

CHINA BANK INTERMEDIATE FIXED-INCOME FUND



KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT

As of April 28, 2023

FUND FACTS

Classification:	Intermediate-Term Fixed Income Fund	Net Asset Value per Unit (NAVPU):	1.231394
Launch Date:	May 22, 2014	Total Fund Net Asset Value (NAV):	Php253.78 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: 0.0389%	Custodianship Fees: 0.0015%	External Auditor: 0.0016%	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 Php255.01 million.

INVESTMENT OBJECTIVE AND STRATEGY

The China Bank Intermediate Fixed-Income Fund intends to achieve income in the intermediate-term by investing in a diversified portfolio of high-grade marketable fixed-income securities comprised of deposits issued by banks and other financial institutions including tradable money market instruments, government securities and corporate bonds/notes with an average duration of not more than three (3) years, and preferred shares of stock classified as debt securities. The Fund aims to outperform its benchmark which is the Bloomberg Philippine Sovereign Bond Index 1 to 3 Year (BPHIL13 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 Intermediate 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 between one (1) to 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.

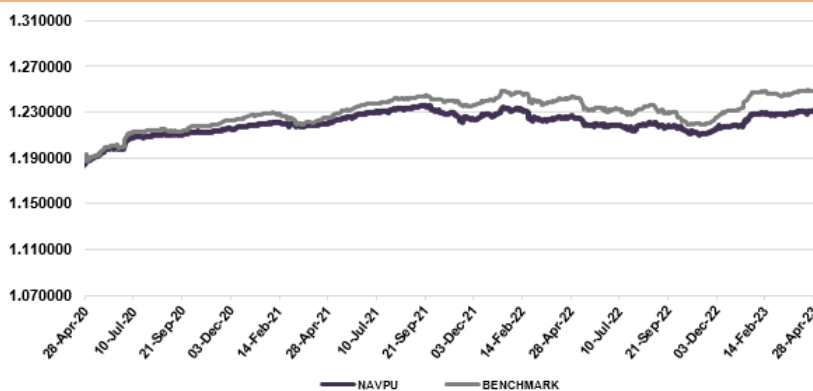
- **THE UITF IS A TRUST PRODUCT AND NOT A DEPOSIT ACCOUNT, AND IS NOT INSURED NOR GOVERNED BY THE PDIC.**
- **THE UITF IS NOT AN OBLIGATION OF, NOR GUARANTEED, NOR INSURED BY THE TRUST ENTITY OR ITS AFFILIATES OR SUBSIDIARIES.**
- **DUE TO THE NATURE OF THE INVESTMENTS OF A UITF, THE RETURNS/YIELDS CANNOT 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 APRIL 28, 2023

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

NAVPU GRAPH



NAVPU OVER THE PAST 12 MONTHS

Highest	1.231394
Lowest	1.210396

STATISTICS

Weighted Average Duration	1.60
Volatility, Past 1 year ²	0.66%
Sharpe Ratio ³	-4.54
Information Ratio ⁴	-0.21

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.

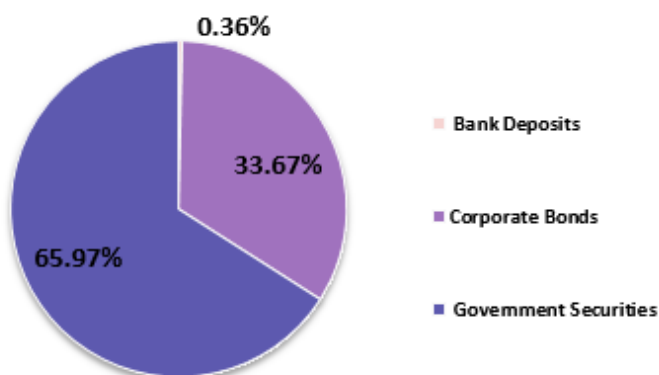
³Sharpe Ratio is used to characterize how well the return of a Fund compensates the investor for the level of risk taken. The higher the number, the better. This is computed by dividing the excess return of the fund against the risk-free rate over the fund's volatility.

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	0.13%	0.29%	1.60%	0.36%	3.77%
Benchmark	0.11%	0.11%	2.40%	0.42%	5.27%

PORTFOLIO COMPOSITION



TOP TEN HOLDINGS (%)

RTB 05-12	19.0%
FXTN 03-27	13.5%
CHIB 02-24	11.7%
SM 02-25	8.1%
RTB 03-11	7.3%
RTB 05-13	7.1%
FXTN 07-69	5.9%
FXTN 05-76	5.8%
RLC 07-23	4.0%
RCB 05-24	3.9%

OTHER DISCLOSURES

RELATED PARTY TRANSACTIONS

The Fund has deposits with the Bank Proper, amounting to Php30.29 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

In April, the yield curve continued to flatten, as bond interest rates for less than 5 years increased, while rates for longer tenors decreased, driven by expectations of peak policy rates and easing inflation. Across the yield curve, local interest rates rose by 15 basis points (bps) on average, largely due to an increase in yields for 1-month to 4-year bonds, as they were up by an average of 36 bps. On the other hand, yields for 5-year and longer tenor bonds decreased by 15 bps on average. Benchmark rates for 3-month, 6-month, and 1-year bonds increased by an average of 41 bps, reaching 5.8194%, 6.012%, and 6.1419% respectively. The 2-year benchmark rate rose by 17 bps to 6.0195%. Medium-term bonds saw an average decrease of 5 bps, with the 5-year yield at 5.9571% and the 7-year yield at 5.9963%. Meanwhile, long-term bonds outperformed, with yields decreasing by an average of 21 bps. The 10-year bond yield declined by 11 bps to 6.1046%, while the 20-year and 25-year bond yields declined by 25 and 26 bps to 6.3093% and 6.3035%, respectively. Total traded volume for April was Php408.384 billion, a 27% decrease from March's Php561.192 billion. The majority of trading volume continued to be generated by BSP bills, accounting for 37% of total trades, followed by FXTNs at 30% and T-bills at 20%.

March inflation release was an early driver for the markets confirming expectations of slowing inflation, with headline print coming out at 7.6% versus 8.6% in February, below the consensus estimate of 8.0% and within the Bangko Sentral ng Pilipinas' (BSP) target band of 7.4% to 8.2%. Lower price increases in the food and non-alcoholic beverage, transport, and housing, gas and utilities sectors drove the slowdown in headline numbers. Food inflation decreased to 9.3% from 10.8% in February due to a slower price increase in vegetables, meat, and sugar. Similarly, transport inflation fell to 5.3% from 9.0% as pump prices declined during the month. Housing, gas and utilities also slowed to 7.6% from 8.6%. Excluding volatile food and energy items, core inflation rose to 8.0% from 7.8%. For the first quarter, average inflation stood at 8.3%, well above the BSP's full-year forecast of

6.0%. Nonetheless, the BSP expects the inflation rate to remain high in the near term but gradually return to the target range by the end of 2023.

Other key macroeconomic data releases in April were mixed. Latest data on Overseas Filipino Workers (OFW) remittances slowed down. Albeit increasing by 2.4% year-on-year to US\$2.86 billion as of February, it was the slowest growth rate in the past 9 months, attributed to US economic slowdown and high inflation in host countries. Month-on-month, remittances fell by 6.8% from US\$3.07 billion in January, bringing the year-to-date tally to US\$5.93 billion, up 3.0% year-on-year, below BSP's forecasted growth of 4% for 2023. Moreover, trade deficit contracted 2.7% year-on-year to US\$3.9 billion in February, as both exports and imports softened. Exports declined 18.1% year-on-year to US\$5.1 billion, as shipments of electronic products, the country's top exports, was down 22.2% on an annual basis to US\$2.7 billion. Similarly, imports contracted by 12.1% year-on-year to US\$8.9 billion also as shipments of electronic products into the country declined.

Additionally, the Philippine government reported a budget deficit of Php106.4 billion in February, 0.6% higher versus the same period last year, as tax revenues declined by 3.01%, while government expenditures were nearly unchanged primarily due to the decline in National Tax Allotment for LGUs. On the other hand, unemployment rate in February remained steady at 4.8%, the same rate as the previous month and a significant improvement from February last year when the unemployment rate was higher at 6.4%. This is likely to stay at current levels in view of the expanding economy but wage hikes may cause downward pressure on the back of a weaker manufacturing outlook. Meanwhile, new vehicle sales remained strong as it rose by 24.2% year-on-year in March driven by strong consumer demand. Month on month, March vehicle sales increased by 19.3% from the 30,905 units sold in February.

In the local bond market, treasury bond auctions were met with tepid demand as three out of four bond auctions were fully awarded, allowing the Bureau of Treasury (BTr) to raise Php94.475 billion in total, a bit short of their Php100 billion program for the month. Nonetheless the auctions in April averaged bid-to-cover ratios of 2.1 times, showing the market's appetite for bonds in tenors which were pretty much spread across the curve. The BTr auctioned off 3- and 10-year bond reissuances, and 13-, and 7-year new bond issues. 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 5.869%, which was 72 bps higher than March levels. The yield of the 182-day T-bill stood at 5.89%, reflecting a 21-bp increase month-on-month, while the 364-day T-bill yielded 5.209%, which was 22 bps higher than the previous month.

Looking ahead, we expect the market to take its cue from April's inflation print, which is expected to ease versus March's numbers. The BSP projects April inflation to fall within the 6.3% to 7.1% range due to the decline in electricity rates, fish and vegetable prices, and LPG prices. However, increasing costs of petroleum, meat and rice, and peso depreciation, may offset these factors. We expect the market to continue trading sideways and the yield curve to remain flat as another slower print will continue to support current bond levels. Moreover, the market will also anticipate BSP's Monetary Board meeting in the 3rd week of May where a policy rate increase of 25 bps is largely anticipated. This would come after the US Federal Open Market Committee meeting in the 1st week of May, where policy rates are also expected to be raised by 25 bps.

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) Tradable fixed-income securities issued by private and public corporations which are listed and traded in an organized exchange/market such as bonds, notes, funds and preferred shares which are classified as debt securities under appropriate accounting standards;
- (c) Cash, bank deposits and tradable money market instruments issued by accredited financial institutions including the Trustee's own commercial banking and treasury units;
- (d) 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
- (e) Such other tradable financial instruments as may be allowed by the BSP.

OTHER BASIC FUND FACTS

Trust Fee:	0.50% 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.