

KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT

As of September 30, 2024

FUND FACTS

Classification:	Multi-Asset Fund	Net Asset Value per Unit (NAVPu):	1.816440
Launch Date:	February 18, 2011	Total Fund Net Asset Value (NAV):	Php280.23 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: 0.0861%	Custodianship Fees: 0.0011%	External Auditor: 0.0022%	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 Php274.90 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.

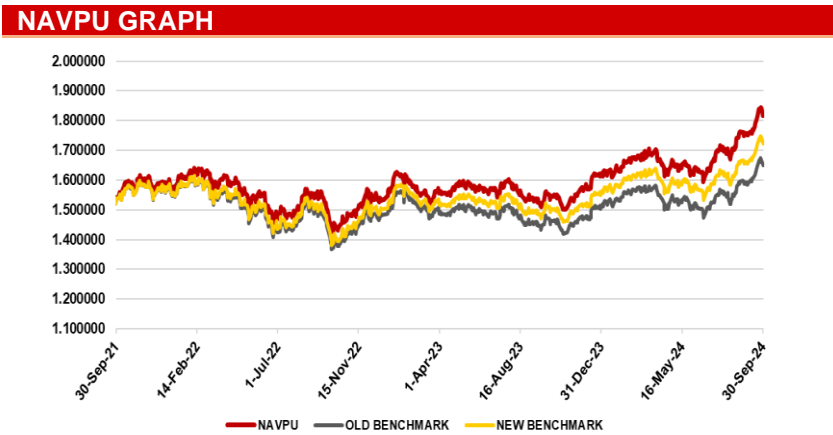
- **Interest Rate Risk.** This is the possibility for an investor to experience losses due to changes in interest rates. The purchase and sale of a debt instrument may result in profit or loss because the value of a debt instrument changes inversely with prevailing interest rates.
- **Market/Price Risk.** 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 SEPTEMBER 30, 2024

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



NAVPU OVER THE PAST 12 MONTHS

Highest	1.845004
Lowest	1.500968

STATISTICS

Weighted Average Duration	4.80
Volatility, Past 1 year ²	4.99%
Sharpe Ratio ³	2.47
Information Ratio ⁴	3.29

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	3.65%	10.86%	7.60%	16.84%	18.00%
Benchmark ^a	3.98%	9.61%	5.63%	13.83%	10.86%
Benchmark ^b	3.86%	9.27%	4.77%	11.82%	6.12%

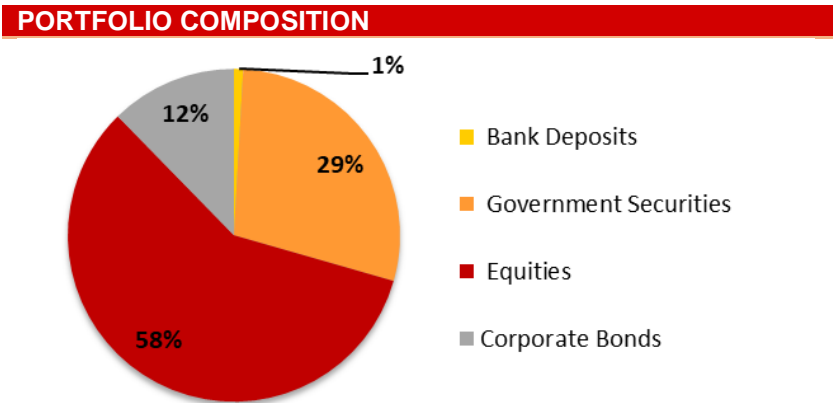
^aNew Benchmark; ^bOld Benchmark

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. 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.



TOP TEN HOLDINGS (%)

SM	8.4%
FXTN 25-07	6.6%
ICT	6.2%
FXTN 25-06	5.5%
BDO	5.4%
BPI	5.2%
SMPH	4.5%
FXTN 07-70	3.8%
AC	3.8%
SMC 27 R25	3.4%

SECTOR HOLDINGS (%)

Financial	24%
Holding	22%
Services	20%
Property	18%
Industrial	15%
Mining	1%

OTHER DISCLOSURES

RELATED PARTY TRANSACTIONS

The Fund has deposits with the Bank Proper, amounting to Php2.47 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

The Philippine Stock Exchange Index (PSEi) gained 375.11pts or +5.44% in September, closing at the 7272.65 level. This puts the index's year-to-date performance at +12.75%. Investors cheered as the US Federal Reserve (Fed) initiated their monetary policy easing cycle with a 50bps rate cut. This move brought their policy rate to 4.75%-5.00%. During his prepared remarks, Fed Chairman Powell highlighted that the committee have gained more confidence that inflation is now on a sustained path towards their 2% target, and that recent softness in employment data suggested that it is now the appropriate time to move. Additionally, the Fed's summary of economic projections revealed that committee members are expecting that policy rates will decline further. Towards the end of 2024, the projections suggest that another 50bps rate cut is on the table, followed by another 100bps and 50bps worth of cuts in 2025 and 2026, respectively. For the part of the Bangko Sentral ng Pilipinas (BSP), this recent development increases the likelihood that they will cut their policy rates again during their October meeting, after already moving ahead with a 25bps cut last August.

The risk-on sentiment was apparent during the month, with foreign funds seen as net buyers in the local equities market in all 21 trading days. Total positions added by foreign funds amounted to Php19.38Bn, sufficient to turn the year-to-date tally to a net buying side. Overall volume rose as well, with the average daily traded value coming in at Php6.57Bn, higher compared to the prior year-to-date average of Php5.01Bn. In terms of sector performance, Financials (+8.86%), Holding Firms (+8.54%), and Mining and Oil (+5.46%) outperformed the broad market. Meanwhile, Industrials (+3.89%), Property (+3.84%), and Services (+2.29%), registered more moderate gains. Individually, standouts were JGS (+18.30%), GTCAP (+16.99%), URC (+13.96%), PGOLD (+13.51%), and AEV (+11.90%). On the other hand, SMC (-9.09%), SCC (-4.13%), WLCON (-2.66%), DMC (-1.71%), and ACEN (-1.10%) lagged. Index breadth was positive, with 23 gainers vs 7 decliners.

After the strong run-up to date, the PSEi has finally breached the 7000 level that has served a resistance for over 2 years. From a technical perspective, the said level may serve as the immediate support during market corrections. To the upside, the 7500 level is seen as the next resistance, which is a level that the market has not revisited since before the global pandemic. In terms of valuations, the PSEi trades at a P/E ratio of 12.39x or an earnings yield of +8.07%. At this level, this represents over 200bps equity risk premium vs the 10Y benchmark yield which was last seen at 5.7381%. Interestingly, both the earnings yield and 10Y yield declined by 30bps compared to previous month levels, and with more rate cuts expected on the horizon, the local market's P/E ratio may have room to expand further. On the earnings side of the equation, the actual H1 2024 growth came at +14.25% based on Bloomberg figures. Consensus estimates for the full year is presently at +17.10%, suggesting that participants are expecting faster growth for H2 2024. Participants will get to see the updated figures beginning in the last week of October, with BDO, MBT, WLCON, SCC, GLO, and DMC's Q3 report cards on deck. The rest of the index members are then expected to round the earnings season by mid-November.

In the fixed income space, the peso yield curve bull steepened in September due to dovish moves by central banks amidst slowing inflation. On average, yields fell by 48 basis points (bps), with the short-end outperforming the rest of the curve. Short-end rates fell by 62 bps on average, with the 1-year rate down by 56 bps to fetch 5.5199%. Meanwhile, the belly went down by 48 bps on average, with the 5-year rate ending at 5.5709%, down 47 bps versus the previous month. The long-end underperformed but still rallied by 29 bps on average, as the 10-year rate fell by 33 bps to fetch 5.7381% at the end of the month. Amidst the bond market rally, trading volume for the month grew by 32% totaling Php1,367.280 billion versus the previous month. FXTNs accounted for majority or 45% of total trades amounting to Php612.640 billion, followed by Bangko Sentral ng Pilipinas (BSP) bills accounting for 23% or Php309.791 billion.

After more than a year of high policy rates, inflation has been on a downward trend. Headline inflation decreased to 3.3% in August, down from 4.4% in July and significantly lower than the 5.3% recorded in August 2023. This brought the average inflation for the year so far to 3.6%, which falls within the government's target range of 2-4%. The decline in overall inflation in August was largely driven by a slower rise in food and non-alcoholic beverage prices, which increased by 3.9%, down from 6.4% in July. Specifically, food inflation dropped to 4.2% from 6.7%, with rice inflation decreasing to 14.7% from 20.9% in July. Core inflation, which excludes certain food and energy items, also slowed, falling to 2.6% in August from 2.9% the previous month.

With inflation at manageable levels, the BSP announced a reduction of the reserve requirement ratios (RRR) for banks, effective October 25, 2024. The RRR for universal and commercial banks, and non-bank financial institutions with quasi-banking functions, will drop by 250 basis points to 7%. Digital banks' RRR will decrease by 200 basis points to 4%, and thrift banks will see a 100 basis point reduction to 1%. Rural and cooperative banks will have their RRR reduced to 0%. This move is expected to release an estimated Php310-330 billion into the economy, increasing funds available for lending. The BSP remains optimistic about the inflation outlook and may consider additional RRR and policy rate cuts in the coming years.

Meanwhile, the local macroeconomic environment remains robust. In July 2024, cash remittances from overseas Filipino workers hit a seven-month high of USD3.085 billion, up 3.1% year-on-year, with land-based workers contributing a 3.6% rise and sea-based workers a 0.9% increase. Month-on-month, remittances grew 7%. For the first half of the year, remittances rose 2.9% to USD 19.332 billion, led by the US. Personal remittances also saw a 3.2% rise to USD3.428 billion in July, largely driven by longer-term contract workers. The BSP expects remittance growth to continue, despite potential economic challenges in host countries. Meanwhile, the country's budget deficit narrowed by 59% to Php 54.2 billion in August due to stronger revenues and slight spending cuts. From January to August, the deficit decreased by 5% to Php 697 billion.

In the local bond market, the Bureau of Treasury (BTr) held its weekly auctions of bills and bonds, offering a total of Php115 billion in bonds and Php105.2 billion in bills for September. All auctions were fully awarded, as rates for the bills fell by 77 bps versus end of August. Rates for the bond auctions, meanwhile, also declined by an average of 15 bps compared to previous auctions of the same tenor. Tenors for the bond auctions for September were for 3, 5, 10, and 20 years. Bid-to-cover ratio (BCR) for the bills averaged 3.53 times, up from August's 2.52 times BCR. For the bond auctions, BCR was relatively flat versus previous month, with September's average BCR at 2.23 times and last month's BCR of 2.22 times.

In the coming month, we expect the market to take its cue from key inflation and macroeconomic data, and the upcoming BTr auctions, which are scheduled to be of significant lower volume than previous quarters. The BSP Monetary Board is also expected to decide on the policy rate in October, wherein the market estimates a 25 bp cut.

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.