

KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT

As of July 31, 2024

FUND FACTS

Classification:	Long-Term Fixed Income Fund	Net Asset Value per Unit (NAVPu):	1.969247
Launch Date:	March 24, 2006	Total Fund Net Asset Value (NAV):	Php143.90 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

FEES¹

Trustee Fees: 0.0689%	Custodianship Fees: 0.0012%	External Auditor: 0.0032%	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 Php151.24 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.

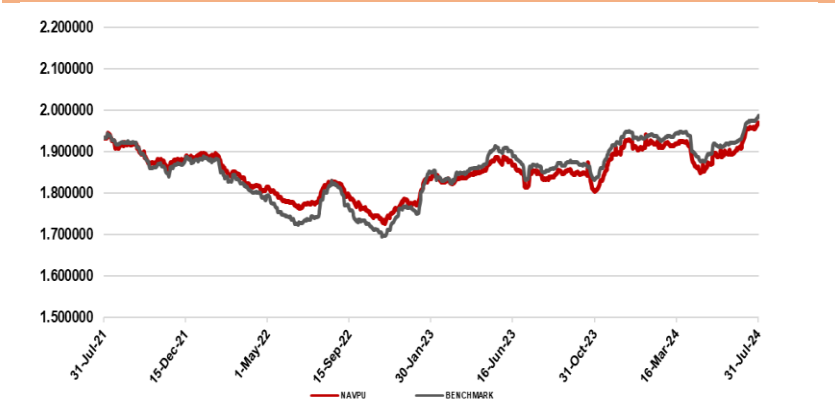
The Trustee only transacts with reputable counterparties and invests in debt securities issued by prime corporate borrowers which have undergone a rigorous accreditation and evaluation process. Regulatory exposure limits as well as the Fund's average duration are monitored regularly to ensure that exposures 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 JULY 31, 2024

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

NAVPU GRAPH



NAVPU OVER THE PAST 12 MONTHS

Highest	1.969247
Lowest	1.805597

STATISTICS

Weighted Average Duration	7.23
Volatility, Past 1 year ²	2.57%
Sharpe Ratio ³	0.78
Information Ratio ⁴	-0.04

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.

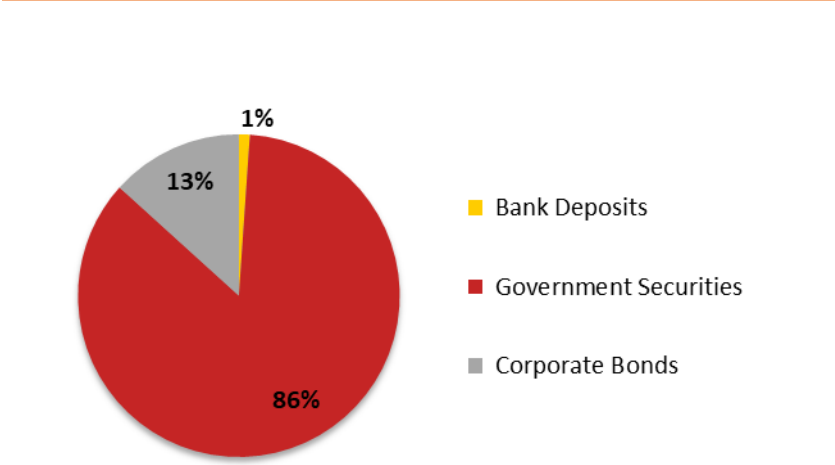
⁴**Information Ratio** measures the reward-to-risk efficiency of the portfolio relative to the benchmark. The higher the number, the higher the reward per unit of risk. This is computed by dividing the excess return of the fund against the benchmark over the fund's volatility.

CUMULATIVE PERFORMANCE (%)

Period	1mo	3mos	6mos	1yr	3yrs
Fund	3.19%	5.29%	2.50%	6.55%	1.83%
Benchmark	3.05%	5.91%	2.41%	6.60%	2.71%

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	21.7%
FXTN 25-07	13.5%
FXTN 20-22	10.8%
FXTN 13-01	10.6%
FXTN 20-27	9.6%
FXTN 25-06	8.4%
FXTN 10-71	7.2%
SMCGP 32 R29	6.6%
SMC 03-28 R25	3.4%
CPG 27 R25	3.3%

OTHER DISCLOSURES

RELATED PARTY TRANSACTIONS

The Fund has deposits with the Bank Proper, amounting to Php557.96 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 peso yield curve bull flattened as easing inflation increased the likelihood of interest rate cuts by the central bank. Yields across the curve dropped by 24 basis points (bps) on average, with the long-end outperforming among the tenor buckets. Long-end rates fell by an average of 50 bps, with the 10-year rate ending at 6.1712%, down 50 bps versus the previous month. Meanwhile, rates in the belly fell by 31 bps on average, with the 5-year rate fetching 6.1243% versus last month's 6.4449%. Trading volume for July saw a jump of 85% versus June, totaling Php1,110.418 billion from June's Php599.007billion, as yields fell for the month. This was driven by FXTN volume of Php415.615billion more than doubling versus previous month's Php167.614billion, accounting for 37% of total trading volume. Next to FXTNs, Bangko Sentral ng Pilipinas (BSP) bills accounted for 31% of trading volume, amounting to Php349.1billion for the month.

Data released in July showed the Philippines' inflation rate falling to 3.7% in June, down from 3.9% in May 2024 and 5.4% in June 2023. This decrease was largely due to lower inflation in housing, utilities, transport, and restaurant services. The year-to-date inflation rate was 3.5%, within the government's target range of 2-4%. However, food prices, particularly for vegetables and meat, increased due to supply issues caused by the rainy season and other factors. Although rice inflation decreased slightly, it remained the main contributor to overall inflation. Despite this, the BSP expects inflation to stay within the target range for 2024-

2025, benefitting from the reduction of rice import tariffs from 35% to 15%, which is anticipated to lower prices and impact overall inflation.

Some macroeconomic indicators suggest a slight weakening in economic activity, increasing speculation about earlier-than-expected BSP rate cuts. The Philippines' manufacturing PMI fell to 50.9 in June from 52.2 in May, likely due to a slowdown in economic activity following a strong post-pandemic surge over the past year. Additionally, the unemployment rate rose to 4.1% in May, up from 4% the previous month, with 2.11 million Filipinos unemployed. This increase occurred despite more people being employed in May, indicating that the job market couldn't accommodate all the new workers. However, on a year-on-year basis, the unemployment rate in May was lower than the 4.3% recorded in the same month last year.

Meanwhile, remittances from overseas Filipino workers continued to show strength, increasing by 3.6% in May to \$2.58 billion, up from \$2.49 billion in the same month last year. This marks the fastest growth in five months, following a 3.8% rise in December 2023. The increase is due to higher receipts from both land-based and sea-based workers, economic improvements in key remittance source countries, higher wages for OFWs, favorable exchange rates, and a seasonality uptick due to the summer holidays. The BSP expects cash remittances to grow by 3% this year, driven by the need for OFW families to cope with higher local prices and seasonal tuition payments.

In the local bond market, the Bureau of Treasury (BTr) conducted its weekly auctions, offering Php102.6 billion in bills and Php115 billion in bonds for the month. All the bills were fully awarded as the average rates increased by 9 basis points compared to the previous month on increased bond offer size for the month. The bond offerings, with tenors of 5-, 7-, 10-, and 20-year, were also met with good demand, with all tenors being fully awarded and 7- and 10-year auctions having a TAP facility. The t-bill auctions had an average bid-to-cover ratio (BCR) of 2.12 times, down from June's average of 2.77 times BCR. Meanwhile, the bond auctions had an average BCR of 2.81 times, higher than June's 1.73.

Next month, we anticipate the market will take its cue from key data such as July inflation to give a better view of potential policy moves by the BSP. Additionally, market participants will look at auction results for the month which are scheduled to be in 3-, 5-, 7-, 14-, and 20-year tenors.

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