

KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT

As of May 31, 2024

FUND FACTS

Classification:	Long-Term Fixed Income Fund	Net Asset Value per Unit (NAVPu):	1.889375
Launch Date:	March 24, 2006	Total Fund Net Asset Value (NAV):	Php150.53 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: 0.0646%	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 Php150.02 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.

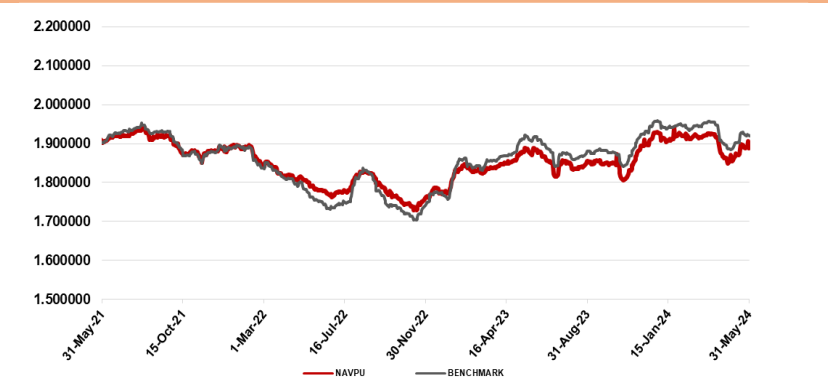
- **Interest Rate Risk.** This is the possibility for an investor to experience losses due to changes in interest rates. The purchase and sale of a debt instrument may result in profit or loss because the value of a debt instrument changes inversely with prevailing interest rates.
- **Market/Price Risk.** 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 MAY 31, 2024
(Purely for reference purposes and is not a guarantee of future results)

NAVPU GRAPH

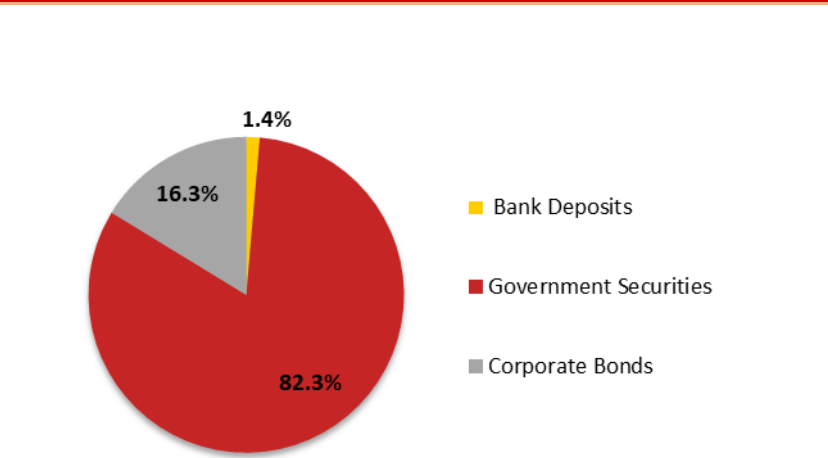


CUMULATIVE PERFORMANCE (%)

Period	1mo	3mos	6mos	1yr	3yrs
Fund	1.02%	-1.67%	-0.25%	0.06%	-0.69%
Benchmark	1.89%	-1.31%	-0.16%	0.22%	0.86%

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



NAVPU OVER THE PAST 12 MONTHS

Highest	1.940834
Lowest	1.805597

STATISTICS

Weighted Average Duration	6.78
Volatility, Past 1 year ²	2.48%
Sharpe Ratio ³	-1.81
Information Ratio ⁴	-0.10

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.

TOP TEN HOLDINGS (%)

FXTN 20-20	29.9%
FXTN 25-07	12.3%
FXTN 20-22	9.8%
FXTN 13-01	9.7%
FXTN 25-06	7.7%
FXTN 10-71	6.6%
SMCGP 32 R29	6.1%
SMCGP 26 R24	3.9%
FXTN 10-66	3.5%
SMC 03-28 R25	3.1%

OTHER DISCLOSURES

RELATED PARTY TRANSACTIONS

The Fund has deposits with the Bank Proper, amounting to Php1,045.65 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 May, the peso yield curve bull flattened as the possibility of earlier policy rate cuts were renewed due to the central bank's less hawkish remarks amid lower than expected inflation data. Yields across the curve went down by 19 basis points (bps) on average, with the belly outperforming, falling 27 bps on average. The 7-year rate fell the most by 33bps to end at 6.6272%, while the 5-year yield fell by 27 bps to 6.5134%. Rates in the long-end went down by 24 bps, with the 10-year rate falling 28 bps from 7.029% in April to 6.7516% in May. Meanwhile, the short-end rates went down by 6 bps, with the 1-year yield almost unchanged from 6.0633% to 6.0653%. Total value traded for May was Php595.689 billion, a 13% increased versus April's Php528.933 billion. The Bangko Sentral ng Pilipinas' (BSP) bills continued to generate majority or 42% of trading activity, accounting for Php250.673 billion of trades versus previous month's Php237.275 billion. Meanwhile, FXTNs accounted for 26% or Php152.902 billion of trading volume.

Headline inflation rose for the third consecutive month in April, reaching 3.8%, driven by increased costs in food and transport. Despite this, it remained below market expectations and within the BSP's target range of 2-4%. Meanwhile, core inflation, which excludes volatile food and fuel prices, slowed to 3.2% in April from 3.4% in March. Food inflation rose to 6.3% from 5.7% in March, while rice inflation decreased slightly to 23.9% from 24.4% the previous month. The BSP noted that April's inflation figure

align with the forecast that inflation might temporarily jump or exceed the target range in the near term due to the negative effects of adverse weather conditions on agriculture and base effects.

As for the broad economy, gross domestic product (GDP) growth came lower than expected, making a case for the BSP to keep rates steady despite inflation accelerating for the past couple of months. The country's GDP grew by 5.7% in the 1st quarter of 2024, which surpassed that of most of its Southeast Asian peers. This was despite a slowdown in consumption and government spending. Household spending, which accounts for more than 70% of economic output, rose by 4.6%, the slowest after the Covid-19 pandemic. The weaker consumption could be attributed to high inflation reducing purchasing power and the El Nino phenomenon putting upward pressure on prices. There was also weakness in the labor market, as unemployment rate jumped to a two-month high in March to 3.9% from 3.5% in the previous month, or equivalent to two million jobless Filipinos, as inflation and El Nino limited economic output.

Despite some challenges, other data still pointed to a robust economy. The manufacturing sector expanded in April, with the PMI rising to 52.2 from 50.9 in March, the fastest face in five months, driven by increased new orders and export growth leading to higher production and inventory expansion. The country's PMI also outperformed the ASEAN average of 51, alongside Indonesia at 52.9 and Vietnam at 50.3. Meanwhile, cash remittances from overseas Filipinos grew by 2.5% year-on-year in March to \$2.74 billion, though this was the slowest pace in nine months due to currency fluctuations. Year-to-date, remittances increased by 2.7% to \$8.22 billion, mainly from the US, Saudi Arabia, UAE, and Singapore. The BSP expects a 3.0% growth in remittances for the year. Borrowing activity also showed growth as loans of big banks accelerated to 9.6% in April despite the high-interest rate environment. Loans from universal and commercial banks expanded by 9.6% to Php11.91 trillion, up from 9.4% in March or Php11.7 trillion, indicating robust demand for loans despite the high borrowing costs.

Amid inflation and mixed economic data, the BSP maintained the policy rate at 6.50% for the fifth straight meeting in May. BSP Governor Remolona highlighted that inflation risks persist due to potential increases in transportation, food, electricity, and global oil prices. The BSP also revised its inflation forecast for this year to 3.8% from 4.0%, and to 3.7% from 3.5% for 2025. Governor Remolona noted that the Monetary Board is less hawkish and may cut rates by the third or fourth quarter of this year, possibly as early as August. Department of Finance Secretary Recto also noted that the BSP may cut rates by a total of 150 bps until 2025 as long as inflation remains within target.

In the local bond space, the Bureau of Treasury (BTr) pushed through with its weekly auctions totaling an offer of Php62 billion worth of bills and Php150 billion bonds for the month. It fully awarded its bills as rates fell by an average of 10 bps versus the previous month. However, it fell short of its bond offerings as it awarded only Php94.245 billion out of the Php150 billion program as the BTr capped rates amidst the market's defensive bids. Its t-bill auctions were met with strong demand, averaging 3.4 times bid-to-cover ratio (BCR), while its bond auctions averaged 1.8 times BCR, a slight improvement from April's 1.3.

In the coming month, we expect the market to await May inflation data to give a clearer picture of the inflation trajectory and the BSP's future policy movements. The BSP projects May's inflation to settle within a range of 3.7% to 4.5% due to elevated power and food prices. The market will also take its cue from 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. Chinabank is regulated by the BSP with contact number (+632) 8708-7087 and email address: consumeraffairs@bsp.gov.ph.