

KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT

As of February 28, 2023

FUND FACTS

Classification:	Money Market Fund	Net Asset Value per Unit (NAVPu):	1.223735
Launch Date:	May 22, 2014	Total Fund Net Asset Value (NAV):	Php5,755.84 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

FEES<sup>1</sup>

Trustee Fees: 0.0194%	Custodianship Fees: 0.0001%	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.	

<sup>1</sup>As a percentage of average daily NAV for the month valued at Php5,904.96 million.

INVESTMENT OBJECTIVE AND STRATEGY

The China Bank Short-Term Fund intends to achieve a high level of liquidity and better earnings potential than those offered by money market placements, regular savings deposit and short-term time deposit accounts by investing in a diversified portfolio of marketable financial instruments including deposits issued by financial institutions, money market instruments, government securities, and corporate bonds/notes with an average duration of not more than one (1) year, and preferred shares of stock classified as debt securities. The Fund aims to outperform its benchmark which is the Bloomberg Philippine Sovereign Bond Index Money Market (BPILMM 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 Short-Term 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.

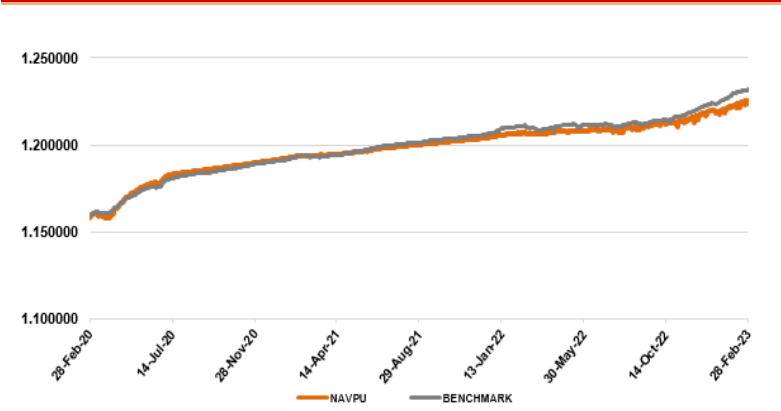
The Trustee only transacts with reputable counterparties and invests in debt securities issued by prime corporate borrowers which have undergone a rigorous accreditation and evaluation process. Regulatory exposure limits as well as the Fund’s average duration are monitored regularly to ensure that exposures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

FUND PERFORMANCE AND STATISTICS AS OF FEBRUARY 28, 2023

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

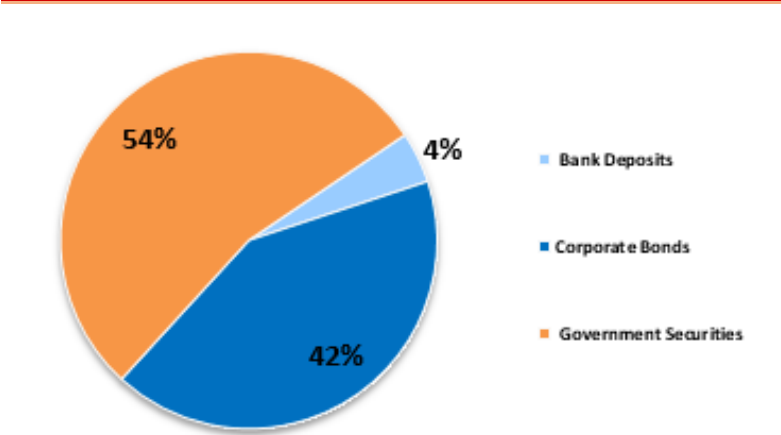
NAVPU GRAPH



CUMULATIVE PERFORMANCE (%)

Period	1mo	3mos	6mos	1yr	3yrs
Fund	0.12%	0.87%	1.12%	1.41%	5.61%
Benchmark	0.21%	1.06%	1.70%	1.91%	6.36%

PORTFOLIO COMPOSITION



NAVPU OVER THE PAST 12 MONTHS

Highest	1.225780
Lowest	1.206582

STATISTICS

Weighted Average Duration	0.46
Volatility, Past 1 year <sup>2</sup>	0.23%
Sharpe Ratio <sup>3</sup>	-6.42
Information Ratio <sup>4</sup>	-3.76

<sup>2</sup>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.

<sup>3</sup>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.

<sup>4</sup>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.

TOP HOLDINGS (%)

BSPL 03.07.23	22.6%
BSPL 03.14.23	22.5%
BDO 01-24	11.9%
CHIB 02-24	10.8%
RCB 05-24	8.6%
BSPL 03.28.23	5.2%
RLC 07-23	4.9%
SM 02-25	4.2%
Deposit - Own Bank	2.4%
Deposit - Other Banks	2.0%

OTHER DISCLOSURES

RELATED PARTY TRANSACTIONS

The Fund has deposits with the Bank Proper, amounting to Php758.97 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 February, local interest rates saw an upward trend due to the persistent high inflation. Bond yields increased by an average of 21 basis points (bps) across the curve, erasing some of the gains made in January. The yield curve flattened out as the shorter end of the curve underperformed the longer-end. Benchmark yields for the 3-month, 6-month, and 1-year bonds rose by an average of 26 bps, reaching 4.6027%, 5.1606%, and 5.5771%, respectively. Meanwhile, the 2-year bond yield increased by 29 bps to 5.643%. Medium-term bonds had mixed results, with the 5-year bond yield increasing by 18 bps to 6.0131% and the 7-year bond yield rising by 23 bps to 6.1923%. The longer-end of the curve also saw higher rates, with the 10-year bond yield increasing by 22 bps to 6.3249% and the 20- and 25-year bond yields increasing by 10 bps on average to 6.5768% and 6.5666%, respectively. Total traded volume for February was Php431.448 billion, a 20% decrease from January's figure of Php539.373 billion. The bulk of trading activity came from BSP bills, accounting for over 47% of total trades, followed by FXTNs at 29% and T-bills at 12%.

The early catalyst was the unexpected surge in inflation figures in January, with consumer prices soaring to a staggering 8.7%, the highest it has been in the last 14 years. This sharp rise exceeded the forecasted range of 7.5% to 8.3% by the Bangko Sentral ng Pilipinas (BSP). The primary drivers were the increased expenses related to housing, utilities, gas, and other fuels, as well as food and non-alcoholic beverages. In addition, inflation rates for restaurants and accommodation services also saw a significant increase. This higher-than-anticipated inflation rate caught most investors off-guard who were expecting a slower reading. To counteract the inflationary pressures, the Monetary Board increased the key policy rates by 50 bps to 6% for the overnight borrowing rate, the highest it has been in the last 16 years. Additionally, the BSP's overnight deposit and lending facilities were also raised by 50 bps to 5.5% and 6.5%, respectively. Governor Medalla explained that the 50-bp rate hike was implemented to prevent inflation expectations from becoming unanchored. Furthermore, he acknowledged the emergence of second-round effects and persistent price pressures caused by higher food prices. In light of these developments, the BSP also revised its inflation forecast for 2023 from 4.5% to 6.1% and from 2.8% to 3.1% for 2024.

The central bank's efforts to tighten financial conditions were supported by other positive macroeconomic reports. Remittances in December rose to a record high of US\$3.49 billion, representing a 5.7% increase compared to the same month in 2021. This can be attributed to the increasing demand for foreign workers amid the reopening of host countries, which continued to boost remittances. The total remittances for the full-year 2022 reached US\$36.14 billion, which is 3.6% higher than the 2021 level of US\$34.88 billion. Also, the automotive industry started the year strong, with sales rising by 42.1% year-on-year to 29,499 units in January. The demand for commercial and passenger vehicles was particularly strong, with commercial vehicle sales increasing by 46.8% year-on-year to 21,993 units and passenger cars rising by 29.8% year-on-year to 7,506 units. This positive performance in the automotive industry is a good indicator of a strong economy, as it reflects increased consumer confidence and purchasing power.

In the local bond market, the issuance of the new 5.5-year RTB acted as a catalyst, with the Bureau of Treasury (BTr) pricing it at an average yield of 6.125% and raising Php283.71 billion. The coupon offered a decent yield pick-up from secondary market levels, with a 30-bp increase from the prevailing 5-year benchmark rate pre-auction. The government was able to raise Php252 billion in new money from the issuance, while the balance of Php31.67 billion came from the bond exchange program. Although the issue size was relatively lower compared to the BTr's last four RTB offerings, which were issued at an average size of Php425 billion, it still provided investors with an attractive investment opportunity. In addition to the new RTB issuance, T-bills continued to be auctioned in the usual weekly offerings of the BTr. The 91-day T-bill ended the month at 4.413%, which was 25 bps higher than the January levels. The yield of the 182-day T-bill stood at 5.177%, reflecting a 30-bp increase month-on-month, while the 364-day T-bill yielded 5.577%, which was 22 bps higher than the previous month.

In the upcoming month, market sentiment is likely to be influenced by two major factors: inflation and bond supply. If there is a sustained increase in inflation beyond expectations, it could lead to a market correction, causing yields to potentially reach the highs seen in December. Conversely, if inflation slows down, it could lend support to the market and lead to yields trading sideways for the time being. The short-end of the curve is expected to remain anchored on the BSP policy stance. We anticipate that the BSP will implement a couple more rate hikes before turning neutral. Meanwhile, the long-end of the curve will be more cautious and closely monitor future inflation prints. 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) Tradable fixed-income securities issued by private and public corporations which are listed and traded in an organized exchange/market such as bonds, notes, 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**

<b>Trust Fee:</b>	0.25% p.a.	<b>Minimum Maintaining Participation:</b>	Php5,000.00
<b>Initial NAVPu:</b>	P1.000000	<b>Redemption Amount:</b>	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](mailto:online@chinabank.ph). China Bank is regulated by the BSP with contact number (+632) 8708-7087 and email address: [consumeraffairs@bsp.gov.ph](mailto:consumeraffairs@bsp.gov.ph).