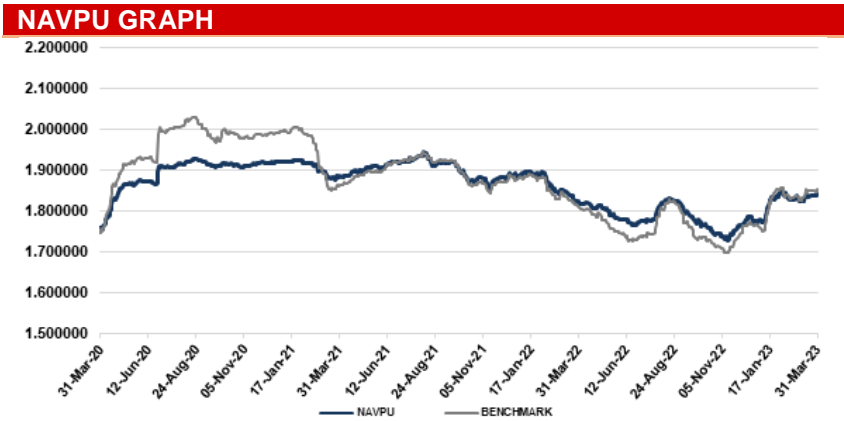
The Trustee only transacts with reputable counterparties and invests in debt securities issued by prime corporate borrowers which have undergone a rigorous accreditation and evaluation process. Regulatory exposure limits as well as the Fund's average duration are monitored regularly to ensure that exposures 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. 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 MARCH 31, 2023

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



| NAVPU OVER THE PAST 12 MONTHS | |
|-------------------------------|----------|
| Highest | 1.847640 |
| Lowest | 1.728483 |

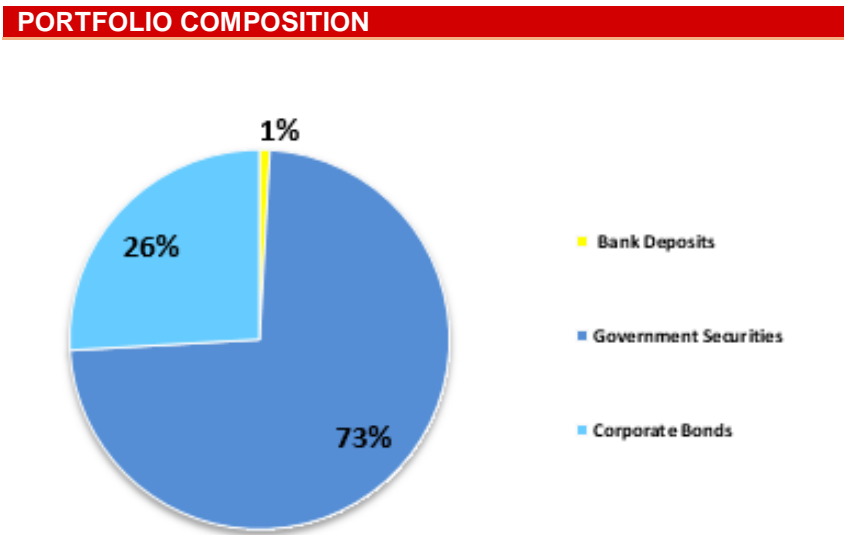
| STATISTICS | |
|--------------------------------------|-------|
| Weighted Average Duration | 5.40 |
| Volatility, Past 1 year ² | 2.80% |
| Sharpe Ratio ³ | -0.68 |
| Information Ratio ⁴ | -1.11 |

²**Volatility** 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.

³**Sharpe 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.

⁴**Information 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 | 0.23% | 3.70% | 3.47% | 1.18% | 4.72% |
| Benchmark | 0.94% | 5.14% | 6.70% | 2.39% | 5.38% |



| TOP TEN HOLDINGS (%) | |
|----------------------|-------|
| FXTN 20-20 | 19.6% |
| FXTN 10-65 | 18.2% |
| FXTN 07-65 | 11.8% |
| FXTN 10-66 | 11.4% |
| RLC 07-25 | 8.4% |
| SMC 10-24 R22 | 6.3% |
| FXTN 25-06 | 5.2% |
| FXTN 10-63 | 4.4% |
| SMCGP 26 R24 | 4.2% |
| SMCGP 32 R29 | 2.6% |

OTHER DISCLOSURES

RELATED PARTY TRANSACTIONS

The Fund has deposits with the Bank Proper, amounting to Php7,548.56 thousand, 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

In March, the yield curve flattened as interest rates in the 5 years and up tenors declined, while rates of below 5 years increased, on the back of expectation of peak inflation and policy rates. Overall, local interest rates rose by an average of 14 basis points (bps) across the curve. The yield curve flattened out as yields in the 1-month to 4-year tenors increased by an average of 29 bps, while yields in the 5 years and up tenors fell down by an average of 6 bps. Benchmark yields for the 3-month, 6-month, and 1-year bonds rose by an average of 47 bps, reaching 5.0501%, 5.6771%, and 6.0287%, respectively. Meanwhile, the 2-year bond yield increased by 21 bps to 5.8489%. Medium-term bonds decreased by an average of 7 bps, with the 5-year bond yield printing 5.968% and the 7-year bond yield down to 6.094%. The longer-end of the curve also saw lower rates, with the 10-year bond yield declining by 11 bps to 6.2155% and the 20- and 25-year bond yields almost flat, declining by an average of 1 bp to 6.5556% and 6.5631%, respectively. Total traded volume for February was Php561.191 billion, a 30% decrease from February's figure of Php431.448 billion. The bulk of trading activity came from BSP bills, accounting for 39% of total trades, followed by FXTNs at 32% and T-bills at 12%.

A key event that took place was the March Monetary Board (MB) meeting of the Bangko Sentral ng Pilipinas (BSP). The BSP's MB raised its policy rate by 25 bps to 6.25%, as expected by market participants. Interest rates on overnight deposit and lending facilities were also increased to 5.75% and 6.75%, respectively. This brought total key interest rate hikes to 425 bps since May 2022. Inflation forecasts were also revised downward as follows: FY2023 6.0% from 6.1%, FY2024 2.9% from 3.1%. This was on the back of February's inflation rate slightly easing to 8.6% from 8.7% in January and falling within the BSP's target range of 8.5% to 9.3%. The government attributed the easing of inflation to slower price increase in the transport group, which declined to 9% from 11.1% in the previous month. For the first two months of the year, average inflation stood at 8.6%. However, excluding the volatile food and energy items, the core inflation increased from 7.4% in January to 7.8% in February. As BSP Governor

Medalla put it, with core inflation rising in February despite a modest decline in headline inflation, further monetary policy action was deemed necessary to address broadening price impulses emanating from robust domestic demand and lingering supply-side constraints.

Meanwhile, supportive of domestic demand, data released by BSP showed cash remittances coursed through banks jumped to US\$2.76 billion in January from US\$2.67 billion in the same month last year. New vehicle sales rose by 27% year-on-year in February. A joint report released by the Chamber of Automotive Manufacturers of the Philippines, Inc. (CAMPI) and Truck Manufacturers Association (TMA) showed vehicle sales reached 30.9K units in February, higher than 24.3K units sold a year earlier. Month on month, February vehicle sales rose by 4.8%. On the flipside, markets are also keeping watch of economic data that could point to a potential slowdown. The producer price index (PPI) pushed a five-month deceleration streak in February as it posted a 3.6% annual growth vs. 4.4% from the previous month, driven by the weaker annual growth in the manufacturing of coke and refined petroleum products, and of grain mill products, starches, and starch products. Outstanding loans of universal and commercial banks, net of reverse repurchase (RRP) placements with the BSP, also eased in February by 10.0% year-on-year coming from 10.4% in the previous month. Nonetheless, while outstanding loans for production activities slowed, consumer loans to residents expanded with the sustained growth in credit card and salary-based general consumption loans.

In the local bond market, treasury bond auctions were met with strong demand as all four auctions were fully awarded, allowing the Bureau of Treasury (BTr) to raise Php100 billion in total. The BTr auctioned off 7-, 10-, 13-, and 20-year tenor bonds, all reissuances, with bid-to-cover ratios ranging from 1.4 to 2.9 times, evidencing the market's appetite for long tenors. Meanwhile, the BTr continued its weekly auction of T-bills, which continued to post month-on-month increases in rates. The 91-day T-bill ended the month at 5.149%, which was 74 bps higher than the February levels. The yield of the 182-day T-bill stood at 5.677%, reflecting a 50-bp increase month-on-month, while the 364-day T-bill yielded 5.987%, which was 41 bps higher than the previous month.

In the coming month, market drivers would be March's inflation print which the BSP expects to remain elevated and fall within the 7.4 to 8.2%, lower than January and February's print. If inflation falls within expectations, this can strengthen the case for an interest policy pause in BSP's May MB meeting. Inflation falling within expectations can also lend support to the market and lead yields to continue its sideways movement. In addition to domestic factors, market participants will also closely monitor movements in the US Treasury market, which could potentially increase volatility in the local bond space.

INVESTMENT POLICY / PROSPECTIVE INVESTMENTS

The Fund may be invested or reinvested in the following:

- (a) 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;
- (b) Cash, bank deposits and tradable money market instruments issued by accredited financial institutions including the Trustee's own commercial banking and treasury units;
- (c) 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;
- (d) Tradable fixed-income securities issued by private and public corporations with at least AA-rating given by a recognized rating agency and which are listed and traded in an organized exchange or market; and
- (e) Such other tradable financial instruments as may be allowed by the BSP.

OTHER BASIC FUND FACTS

| | | | |
|----------------|------------|------------------------------------|---|
| Trust Fee: | 0.75% 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. |

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.