

FUND FACTS

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|-------------------------|-----------------------------|-----------------------------------|--|
| Classification: | Long-Term Fixed Income Fund | Net Asset Value per Unit (NAVPu): | 2.103073 |
| Launch Date: | September 9, 2005 | Total Fund Net Asset Value (NAV): | USD7.58 million |
| Minimum Investment: | USD500.00 | Dealing Day: | Daily up to 12:00nn |
| Additional Investment: | At least USD100.00 | 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: 0.0688% | Custodianship Fees: 0.0018% | External Auditor: 0.0012% | Licensing Fee: 0.0044% |
| China Bank – Trust and Asset Management Group | Deutsche Bank AG, Manila Branch | SGV & Co. | Bloomberg Index Services Limited |

¹As a percentage of average daily NAV for the month valued at USD7.82 million.

INVESTMENT OBJECTIVE AND STRATEGY

The Chinabank Dollar Fixed Income Fund intends to achieve a steady stream of income by investing in a diversified portfolio of high-grade marketable securities comprised mainly of Philippine sovereign bonds as well as US treasury bonds of varying tenors with a weighted average portfolio modified duration of not more than ten (10) years. The Fund aims to outperform its benchmark which is the Bloomberg EM USD Sovereign-Philippine Total Return 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 Dollar Fixed Income 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 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.
- **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.
- **Country Risk.** This is the possibility for an investor to experience losses arising from investments in securities issued by/in foreign countries due to political, economic and social structures of such countries. There are risks in foreign investments due to the possible internal and external conflicts, currency devaluations, foreign ownership limitations and tax increases of the foreign country which are difficult to predict but must be taken into account when making such investments.

The Trustee only transacts with reputable counterparties and invests in debt securities issued by countries and 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. 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.

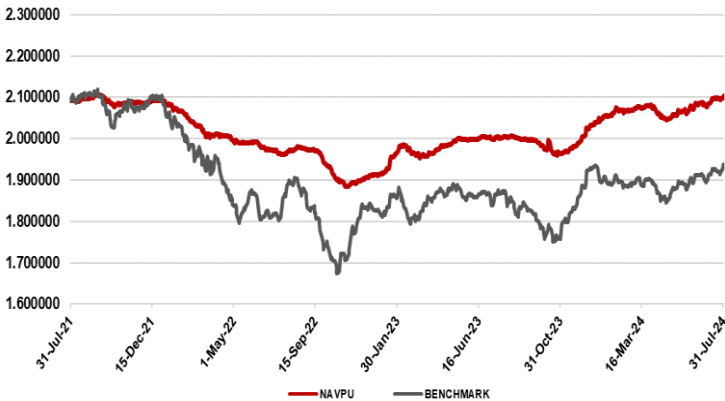
- THE UITF IS A TRUST PRODUCT AND NOT A DEPOSIT ACCOUNT, AND IS NOT INSURED NOR GOVERNED BY THE PDIC.
- THE UITF IS NOT AN OBLIGATION OF, NOR GUARANTEED, NOR INSURED BY THE TRUST ENTITY OR ITS AFFILIATES OR SUBSIDIARIES.
- DUE TO THE NATURE OF THE INVESTMENTS OF A UITF, THE RETURNS/YIELDS CANNOT BE GUARANTEED.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

For more information, you may call us at (+632) 8885-5863, 8885-5857 and 8885-5875, or email us at online@chinabank.ph, or visit our website at www.chinabank.ph

FUND PERFORMANCE AND STATISTICS AS OF JULY 31, 2024

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

NAVPU GRAPH



NAVPU OVER THE PAST 12 MONTHS

| | |
|---------|----------|
| Highest | 2.103073 |
| Lowest | 1.960569 |

STATISTICS

| | |
|--------------------------------------|-------|
| Weighted Average Duration | 6.06 |
| Volatility, Past 1 year ² | 1.55% |
| Sharpe Ratio ³ | 0.15 |
| Information Ratio ⁴ | 1.23 |

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.

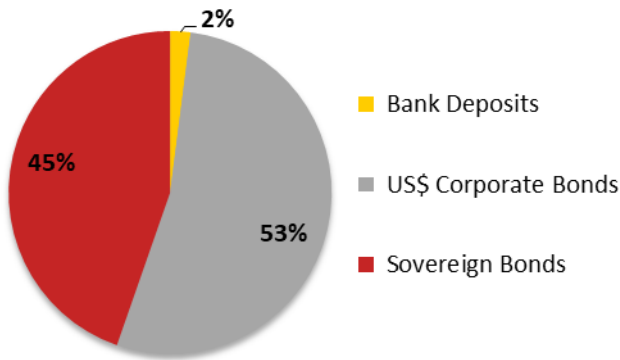
⁴**Information Ratio** measures the reward-to-risk efficiency of the portfolio relative to the benchmark. The higher the number, the higher the reward per unit of risk. This is computed by dividing the excess return of the fund against the benchmark over the fund's volatility.

CUMULATIVE PERFORMANCE (%)

| Period | 1mo | 3mos | 6mos | 1yr | 3yrs |
|-----------|-------|-------|-------|-------|--------|
| Fund | 0.86% | 2.68% | 1.69% | 4.89% | 0.56% |
| Benchmark | 1.69% | 4.49% | 1.39% | 3.33% | -7.46% |

The Bloomberg EM USD Sovereign-Philippine Total Return Index is a market value-based, unhedged index that tracks the performance of Philippine sovereign bonds denominated in US Dollars, particularly ROP bonds of different maturities. This Index is adjusted for tax by the Trustee. Additional information on the benchmark and/or its administrator can be found on Bloomberg, and be made available to investors upon request.

PORTFOLIO COMPOSITION



TOP TEN HOLDINGS (%)

| | |
|--------------------|-------|
| RDB 5.5-01 | 20.0% |
| ROP 5.6% 49 | 13.5% |
| MWCPM 4.375% 07/30 | 12.4% |
| ICTPM 4.75% 06/30 | 10.2% |
| ROP 5.95% 47 | 8.5% |
| VLLPM 7.25% 7/27 | 7.7% |
| ACNRYG 5.1 PERP | 7.4% |
| GLOPM 3% 07/35 | 5.1% |
| MEGPM 4.125% 7/27 | 5.0% |
| GLOPM 2.50% 07/30 | 2.8% |

OTHER DISCLOSURES

RELATED PARTY TRANSACTIONS

The Fund has deposits with the Bank Proper, amounting to USD154.20 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

In July, the US dollar yield curve bull steepened as easing inflation and weak macroeconomic data fuel bets of aggressive Federal Reserve (Fed) rate cuts. Yields across the curve fell by 30 basis points (bps) on average, with the belly declining the most by 38 bps. The 2- and 5-year rates fell by 42 bps and 36 bps, respectively, fetching 4.29% and 3.97%. Meanwhile, the long-end declined by an average of 20 bps, with the 10-year rate falling by 27 bps to end at 4.09%. This narrowed the benchmark 2-year versus 10-year spread to -20 bps, versus -0.35 bps in June. In the Philippines, ROP rates similarly fell for the month but by a smaller margin, declining by 19 bps on average for the month. The 2-year ROP rate ended at 4.85%, down 21 bps from last month, while the 10-year rate fell by 12 bps to 4.99%.

US inflation in June continued to cool for the third straight month, with consumer prices declining by 0.1% month-on-month. The annual PCE inflation rate was 2.5%, the smallest gain in four months, while core PCE inflation remained steady at 2.6%. Goods prices dropped, including a 3.5% decline in energy costs, while services saw a 0.2% rise. This reflects an improving inflation environment and efforts to stabilize prices. The report suggests that the worst price spike is fading, indicating a positive trend in inflation for the US economy.

Meanwhile, some macroeconomic indicators showed weakness, pointing to a potential slowdown as consumer grapple with the high inflation and interest rate environment. Retail sales remained stagnant in June, following a slight increase of 0.3% in May, as gasoline station sales declined by 3%, while auto sales fell by 2.3%. Additionally, US existing home sales experienced a

significant 5.4% drop in June, reaching the lowest level of the year and the sharpest decline since 2022. This marks the fourth consecutive monthly decrease, with the median price reaching a record high of \$426,900 and unsold inventory rising to 1.32 million units. Furthermore, the ISM Manufacturing PMI unexpectedly decreased to 48.5 in June, indicating the third consecutive month of declining manufacturing activity and the lowest level since February 2024. Conversely, the S&P Global US Manufacturing PMI, though slightly revised downward to 51.6 in June, still reflects the strongest reading in three months, indicating improvements in new orders and production, albeit at a slower pace.

Meanwhile, in the labor market, the number of Americans filing new applications for unemployment benefits increased to an 11-month high in the week ending July 27, suggesting some softening in the labor market. Initial claims for state unemployment benefits increased 14,000 to a seasonally adjusted 249,000 for the week ended July 27, the highest level since August last year. The report from the Labor Department on Thursday also showed the number of people on jobless rolls swelling in mid-July to the highest level since late 2021, which can be supportive of a September rate cut by the Fed.

On the flipside, the broad economy showed robust data as the second quarter of 2024 saw real gross domestic product (GDP) growing at an annualized rate of 2.8%, surpassing forecasts of 2.1%. This growth was driven by robust consumer spending, government expenditure, and significant inventory accumulation. Consumer spending rose 2.3%, and government spending increased by 3.9%, including a 5.2% boost in defense spending. However, imports surged 6.9%, the largest quarterly increase since early 2022, while exports grew only 2%.

Looking ahead, we expect the market to take its cue from a series of major macro events, mainly key jobs report and the release of inflation data for July. Market participants are also anticipating the FOMC meeting where we expect the Fed to maintain rates at current levels, but likely come out with a more dovish outlook, which may set up a rate cut in September.

INVESTMENT POLICY / PROSPECTIVE INVESTMENTS

The Fund may be invested or reinvested in the following:

- a) Securities issued by or guaranteed by the Philippine government or the Bangko Sentral ng Pilipinas (BSP);
- b) Tradable securities issued by the government of a foreign country, any political subdivision of a foreign country or any supranational entity;
- c) 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;
- d) Deposits and tradable money market instruments issued by local banks, including those of the Trustee’s own bank, and foreign banks or 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: | 0.75% p.a. | Minimum Maintaining Amount: | USD500.00 |
| Initial NAVPu: | \$1.069018 | 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.