

KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT

As of June 28, 2024

FUND FACTS

| | | | |
|-------------------------|----------------------|-----------------------------------|--|
| Classification: | Multi-Asset Fund | Net Asset Value per Unit (NAVPu): | 1.638469 |
| Launch Date: | February 18, 2011 | Total Fund Net Asset Value (NAV): | Php261.56 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 |

FEES¹

| | | | |
|---|--|---------------------------|------------------|
| Trustee Fees: 0.0778% | Custodianship Fees: 0.0008% | External Auditor: 0.0008% | 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 Php260.01 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 ten (10) 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.

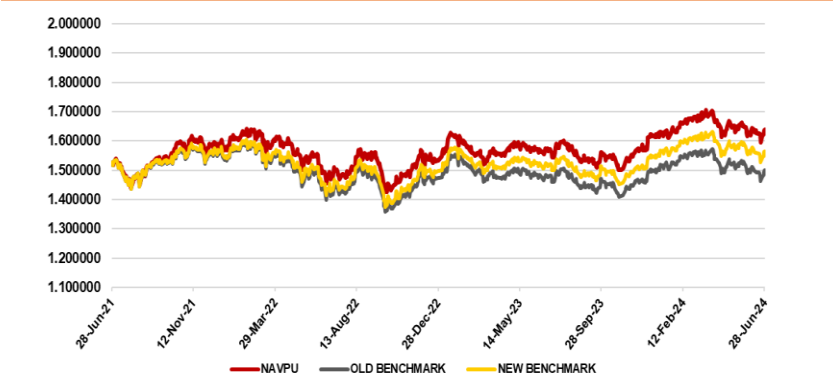
The Trustee only transacts with reputable counterparties and invests in debt securities issued by prime corporate borrowers which have undergone a rigorous accreditation and evaluation process. Internal and regulatory exposure limits as well as the Fund's average duration for its fixed-income investments 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 JUNE 28, 2024

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

NAVPU GRAPH



CUMULATIVE PERFORMANCE (%)

| Period | 1mo | 3mos | 6mos | 1yr | 3yrs |
|------------------------|-------|--------|-------|-------|--------|
| Fund | 0.91% | -2.95% | 1.50% | 4.54% | 7.94% |
| Benchmark ^a | 0.16% | -3.46% | 1.37% | 3.12% | 2.08% |
| Benchmark ^b | 0.03% | -3.93% | 0.29% | 1.43% | -2.06% |

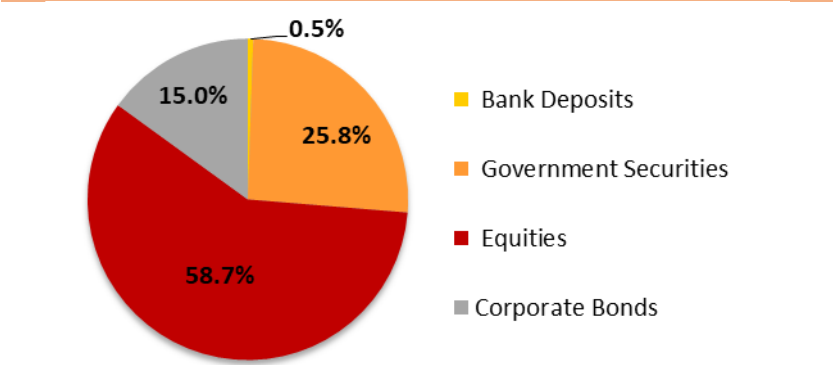
^aNew Benchmark; ^bOld Benchmark

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. 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. Additional information on BPHIL15 Index and/or its administrator can be found on Bloomberg, and be made available to investors upon request.

PORTFOLIO COMPOSITION



OTHER DISCLOSURES

RELATED PARTY TRANSACTIONS

The Fund has deposits with the Bank Proper, amounting to Php1.42 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

Market activity was subdued in the month of June. In 3 out of the 18 trading days, the average daily traded value went below the Php3.0Bn mark, reflecting the lack of interest. For the full month, the average was registered at Php4.40Bn, lower than the

NAVPU OVER THE PAST 12 MONTHS

| | |
|---------|----------|
| Highest | 1.705957 |
| Lowest | 1.500968 |

STATISTICS

| | |
|--------------------------------------|-------|
| Weighted Average Duration | 4.82 |
| Volatility, Past 1 year ² | 3.21% |
| Sharpe Ratio ³ | 0.002 |
| Information Ratio ⁴ | 2.23 |

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.

TOP TEN HOLDINGS (%)

| | |
|------------|------|
| SM | 9.3% |
| FXTN 25-07 | 6.7% |
| ICT | 6.6% |
| FXTN 25-06 | 5.6% |
| BDO | 5.4% |
| SMPH | 5.1% |
| VLL 24 R23 | 5.0% |
| BPI | 4.9% |
| AC | 4.6% |
| FXTN 07-70 | 4.0% |

SECTOR HOLDINGS (%)

| | |
|------------|-----|
| Holding | 25% |
| Financial | 22% |
| Property | 20% |
| Services | 19% |
| Industrial | 13% |
| Mining | 1% |

running year to date average of Php5.28Bn. Notably, the highest activity was seen during the implementation of the FTSE rebalancing, wherein volume rose to Php7.55Bn. During this day, the Philippine Stock Exchange Index (PSEi) succumbed to heavy selling and was brought down to a new year to date low at 6158.5. Foreigners were net sellers with Php1.34Bn worth of positions sold during the rebalancing day, forming a large part of their Php6.1Bn total net selling for the month. Towards the final week, the selling seem to have dissipated, allowing the PSEi to recover back to near unchanged territory. Overall, the PSEi's loss was contained at -21.19pts or -0.33%, ending the month at 6411.91.

In terms of sector performance, Mining and Oil (-8.22%), Holding Firms (-3.51%), Industrials (-1.67%), and Financials (-0.01%) weighed on the broad market. Meanwhile, Property (+4.77%) and Services (+0.49%) provided some support. On individual stock performance, MONDE (-16.07%), JGS (-15.97%), CNPF (-14.27%), WLCON (-10.50%), and BLOOM (-10.28%) were among the index laggards. On the other hand, AEV (+10.70%), MBT (+8.86%), ALI (+8.57%), CNVRG (+6.88%), and GLO (+6.60%) were the index leaders. Index breadth was negative, with decliners outnumbering gainers 18-12. For the first half of 2024, the PSEi registered a flat performance of -0.59%. This low figure masks the volatility that investors experienced this year, as Q1 saw the index rallying by +7.04%, only to give all the gains back and decline by -7.13% in Q2. The variability of returns was also wide among sectors, with Property (-11.82%) and Holding Firms (-9.06%) feeling the brunt of the current high interest rates environment, while Services (+24.38%) and Financials (+10.68%) fared much better. In the coming weeks, the Q2 earnings results of PSEi constituents are scheduled to come out, which could potentially nudge daily volume higher. Bloomberg consensus looks for an +18% earnings growth for the full year, and Q1 figures so far suggest that index constituents are on pace to reach this level.

In the fixed income space, the peso yield curve bull flattened as the central bank turned dovish amid inflation coming out lower than expected. Yields across the curve went down by 4 basis points (bps) on average, as the belly outperformed, falling by an average of 6 bps. The 5- and 7-year rates went down by 7 bps apiece, ending at 6.4449% and 6.5584%, respectively. Meanwhile the long-end rates declined by 3 bps on average, with the 10-year rate falling by 8 bps from 6.7516% to 6.6731% by month end. Trading volume for June was relatively flat versus May as it increased by 0.6%, from Php595.689billion to Php599.007billion. The Bangko Sentral ng Pilipinas' (BSP) bills accounted for most or 37% of trading activity valued at Php222.006billion, down 11% versus May. Meanwhile, FXTNs comprised 28% of total trading volume amounting to Php167.614billion.

Data from May marked six months of inflation falling within the government's target, as inflation rose to 3.9%, slightly below the market expected 4.0%. Although rice inflation decreased in May, it remained a major contributor, adding 1.7 percentage points to the overall figure. The recent reduction in tariffs on rice imports is anticipated to lower domestic rice prices further, which may reduce overall inflation. Utility costs, particularly electricity, also added to inflation in May, with Meralco cautioning about potential rate hikes due to higher generation costs and a weakening peso. On the other hand, core inflation dipped slightly to 3.1% from 3.2% in April.

Meanwhile macroeconomic data showed a robust economy. The Philippines' manufacturing sector grew in May with a PMI of 51.9, slightly down from April's 52.2. Production and new orders saw solid gains, and external demand improved. However, manufacturers faced workforce retention issues, leading to the first job cuts since December. Nonetheless, unemployment fell to 4.0% in April from 4.5% the previous quarter, with 215,200 fewer unemployed individuals. Job gains were notable in accommodation, food services, and construction, driven by domestic tourism recovery and potentially lower interest rates. Conversely, the agriculture and forestry sector experienced significant job losses due to El Niño, and wholesale and retail trade faced challenges, although better consumer demand might support retail recovery. Meanwhile, cash remittances from overseas Filipino workers (OFWs) rose by 3.1% year-on-year (YoY) in April, an increase to US\$2.56 billion from US\$2.49 billion a year ago. Further reopening of the economy towards greater normalcy led to increased spending, with some pent-up demand or even some revenge spending by OFW families. The recent peso depreciation might have reduced the need for OFWs to send more remittances denominated in US dollars and other foreign currencies. The BSP expects cash remittances to grow by 3% this year.

Given the controlled inflation and the macroeconomic backdrop, the BSP maintained policy interest rates steady at 6.5% in its latest meeting on June 27. The BSP's Monetary Board decided to hold the rate steady due to well-anchored inflation expectations, despite adopting a slightly more dovish stance compared to their previous meeting in May. While the balance of risks to the inflation outlook has shifted to the downside due to lower rice import tariffs, the BSP also identified upside risks such as higher prices of other food items, transport charges, and electricity rates. Additional risks include potential price pressures from toll rate adjustments and higher global crude oil prices if tensions in the Middle East escalate. Additionally, BSP Governor Remolona signaled that a rate cut in August is "somewhat more likely than before," suggesting a dovish shift. He indicated a total of 50 basis points of rate cuts for this year, with 25 basis points expected in the third quarter and another 25 basis points in the fourth quarter, contingent on supportive data.

In the local bond market, the Bureau of Treasury (BTr) conducted its weekly auctions, offering Php60 billion in bills and Php120 billion in bonds for the month. All the bills were fully awarded as the average rates dropped by 2 basis points compared to the previous month. However, the bond offerings, with tenors of 7-, 10-, 15-, and 20-year, fell short, with only Php110.228 billion awarded out of the Php120 billion target as the BTr capped the rates amid cautious market bids. The t-bill auctions saw strong demand, with an average bid-to-cover ratio (BCR) of 2.77 times, down from May's average of 3.42 times BCR. Meanwhile, the bond auctions had an average BCR of 1.73 times, slightly lower than May's 1.80.

In the coming month, we anticipate the market will focus on the June inflation data to better understand the inflation trend and the BSP's future policy actions, especially given the central bank's recent dovish stance. Additionally, the market will take its cue from the new supply of bills and bonds for the month.

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.