

KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT

As of June 30, 2023

FUND FACTS

| | | | |
|--------------------------------|----------------------|--|--|
| Classification: | Money Market Fund | Net Asset Value per Unit (NAVPU): | 1.380658 |
| Launch Date: | February 20, 2009 | Total Fund Net Asset Value (NAV): | Php17,687.60 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: | 3 business days | Early Redemption Penalty: | 1.0% of the amount redeemed |

FEES¹

| | | | |
|---|--|----------------------------------|-------------------------|
| Trustee Fees: 0.0208% | Custodianship Fees: 0.0011% | External Auditor: 0.0001% | 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 Php18,055.39 million.

INVESTMENT OBJECTIVE AND STRATEGY

The China Bank Money Market Fund intends to achieve a high level of liquidity and better earnings potential than those offered by regular savings and short-term time deposit accounts by investing in a diversified portfolio of marketable fixed-income securities comprised of deposits, tradable money market instruments, government securities and corporate bonds/notes with an average duration of not more than one (1) year. The Fund aims to outperform its benchmark which is the Bloomberg Philippine Sovereign Bond Index Money Market (BPHILMM 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 Money Market 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 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.
- **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.

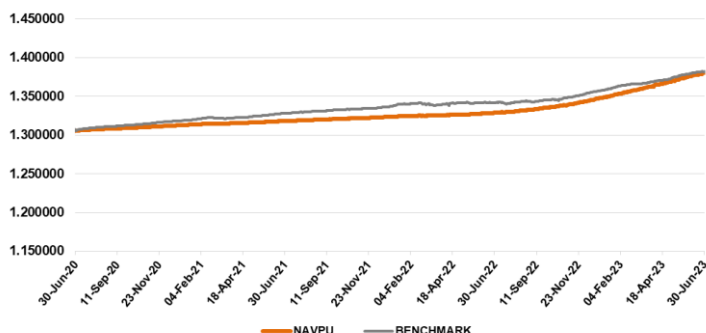
The Trustee only transacts with reputable counterparties and invests in debt securities issued by prime corporate borrowers which have undergone a rigorous accreditation and evaluation process. Regulatory exposure limits as well as the Fund's average duration are monitored regularly to ensure that exposures are managed. The Fund also 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 JUNE 30, 2023

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

NAVPU GRAPH



NAVPU OVER THE PAST 12 MONTHS

| | |
|----------------|----------|
| Highest | 1.380658 |
| Lowest | 1.328284 |

STATISTICS

| | |
|--|-------|
| Weighted Average Duration | 0.09 |
| Volatility, Past 1 year² | 1.06% |
| Sharpe Ratio³ | 0.08 |
| Information Ratio⁴ | 2.65 |

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.

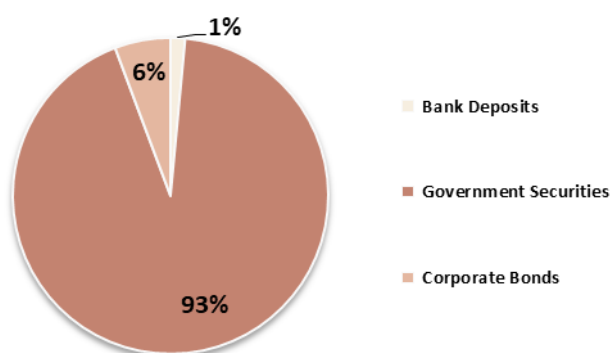
³**Sharpe Ratio** is used to characterize how well the return of a Fund compensates the investor for the level of risk taken. The higher the number, the better. This is computed by dividing the excess return of the fund against the risk-free rate over the fund's volatility.

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 | 0.42% | 1.28% | 2.42% | 3.91% | 5.75% |
| Benchmark | 0.26% | 0.98% | 1.83% | 3.01% | 5.92% |

PORTFOLIO COMPOSITION



TOP HOLDINGS (%)

| | |
|-----------------------|--------|
| BSPL 07.11.23 | 59.84% |
| BSPL 07.25.23 | 18.98% |
| BSPL 07.18.23 | 10.06% |
| BSPL 07.04.23 | 3.92% |
| RCB 05-24 | 2.72% |
| BDO 01-24 | 1.65% |
| SM 02-25 | 1.34% |
| Deposit - Other Banks | 0.76% |
| Deposit - Own Bank | 0.72% |
| Cash on Hand | 0.01% |

OTHER DISCLOSURES

RELATED PARTY TRANSACTIONS

The Fund has deposits with the Bank Proper, amounting to Php129.69 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 June, yields across the yield curve rose as hawkish rhetoric from the US Federal Reserve (Fed) in light of still elevated inflation spooked the markets. Yields across the curve increased by 36 basis points (bps) on average, with the belly underperforming the short- and long-end. Interest rates in the 2-year to 7-year tenors increased by an average of 43 bps, with the 2-year rate up the most by 46 bps to 6.3171%. Meanwhile the 5-year and 7-year rates increased by 41 and 42 bps to 6.1774% and 6.2223%, respectively. The 10-year benchmark rate also increased by 45 bps to 6.3036%. As for the short-end, the 3-month, 6-month, and 1-year interest rates went up by 29 bps on average. Total traded volume for June more than halved as it went down by 53% to Php331.136 billion versus May's Php698.001 billion. This was largely due to trading volume across various securities classifications declining, especially for FXTNs and RTBs which went down by more than 70% from the previous month. Majority of trades was generated by the Bangko Sentral ng Pilipinas (BSP)-issued BSP bills accounting for 51% of total trades, followed by treasury bills (T-bill) accounting for 32%.

Locally, data showed the BSP rate hikes are taking effect, as inflation eased further to a near one-year low of 6.1% in May 2023, down from 6.6% in April. The decline was attributed to slower price increases in transport, food and non-alcoholic beverages, and restaurants and accommodation services. Core inflation, which excludes food and energy items, also decelerated to 7.7%. Moreover, the BSP reported a slower growth in bank lending in April at 9.7% to Php10.86 trillion from 10.2% expansion in March. The deceleration can be attributed to the impact of the central bank's rate hikes, which weighed on demand for loans. Loans for production activities declined by 8.3% to Php9.47 trillion from 9.0% in the previous month, while consumer loans increased by 22.3% to Php1.08 trillion, driven by higher credit card and motor vehicle loans. Elevated inflation also dragged consumer sentiment in the second quarter, as the consumer index stood at -10.5% versus -10.4% in the first quarter. However, the business confidence index rose to 40.8% from 34% in the previous quarter, as businesses

anticipated an increase in sales and production, sustained recovery from the pandemic, easing inflation, and higher seasonal demand for goods and services during the dry season.

Moreover, cash inflows from overseas Filipino workers (OFWs) remained strong, as it rose by 3.7% year-on-year to US\$2.48 billion last April. The increase in cash remittances was credited to the strong growth of remittances from both land-based and sea-based workers. However, cash remittances last April is slower than the nearly US\$2.4 billion in the same period last year, likely due to the risk of recession in the US and its impact on global growth and employment opportunities. Additionally, Purchasing Manager's Index (PMI) increased to 52.2 in May, up from 51.4 in April. This marked the 16th consecutive month that the PMI has remained above the 50 neutral-mark, indicating expansion in manufacturing activity. The growth was boosted by increased demand in production and new orders. However, the Producer Price Index (PPI) grew by 2.0% in May, slower than April's 2.3% and a significant decrease from the previous year's 7.2%. The slowdown was driven by the manufacture of food and dairy products, oils and fats, and petroleum products, as well as declines in transport equipment.

With inflation easing, the Monetary Board kept the policy rate unchanged for the second consecutive meeting in June, as market expected. Officials noted that the latest baseline projections indicate a gradual return of inflation towards its target band of 2% to 4%. The overnight reverse repurchase rate was maintained at 6.25%, while the rates for the overnight deposit and lending facilities remained at 5.75% and 6.75%, respectively. The BSP expects the inflation rate to stay above the target band for this year at around 5.4%, slightly lower from its previous forecast of 5.5%. For 2024, the BSP revised its inflation forecast upwards to 2.9% from 2.8% due to the continued opening of the economy and the impact of hawkish Federal Reserve. Furthermore, the BSP projected an average inflation rate of 3.2% for the year 2025.

In the local bond market, there was strong demand for the weekly treasury bond auctions by the Bureau of Treasury (BTr) as it raised Php100 billion or 100% of their programmed volume for the month. The BTr auctioned off 5-, 15-, 6-, and 9-year bonds that fetched an average of 1.79 times bid-to-cover ratio. The 15-year auction fetched the most demand, generating a bid-to-cover ratio of 2.07 times, showing the market's appetite for duration. On the other hand, the BTr fell short of its T-bill target volume for the month, as it awarded a total of Php47.989 billion versus its Php60 billion program. However, there was strong demand from the market as bid-to-cover ratios averaged 1.8 times for the month of June, as rates for bills increased month-on-month. The 91-day T-bill ended the month at 6.086%, which was 30 bps higher than May levels. Meanwhile, the 182-day T-bill came out at 6.144% and the 364-day T-bill yielded 6.219% at the end of June, both tenors up by 27 bps compared to end of May levels.

For the next month, we expect the market to be on watch for inflation, which is expected to further decline, with the BSP forecasting a range between 5.3% and 6.1%. However, some analysts expect some upward inflationary risk from the newly approved Php40 wage increase in Metro Manila. Nonetheless, a within expectations result could support bond yields at current levels. The BTr's borrowing program for the month has also been released, which will have the usual weekly bill and bond auctions. T-bills will be issued Php15 billion per auction as with previous months, while the bond auction size was raised from Php25 billion to Php30 billion per auction. Market is also expected to take its cue from the upcoming auctions.

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 with a duration not exceeding one (1) year;
- (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: | 0.25% 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.