

## KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT

As of May 31, 2023

### FUND FACTS

<b>Classification:</b>	Money Market Fund	<b>Net Asset Value per Unit (NAVPu):</b>	1.238520
<b>Launch Date:</b>	May 22, 2014	<b>Total Fund Net Asset Value (NAV):</b>	Php5,148.10 million
<b>Minimum Investment :</b>	Php5,000.00	<b>Dealing Day:</b>	Daily up to 12:00nn
<b>Additional Investment:</b>	At least Php1,000.00	<b>Redemption Settlement:</b>	Next banking day from date of notification
<b>Minimum Holding Period:</b>	3 business days	<b>Early Redemption Penalty:</b>	1.0% of the amount redeemed

### FEES<sup>1</sup>

<b>Trustee Fees:</b> 0.0229%	<b>Custodianship Fees:</b> 0.0007%	<b>External Auditor:</b> 0.0001%	<b>Other Fees:</b> 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 Php5,287.97 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 (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 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.

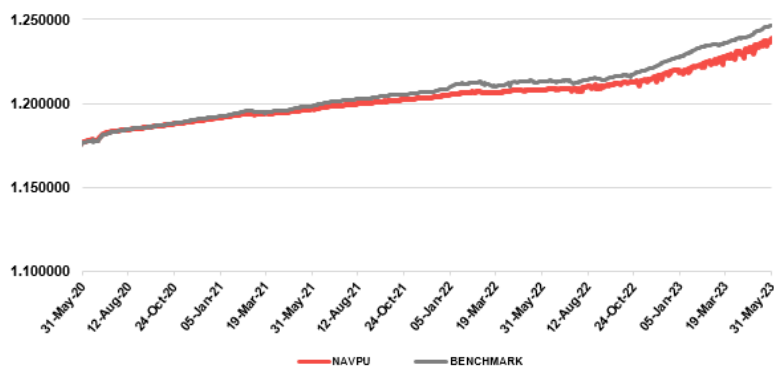
- **THE UITF IS A TRUST PRODUCT AND NOT A DEPOSIT ACCOUNT, AND IS NOT INSURED NOR GOVERNED BY THE PDIC.**
- **THE UITF IS NOT AN OBLIGATION OF, NOR GUARANTEED, NOR INSURED BY THE TRUST ENTITY OR ITS AFFILIATES OR SUBSIDIARIES.**
- **DUE TO THE NATURE OF THE INVESTMENTS OF A UITF, THE RETURNS/YIELDS CANNOT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

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

## FUND PERFORMANCE AND STATISTICS AS OF MAY 31, 2023

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

### NAVPU GRAPH



### NAVPU OVER THE PAST 12 MONTHS

Highest	1.238520
Lowest	1.206926

### STATISTICS

Weighted Average Duration	0.40
Volatility, Past 1 year <sup>2</sup>	0.58%
Sharpe Ratio <sup>3</sup>	-1.87
Information Ratio <sup>4</sup>	-1.73

<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.

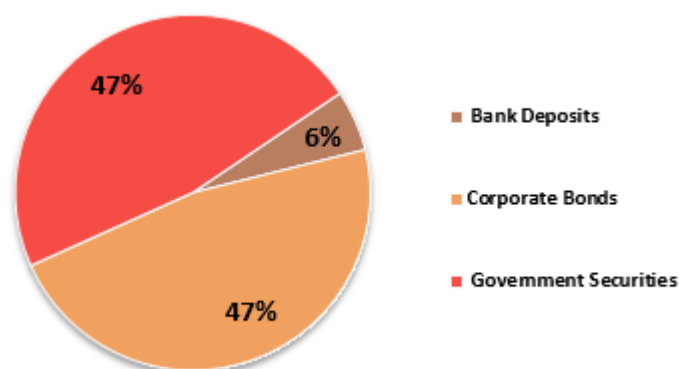
<sup>3</sup>Sharpe Ratio is used to characterize how well the return of a Fund compensates the investor for the level of risk taken. The higher the number, the better. This is computed by dividing the excess return of the fund against the risk-free rate over the fund's volatility.

<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.

### CUMULATIVE PERFORMANCE (%)

Period	1mo	3mos	6mos	1yr	3yrs
Fund	0.40%	1.21%	2.09%	2.51%	5.25%
Benchmark	0.47%	0.92%	1.99%	2.77%	5.98%

### PORTFOLIO COMPOSITION



### TOP HOLDINGS (%)

BSPL 06.13.23	26.2%
BSPL 06.27.23	19.4%
BDO 01-24	13.5%
CHIB 02-24	12.1%
RCB 05-24	9.6%
RLC 07-23	5.4%
SM 02-25	4.7%
Deposit - Other Banks	2.9%
Deposit - Own Bank	2.5%
RTB 03-11	0.8%

### OTHER DISCLOSURES

#### RELATED PARTY TRANSACTIONS

The Fund has deposits with the Bank Proper, amounting to Php754.97 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 May, the yield curve further flattened as bond rates declined in light of easing inflation and expectations of a pause in interest rate hikes by the Bangko Sentral ng Pilipinas (BSP) and the U.S. Federal Reserve (Fed). On average, interest rates decreased by 19 basis points (bps), with the long-end outperforming the short- and medium-end. The long-end declined by an average of 35 bps, with the 10-year bond ending the month down by 25 bps to 5.8574%, the 20-year down 40 bps to 5.9131%, and the 25-year down 41 bps to 5.8974%. Meanwhile, benchmark rates for the 3-month, 6-month, and 1-year bonds declined by 11 bps on average, reaching 5.7515%, 5.9638%, and 5.9218%, respectively. The 2-year bond was also down 16 bps, ending at 5.8594%. On the other hand, medium-term bonds decreased by 19 bps on average, with the 5-years down 19 bps to 5.764%, and the 7-years down 20 bps to 5.8001%. Total traded volume for May jumped 71% to Php698.001 billion compared to April's Php408.384 billion, largely on account of trading volume for FXTNs and RTBs more than doubling for the period. The majority of trades for May was generated by FXTNs accounting for 41% of total trades, followed by BSP bills accounting for 32%.

Supportive of bond yields' decline early in the month was inflation, which continued its descent, as the headline number for April was 6.6%, lower than the 7.6% recorded in March. This marked the third consecutive month of deceleration and beat the BSP's midpoint estimate of 6.7%. Excluding food and energy items, core inflation declined to 7.9% in April from 8% in March. Food inflation slowed to 8% from 9.5% in March. Moreover, both transport and utility prices also decreased to 2.6% and 6.5% in April from 5.3% and 7.6% reported respectively in the previous month.

The month of May also saw the release of the country's gross domestic product (GDP) figure for the first quarter of 2023. Philippine GDP increased by 6.4% in Q1 2023, which is the slowest growth rate in two years. This growth rate was lower than the previous quarter's revised growth rate of 7.1% and the first quarter of 2022's 8% expansion. However, it still surpassed the median estimate of 6.1% GDP growth in a BusinessWorld survey of 23 economists, and fell within the

government's target range of 6% to 7% for the year. Consumer spending, which contributes approximately 75% to GDP, grew by 6.3%, slower than the 7% growth in the previous quarter and the 10% growth a year earlier, due to high inflation. Moreover, National Economic and Development Authority (NEDA) Secretary stated that this quarter's growth should not be interpreted as a slowdown but rather as a return to the economy's previous trend. The growth was still driven by robust government expenditure, strong investments, and sustained growth in exports. In fact, among ASEAN economies which have released its Q1 2023 report, the Philippines posted the highest GDP growth rate, compared with Indonesia (5.0%), China (4.5%), and Vietnam (3.3%).

Continued downtrend in inflation and strong GDP gave the BSP some leeway to keep policy rates steady in their May 18 Monetary Board (MB) meeting. After hiking 425 bps cumulatively since May 2022, the BSP maintained its policy rate at 6.25%. Additionally, the MB revised downward the central bank's inflation forecast for this year from 6% to 5.5%, and for 2024 from 3.1% to 2.8%. BSP Governor Felipe Medalla explained that these adjustments reflect a gradual return of inflation within the target range of 2% to 4% over the policy horizon. While a dovish shift is unlikely, there is a possibility of easing through reductions in the reserve requirement ratio (RRR). Medalla noted that the RRR in the country remains high, and the relief provided for loans to small and medium enterprises will expire at the end of June this year.

In the local bond market, all of the weekly treasury bond auctions were met with strong demand, allowing the Bureau of Treasury (BTr) to raise their Php125 billion programmed volume for the month. The BTr auctioned of 6-, 10-, 13-, 7-, and 9-year bond reissuances, with an average bid-to-cover ratio of 2.4 times, showing that the market has appetite for duration. Meanwhile, the BTr continued the weekly treasury bill (T-bill) auctions, and ended the month with strong demand, averaging bid-to-cover ratios of 3.2 times, despite a dip in interest rates. The 91-day T-bill ended the month at 5.783%, which was 9 bps lower than April levels. The yield of the 182-day T-bill stood at 5.879%, reflecting a 1-bp decline month-on-month, while the 364-day T-bill yielded 5.948%, which was 26 bps lower than the previous month.

For the coming month, we expect the market to take its cue from May's inflation numbers which BSP projects to range between 5.8% and 6.6%. A decrease in domestic oil prices, as well as lower prices of poultry and fish, and along with a decline in power rates from regional power distributors could contribute to easing of inflation for the month of May. 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. Markets will also keep an eye on developments overseas with several policy rate-setting meetings of major central banks and the release of BTr's borrowing program for the month.

## 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).