

KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT

As of April 30, 2024

FUND FACTS

Classification:	Long-Term Fixed Income Fund	Net Asset Value per Unit (NAVPu):	1.870223
Launch Date:	March 24, 2006	Total Fund Net Asset Value (NAV):	Php149.25 million
Minimum Investment:	Php5,000.00	Dealing Day:	Daily up to 12:00nn
Additional Investment:	At least Php1,000.00	Redemption Settlement:	Next banking day from date of notification
Minimum Holding Period:	30 calendar days	Early Redemption Fee:	1.00% of the proceeds

FEES<sup>1</sup>

Trustee Fees: 0.0710%	Custodianship Fees: 0.0011%	External Auditor: 0.0031%	Other Fees: None
China Bank – Trust and Asset Management Group	Deutsche Bank AG, Manila Branch Philippine Depository & Trust Corp.	SGV & Co.	

<sup>1</sup>As a percentage of average daily NAV for the month valued at Php151.66 million.

INVESTMENT OBJECTIVE AND STRATEGY

The Chinabank Fixed Income Fund intends to achieve a steady stream of income by investing in a diversified portfolio of high-grade marketable fixed income securities such as government securities, tradable corporate bonds and notes of varying tenors as well as bank deposits, money market placements and BSP securities 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 Philippine Sovereign Bond Index 5+ Year (BPHIL5 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 Fixed Income Fund is suitable only for investors who:

- have a moderate risk appetite;
- are looking for higher yields;
- are willing to take the attendant risks that come with portfolios that may have investments with longer tenors; 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.

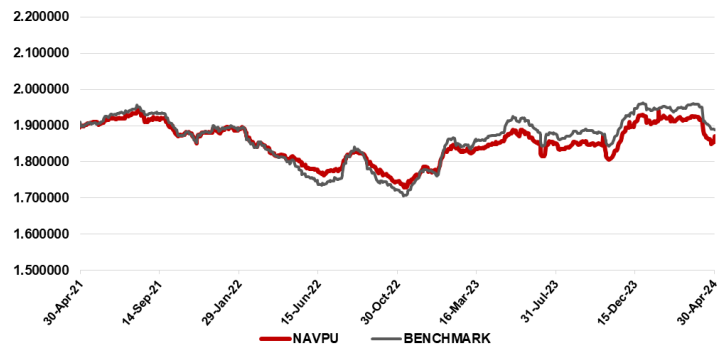
The Trustee only transacts with reputable counterparties and invests in debt securities issued by prime corporate borrowers which have undergone a rigorous accreditation and evaluation process. Regulatory exposure limits as well as the Fund's average duration are monitored regularly to ensure that exposures 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. The Fund also 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 APRIL 30, 2024

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

NAVPU GRAPH



NAVPU OVER THE PAST 12 MONTHS

Highest	1.940834
Lowest	1.805597

STATISTICS

Weighted Average Duration	6.83
Volatility, Past 1 year <sup>2</sup>	2.23%
Sharpe Ratio <sup>3</sup>	-1.71
Information Ratio <sup>4</sup>	0.26

<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.

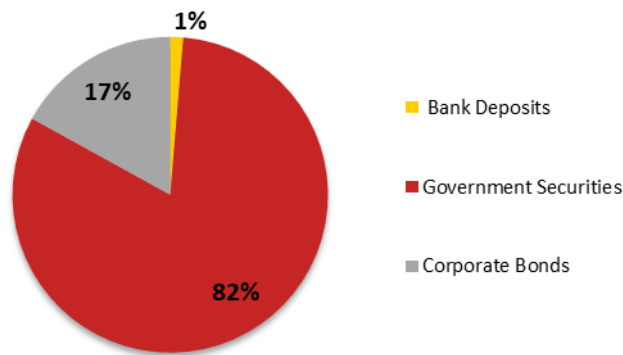
<sup>4</sup>**Information Ratio** measures the reward-to-risk efficiency of the portfolio relative to the benchmark. The higher the number, the higher the reward per unit of risk. This is computed by dividing the excess return of the fund against the benchmark over the fund's volatility.

CUMULATIVE PERFORMANCE (%)

Period	1mo	3mos	6mos	1yr	3yrs
Fund	-2.84%	-2.65%	3.58%	0.75%	-1.50%
Benchmark	-3.57%	-3.26%	2.38%	0.37%	-0.62%

The BPHIL5 Index is a systematically designed, rules-based, market value-weighted index that measures the performance of long-term, fixed-rate local currency securities that are publicly issued by the Philippines. It includes a diversified range of fixed income securities with different coupon rates, maturities of 5 years or more, 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 the benchmark and/or its administrator can be found on Bloomberg, and be made available to investors upon request.

PORTFOLIO COMPOSITION



TOP TEN HOLDINGS (%)

FXTN 20-20	29.4%
FXTN 25-07	12.3%
FXTN 20-22	9.7%
FXTN 13-01	9.7%
FXTN 25-06	7.8%
SMCGP 32 R29	6.7%
FXTN 10-71	6.6%
SMCGP 26 R24	4.0%
FXTN 10-66	3.5%
SMC 03-28 R25	3.2%

OTHER DISCLOSURES

RELATED PARTY TRANSACTIONS

The Fund has deposits with the Bank Proper, amounting to Php969.28 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 April, the peso yield curve bear steepened on the back of hawkish central bank rhetoric due to still elevated inflation. On average, yields jumped by 47 basis points (bps), with the long-end underperforming the other tenors. Long-tenor bond yields rose by 80 bps on average, with the 10-year rate increasing by 80 bps from 6.2322% in March to 7.029%. Meanwhile, rates at the belly also rose by 58 bps, with the 5-year rate inching up by 60 bps to 6.785% from 6.183% in the previous month. Total traded volume for April was Php528.933 billion, which was down by 3% compared to March's Php545.285 billion. The Bangko Sentral ng Pilipinas' (BSP) bills still comprised bulk of the trading activity at 45%, with a volume of Php237.275 billion for the month, an increase of 41% versus March. Meanwhile, FXTNs accounted for 21% of total trading volume amounting to Php108.544 billion.

The Philippines experienced a continued rise in inflation for the second month in a row as headline inflation rate increased to 3.7%, up from 3.4% in February, aligning with the BSP's forecast range of 3.4% to 4.2%. This increase was primarily driven by a significant rise in food and non-alcoholic beverages, which jumped to 5.6% from 4.6% in the previous month. Specifically, food inflation reached 5.7% due to higher prices for meat and rice. The transport index also played a role in the inflation uptrend,

climbing to 2.1% from 1.2% due to rising oil prices. However, core inflation, which excludes volatile food and fuel prices, slightly decreased to 3.4% from 3.6% in February.

With inflation still posing an upside risk, the BSP's Monetary Board (MB) decided to keep policy rates unchanged for the fourth consecutive meeting. They noted that although inflation is expected to stay within the target range, the latest inflation trajectory has shifted slightly upward. The BSP's most recent baseline forecast predicts inflation at 3.8%, up from the previous forecast of 3.6%, while the risk-adjusted forecast for the year has increased to 4% from 3.9%. Further price pressures are anticipated primarily from higher transport costs, elevated food prices, increased electricity rates, and global oil prices. Additionally, potential minimum wage adjustments could lead to second-round effects. Considering these factors, the MB found it appropriate to maintain the BSP's tight monetary policy stance.

Meanwhile, macroeconomic indicators suggest a strong economy. Personal remittances increased by 3% year-on-year in February, reaching US\$2.95 billion, up from US\$2.86 billion in the previous month. This growth in remittances may be due to higher inflation in the Philippines, necessitating more funds being sent home. The labor market is also improving, with unemployment falling to 3.5% in February. Moreover, the International Monetary Fund has upgraded its economic forecast for the Philippines, predicting a growth rate of 6.2% in 2024, up from the previous 6%, thanks to positive momentum from a strong Q4 2023. This revised forecast aligns with the local government's target range of 6-7% and surpasses the average growth forecast for ASEAN countries, which stands at 4.6%, highlighting the Philippines' relatively strong economic position in the region.

In the local bond space, the Bureau of Treasury (BTr) offered a total of Php150 billion in bonds and Php77 billion in bills through its weekly auctions. Its bond auctions for 7-, 10-, 15-, 20- and 7-year tenors were met by an average of 1.25 times bid-to-cover ratio amidst increasing rates. Awards fell short of the program as the BTr accepted only Php94.734 billion versus the program to manage interest rates as the market tendered defensive bids. Meanwhile, the T-bill auctions were met by an average of 2.9 times bid-to-cover ratio, as rates increased by 12 bps on average versus the end of March.

In the coming month, we expect the market to take its cue from the April inflation print, which the BSP expects to fall within 3.5% to 4.3%. The market is also on watch for the release of first quarter GDP and for the fresh supply of bills and bonds for the month.

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 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;
- c) 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;
- d) 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
- e) Such other tradable investment outlets/categories as the BSP may allow.

OTHER BASIC FUND FACTS

Trust Fee:	0.75% 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](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).