CHINABANK BALANCED FUND

KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT

As of August 30, 2024

FUND FACTS

Classification:	Multi-Asset Fund	**Net Asset Value per Unit (NAVPu):**	1.752439
Launch Date:	February 18, 2011	**Total Fund Net Asset Value (NAV):**	Php269.32 million
Minimum Investment:	Php5,000.00	**Dealing Day:**	Daily up to 12:00nn
Additional Investment:	At least Php1,000.00	**Redemption Settlement:**	3 banking days from date of notification
Minimum Holding Period:	30 calendar days	**Early Redemption Fee:**	1.00% of the proceeds

FEES[1]

Trustee Fees: 0.0833%	**Custodianship Fees:** 0.0012%	**External Auditor:** 0.0023%	**Other Fees:** None
China Bank – Trust and Asset Management Group	Deutsche Bank AG, Manila Branch Philippine Depository & Trust Corp.	SGV & Co.	

[1]As a percentage of average daily NAV for the month valued at Php269.56 million.

INVESTMENT OBJECTIVE AND STRATEGY

The Chinabank Balanced Fund intends to achieve capital appreciation as well as a steady income stream by investing in a diversified portfolio of high-grade tradable fixed income securities issued by the Philippine government and local corporations and choice equity issues listed in the Philippine Stock Exchange (PSE). Up to 60% of the Fund may be invested in equity issues at any point in time while the balance shall be in fixed income securities with a weighted average portfolio modified duration of not more than five (5) years. The Fund aims to outperform its benchmark which is 60% Philippine Stock Exchange PSEi Total Return Index (PSEi TRI) + 40% Bloomberg Philippine Sovereign Bond Index 1 to 5 Year (BPHIL15 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 Chinabank Balanced Fund is suitable only for investors who:

- have an aggressive risk appetite;
- are willing to accept higher risks involving volatility of returns and possible erosion of principal in return for capital appreciation and potentially better long-term results; and,
- have an investment horizon of at least five (5) 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. Given that the Fund may be invested up to 60% in equity issues at any point in time, investors are deemed to be more exposed to this risk.
- **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.

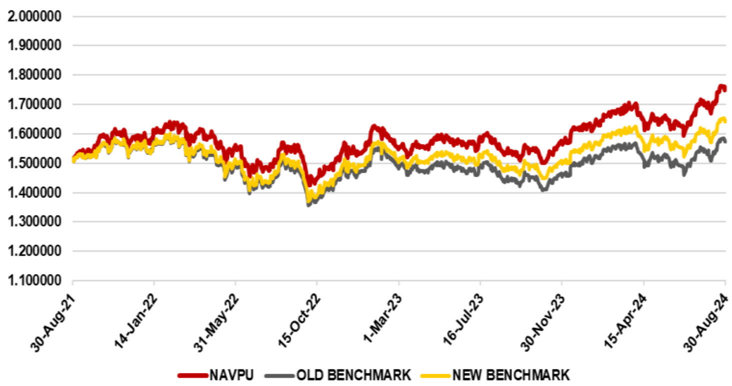
The Trustee only transacts with reputable counterparties and invests in debt securities issued by prime corporate borrowers which have undergone a rigorous accreditation and evaluation process. Internal and regulatory exposure limits as well as the Fund's average duration for its fixed-income investments 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. Furthermore, the Fund 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 AUGUST 30, 2024

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

NAVPU GRAPH



CUMULATIVE PERFORMANCE (%)

Period	1mo	3mos	6mos	1yr	3yrs
Fund	3.53%	7.93%	4.54%	14.28%	15.65%
Benchmark[a]	2.88%	5.52%	2.01%	11.15%	7.42%
Benchmark[b]	2.72%	5.17%	0.75%	9.24%	2.97%

[a]New Benchmark; [b]Old Benchmark

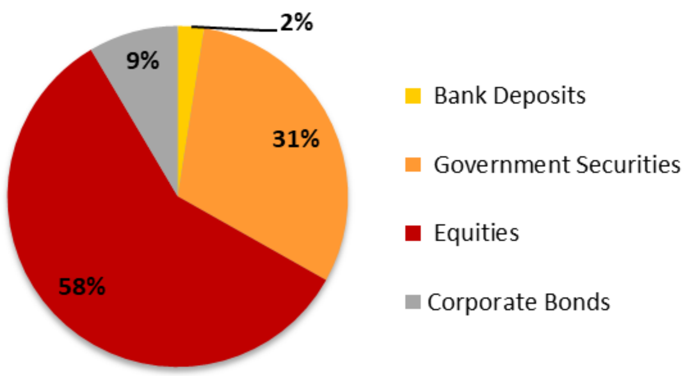
The Fund's benchmark was amended from 60% PSEi + 40% BPHIL15 Index to 60% PSEi TRI + 40% BPHIL15 Index effective January 1, 2024 in compliance with BSP Circular No. 1178 (Guidelines on the Use of Benchmarks for Unit Investment Trust Funds) on the use of a total return benchmark that will more adequately represent the performance of the Fund.

The PSEi TRI tracks the performance and income from dividend payments of the PSEi constituents by reinvesting cash back to the index. The PSEi is a composite index that tracks the performance of the top 30 publicly listed companies in the Philippines based on market capitalization and is computed using a free-float, market capitalization-weighted methodology. It includes a diversified range of companies from various sectors of the economy including financials, property, industrials, services and holdings firms, among others. This Index is not adjusted for tax by the Trustee and does not reflect deductions for fees and expenses. Additional information on PSEi TRI and/or its administrator is available on www.pse.com.ph/indices.

The BPHIL15 Index is a systematically designed, rules-based, market value-weighted index that measures the performance of fixed-rate and zero-coupon local currency securities that are publicly issued in the Philippines. It includes a diversified range of fixed income securities with different coupon rates, maturities of between 1 to 5 years, minimum par amounts of Php3.0Bn, and are traded in the Philippine market. This Index is adjusted for tax by the Trustee, but does not reflect deductions for fees and expenses. Additional information on BPHIL15 Index and/or its administrator can be found on Bloomberg, and be made available to investors upon request.

The benchmark provides a standard for evaluating the Fund's performance by helping investors/participants understand how the Fund is performing relative to the markets or asset classes the Fund represents. In the case of PSEi TRI, its characteristics, including its composition and the corresponding weights of its constituents, serve as reference point for the Fund's allocation and security selection profile. Meanwhile, in the case of BPHIL15 Index, its characteristics serve as reference point for the Fund's duration and credit positioning.

PORTFOLIO COMPOSITION



NAVPU OVER THE PAST 12 MONTHS

Highest	1.762243
Lowest	1.500968

STATISTICS

Weighted Average Duration	4.71
Volatility, Past 1 year[2]	3.89%
Sharpe Ratio[3]	2.50
Information Ratio[4]	3.40

[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.

TOP TEN HOLDINGS (%)

SM	8.2%
ICT	7.3%
FXTN 25-07	6.8%
BDO	6.2%
FXTN 25-06	5.6%
BPI	5.0%
AC	4.6%
SMPH	4.5%
FXTN 07-70	3.9%
SMC 27 R25	3.6%

SECTOR HOLDINGS (%)

Financial	24%
Holding	23%
Services	21%
Property	18%
Industrial	13%
Mining	1%

OTHER DISCLOSURES

RELATED PARTY TRANSACTIONS

The Fund has deposits with the Bank Proper, amounting to Php695.04 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

The Philippine Stock Exchange Index (PSEi) had a volatile month of August. Early in the month, it joined the global market sell-off. The MSCI All-Country Index (ACWX), which measures the performance of equities markets of developed and emerging markets, was down by as much as -6.06% on a closing basis in the first week of trading. During this period, the PSEi hit a low of 6433 or -2.81% compared to the previous month. The risk-off sentiment stemmed from the softening labor market in the US, fueling concerns on an imminent recession. The US reported that the unemployment rate for the month of July ticked up to 4.4% from 4.1% the month prior. Additionally, the month's non-farm payroll figures came in lower than expected, while the number of jobs added for the previous 12 months were revised downward. Separately, the Bank of Japan's (BOJ) decision to raise their policy rate by 25 bps and announcement to taper their bond buying program added to the volatility. Strategies that used the Japanese Yen (JPY) as the funding currency in what is known as a carry-trade were unwound, as borrowing JPY is seen to get more expensive moving forward.

Various drivers continued to pour in during the following weeks. On the local macro front, Philippine inflation went beyond the 2-4% target of the Bangko Sentral ng Pilipinas (BSP). The print casted some doubts about the anticipated policy rate cut, with BSP Governor Remolona even commenting that it is less likely to occur during the August monetary board meeting. Separately, after seeing the market reaction on the initial rate hike, the BOJ backpedaled from their hawkish tone. For the part of the BSP, after a nearly year-long pause and mixed messaging, the central bank pushed through with the 25bp cut to bring the policy rate to 6.25%. The BSP Governor hinted at another possible rate cut in either October or December, noting that there are no immediate threats that could derail this plan. Finally, the much anticipated annual Jackson Hole symposium did not disappoint. At his prepared statement, Federal Reserve (Fed) Chairman Jerome Powell noted that the time has come for policy rates to adjust and that the direction of travel is clear. Powell acknowledged that the downside risk to employment has increased, while at the same time sharing his optimism that inflation is at a sustainable path towards their 2% target. These statements cemented the expectations of a policy rate cut from the current 5.25%-5.50% level in the upcoming Fed meeting in Septermber 17-18. The only question that remains is whether they will cut by 25 bps or 50 bps to begin the easing cycle.

With all the above developments, risk assets staged a huge comeback to close in the green in August. The ACWX gained +2.71%, while the PSEi gained +278.45pts or +4.21%. A 14-day stretch of foreign buying, halted only by the MSCI rebalancing related outflows on the last trading day, helped push the market higher. In terms of sector performance, Property (+9.63%), Services (+8.13%), Financials (+6.05%) led the rally. Meanwhile, Holding Firms (-1.92%), Mining and Oil (-1.14%), and Industrials (+0.84%) lagged. In terms of individual stock performance, CNVRG (+29.98%), ALI (+19.66%), JFC (+12.96%), MER (+11.78%), and BDO (+11.53%) were the top index gainers. On the other hand, URC (-21.99%), JGS (-15.47%), AEV (-6.35%), BLOOM (-4.84%), and SM (-2.53%) rounded the list of top index decliners. On the earnings front, the Q2 2024 results came in mixed. By our count, 13 were in-line, 6 were ahead, and 11 were behind compared to consensus expectations. In terms of valuations, the PSEi remains at the cheaper end at 11.81x P/E or an earnings yield of 8.46%. On a year-to-date basis, the PSEi has delivered a +6.94% performance so far.

In the fixed income space, the peso yield curve bull flattened in August as the BSP cut its policy rate by 25 bps. Yields across the curve fell by an average of 4 basis points (bps), with the long-end outperforming among the tenor buckets. Long-end rates fell by 14 bps on average, the 20- and 25-year rates falling by 16 bps apiece and the 10-year rate ending at 6.0694%, down 10 bps from the previous month. Rates in the belly declined by 5 bps on average, with the 7-year rate down 11 bps to fetch 6.0598% and the 2-year rate flat at 6.0091%. Trading volume for the month was down 6.8% versus July, totaling Php1,035.209 billion, as yields fell for the month. FXTNs continued to account for majority or 40% of trading volume, amounting to Php409.586 billion. Next to FXTNs, RTBs accounted for 28% of total volume amounting to Php290.376 billion for the month.

Early in the month, data showed that headline inflation in the Philippines surged to a nine-month high of 4.4% in July, up from 3.7% in June. This increase was driven by rising costs in housing, utilities, food, non-alcoholic beverages, and transport. On a seasonally adjusted basis, month-on-month inflation climbed to 0.6% from 0.0% in June. Notably, food inflation rose to 6.7% from 6.5%, led by higher prices for meat, dairy, and fruits, though rice inflation eased slightly to 20.9%. Meanwhile, core inflation, which excludes volatile food and energy prices, slightly eased to 2.9% from 3.1%. The BSP acknowledged the elevated inflation but emphasized that it remained within their forecast range. They anticipate inflation would peak in July and then trend downward due to factors like slower rice inflation and favorable base effects.

The BSP anticipates that inflation will fall within the government's target range of 2-4%, with projections of 3.3% for 2024, 2.9% for 2025, and 3.3% for 2026. While there are downside risks to inflation for 2024 and 2025 due to reduced rice import tariffs, 2026 could face upward pressure from potential electricity rate hikes and external factors. Domestic demand remains robust, supported by strong GDP growth, lower unemployment, and public investment.

The BSP rate decision came as unemployment rate fell to 3.1% in June, the lowest in two decades, down from 4.1% in May. This improvement came despite a rise in labor force participation, with the construction and wholesale and retail trade sectors contributing the most to job growth. Meanwhile, the agriculture and forestry sector experienced significant job losses, mainly due to adverse weather and reduced agricultural output. However, underemployment rose to 12.1% from 9.9% in May, reflecting an increase in workers seeking additional hours and a decline in job quality. As for remittances, it remained robust as it increased by 2.5%, reaching $3.21 billion in June 2024, compared to $3.13 billion a year earlier. This growth was driven by higher remittances from both long-term and short-term land and sea-based workers. Remittances remain a vital part of the economy, accounting for 8.5% of GDP in 2023.

As for the broad market, Philippines' gross domestic product (GDP) grew by 6.3% year-on-year in the second quarter, exceeding expectations and rising from 4.3% in the same period last year. This followed a revised 5.8% growth in the first quarter. Growth was driven by household consumption (+4.6%), government spending (+10.7%), and investments (+11.5%), though household consumption remained weak and the trade deficit widened due to lower exports. Government spending and construction investment were key drivers of growth. On the supply side, industry (+7.7%) and services (+6.8%) expanded, while agriculture shrank by 2.3%. The economy grew 0.5% quarter-on-quarter, down from 1.1% in Q1 but recovering from last year's 0.4% contraction.

In the local bond market, the Bureau of Treasury (BTr) pushed through with its weekly auctions, offering Php85.2 billion in bills and Php110 billion in bonds for the month of August. All were fully awarded, as rates for the bills ended the month up by 3 bps versus July. Meanwhile, rates for the bond auctions dropped by 34 bps on average versus previous auctions of similar tenors. The bond offerings were for tenors of 5-, 7-, 14-, and 20-years. Bid-to-cover ratio (BCR) for the bills was 2.52 times, which was up from July's 2.12 times, while BCR for the bond auctions was 2.22 times, versus July's 2.67 times.

In the coming month, we expect the market to take its cue from the release of the August inflation print where estimates point to a lower print from the 4.4% handle in July, which could drive a continuation of the rally. The market will also look to the upcoming bond auctions which are spread across the yield curve, with tenors ranging from 3 years to 20 years.

INVESTMENT POLICY / PROSPECTIVE INVESTMENTS

The Fund may be invested or reinvested in the following:

a) Equities listed in the PSE;

b) Securities issued by or guaranteed by the Philippine government or the Bangko Sentral ng Pilipinas (BSP);

c) Tradable fixed income securities issued by private and public corporations which are listed and traded in an organized exchange/market such as bonds and notes;

d) Deposits and tradable money market instruments issued by local banks, including those of the Trustee's own bank, and foreign banks of their Philippine branches or any financial institution in any foreign country;

e) 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

f) Such other tradable investment outlets/categories as the BSP may allow.

OTHER BASIC FUND FACTS

Trust Fee:	1.00% p.a.	**Minimum Maintaining Amount:**	Php5,000.00
Initial NAVPu:	P1.000000	**Minimum Redemption Amount:**	None. Partial redemptions shall be allowed provided that the amount redeemed will not result to a balance below the minimum maintaining amount.

IMPORTANT NOTICE

China Banking Corporation (Chinabank) 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.
Chinabank is regulated by the BSP with contact number (+632) 8708-7087 and email address: consumeraffairs@bsp.gov.ph.