

KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT

As of December 29, 2023

FUND FACTS

Classification:	Long-Term Fixed Income Fund	Net Asset Value per Unit (NAVPu):	2.038772
Launch Date:	September 9, 2005	Total Fund Net Asset Value (NAV):	USD8.54 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:	1.50% p.a. of the proceeds if made during the first half of the minimum holding period; 1.00% p.a. of the proceeds if made during the second half of the minimum holding period; or USD25.00, whichever is higher.		

FEES<sup>1</sup>

Trustee Fees: 0.0603%	Custodianship Fees:0.0021%	External Auditor:0.0010%	Licensing Fee:0.0036%
China Bank – Trust and Asset Management Group	Deutsche Bank AG, Manila Branch	SGV & Co.	Bloomberg Index Services Limited

<sup>1</sup>As a percentage of average daily NAV for the month valued at USD8.49 million.

INVESTMENT OBJECTIVE AND STRATEGY

The Chinabank Dollar 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 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 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.
- **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.

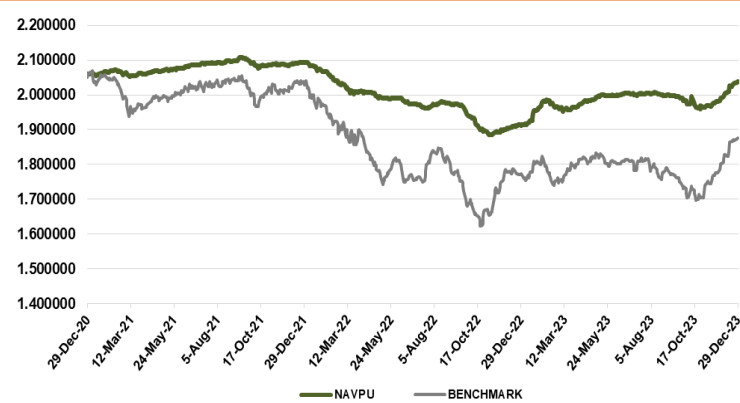
- THE UITF IS A TRUST PRODUCT AND NOT A DEPOSIT ACCOUNT, AND IS NOT INSURED NOR GOVERNED BY THE PDIC.
- THE UITF IS NOT AN OBLIGATION OF, NOR GUARANTEED, NOR INSURED BY THE TRUST ENTITY OR ITS AFFILIATES OR SUBSIDIARIES.
- DUE TO THE NATURE OF THE INVESTMENTS OF A UITF, THE RETURNS/YIELDS CANNOT BE GUARANTEED. 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](mailto:online@chinabank.ph), or visit our website at [www.chinabank.ph](http://www.chinabank.ph)

FUND PERFORMANCE AND STATISTICS AS OF DECEMBER 29, 2023

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

NAVPU GRAPH



NAVPU OVER THE PAST 12 MONTHS

Highest	2.038772
Lowest	1.914799

STATISTICS

Weighted Average Duration	4.44
Volatility, Past 1 year <sup>2</sup>	3.27%
Sharpe Ratio <sup>3</sup>	0.62
Information Ratio <sup>4</sup>	0.27

<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.

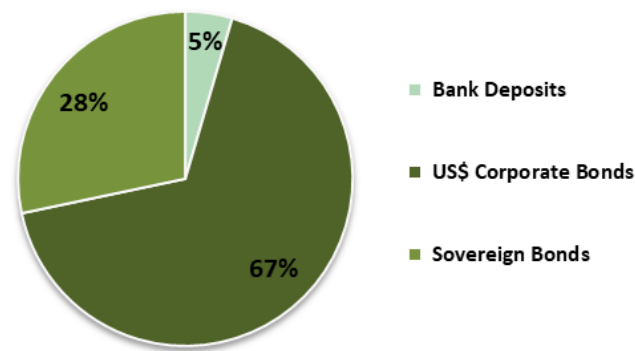
<sup>4</sup>**Information Ratio** measures the reward-to-risk efficiency of the portfolio relative to the benchmark. The higher the number, the higher the reward per unit of risk. This is computed by dividing the excess return of the fund against the benchmark over the fund’s volatility.

CUMULATIVE PERFORMANCE (%)

Period	1mo	3mos	6mos	1yr	3yrs
Fund	2.48%	2.80%	1.80%	6.55%	-1.04%
Benchmark	4.18%	8.23%	3.64%	5.86%	-8.96%

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.

PORTFOLIO COMPOSITION



TOP TEN HOLDINGS (%)

RDB 5.5-01	18.1%
MWCPM 4.375% 07/30	13.0%
ICTPM 4.75% 06/30	12.7%
ROP28	7.8%
VLLPM 7.25% 7/27	7.0%
AEVPM 4.2% 1/30	6.7%
MEGPM 4.125% 7/27	6.7%
ACNRGY 5.1 PERP	6.4%
JGSPM 4.125% 07/30	5.6%
GLOPM 3% 07/35	4.4%

OTHER DISCLOSURES

RELATED PARTY TRANSACTIONS

The Fund has deposits with the Bank Proper, amounting to USD304.07 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 December, the yield curve continued its descent as the US Federal Reserve (Fed) downplayed aggressive rate hikes in 2024 and instead signaled rate cuts in 2024 and 2025. Yields across the curve fell by 31 basis points (bps) on average, with the long-end outperforming the rest of the curve. Rates for 10 years and up went down by 51 bps on average, with the 10-year falling by 49 bps to 3.88% from 4.37% in November. Meanwhile, the belly declined by 49 bps, with the 2-year yield down 50 bps to 4.23%. This slightly narrowed the spread between the 2-year and 10-year rates to -35 bps, versus November’s -36 bps. In the Philippines, ROPs tracked the movement of US treasuries, as ROP rates fell by 51 bps on average across the curve. The ultra-long ROPs outperformed as the 15-year and 20-year ROP rates declined by 63 and 64 bps, respectively. Meanwhile, the 10-year ROP fell by 49 bps to 4.563%, and the 2-year ROP fetched 4.464%, down 47 bps from previous month.

Inflation in the US has been steady. November consumer price index (CPI) increased by 0.1% in November and by 3.1% year-on-year, as expected by the market. Core CPI which excludes volatile food and energy items rose 0.3% for the month, and 4.0% annually. The producer price index (PPI) meanwhile remained unchanged for the month unexpectedly, driven by lower energy costs and flat services prices for the second consecutive month. Year-on-year, PPI grew 0.9%, supporting optimism for continued inflation easing.

On the other hand, retail and housing market stayed resilient as retail sales in the US showed strong growth, rising by 4.1% year-on-year in November, its strongest annual expansion since February. This follows a revised 2.2% gain in October and shows positive momentum in consumer spending. Housing starts and building permits rose to 18.0% and 0.7%, respectively, in November and could gain further momentum, with declining mortgage rates and incentives from builders likely to draw potential buyers back into the housing market. Similarly, existing home sales increased 0.8% in the same month to a seasonally adjusted

annual rate of 3.8 million units, ending five straight monthly decreases. In the US, However, new home sales fell to a one-year low of 12.2% in November, but the unexpected decline is probably temporary amid a chronic shortage of previously owned homes, which has been supporting demand for new construction. Also, pending home sales were unchanged despite a drop in mortgage rates.

Meanwhile, labor market data came out mixed. Private payrolls increased less than expected in November, as it increased by 103,000 in November, down from October's revised total of 106,000 and economists' estimate of 153,000. Leisure and hospitality recorded a loss of 7,000 jobs after leading job creation during the pandemic recovery, as hiring in restaurants and hotels moderated. On the other hand, the unemployment rate declined to 3.7%, lower than the forecast and October's 3.9%. The health care sector was the biggest growth industry, adding 77,000 jobs, followed by government at 49,000 jobs. Additionally, average hourly earnings increased by 0.4% for the month and 4.0% from a year ago. Lastly, the University of Michigan consumer sentiment rose to 69.4, the highest since August, and 13% higher than November's final reading of 61.3. This improvement can be attributed to enhanced consumer outlook on inflation, driven by reduced gas prices.

With inflation steady and diminishing signs of heating up, the Fed kept policy rates unchanged at 5.25% to 5.50% in its December meeting, as expected by the market. With the economy proving quite resilient, the Fed is letting its restrictive monetary policy to take its course before enacting a pivot. However, based on the latest dot plot, Fed officials signaled rate cuts of 75 bps in 2024 to 4.6% and 100 bps in 2025 to 3.6%. The Fed also sees the US economy growing at a much slower pace of 1.4% in 2024, and inflation to drop to 2.4% in 2024.

In the coming month, we expect volume to pick up as market players return from the holidays. We expect the market to trade sideways as it awaits key macroeconomic data such as the jobs and inflation report to cap off the year 2023.

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](mailto:online@chinabank.ph). Chinabank is regulated by the BSP with contact number (+632) 8708-7087 and email address: [consumeraffairs@bsp.gov.ph](mailto:consumeraffairs@bsp.gov.ph).