

KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT

As of October 31, 2023

FUND FACTS

Classification:	Equity Fund	Net Asset Value per Unit (NAVPu):	1.005213
Launch Date:	June 26, 2015	Total Fund Net Asset Value (NAV):	Php486.49 million
Minimum Investment:	Php5,000.00	Dealing Day:	Daily up to 12:00nn
Additional Investment:	At least Php1,000.00	Redemption Settlement:	3 banking days from date of notification
Minimum Holding Period:	30 calendar days	Early Redemption Fee:	1.0% of the proceeds

FEES¹

Trustee Fees: 0.0889%	Custodianship Fees: 0.0010%	External Auditor: 0.0014%	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 Php503.85 million.

INVESTMENT OBJECTIVE AND STRATEGY

The Chinabank High Dividend Equity Fund intends to achieve long-term capital appreciation by investing in a diversified portfolio of choice common and preferred equity issues listed in the Philippine Stock Exchange (PSE) which have a regular dividend payment policy and/or dividend payment track record. Up to 95% of the Fund may be invested in equity issues at any point in time while the balance shall be in tradable fixed income securities and bank deposits. The Fund aims to outperform its benchmark which is 95% PSE Index (PSEi) + 5% Bloomberg Philippine Sovereign Bond Index Money Market (BPHILMM 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 Equity Fund is suitable only for investors who:

- have an aggressive risk appetite;
- are willing to accept higher risks involving volatility of returns and possible erosion of principal in return for capital appreciation and potentially better long-term results; and
- have an investment horizon of more than 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. Given that the Fund may be invested up to 95% in equity issues at any point in time, investors are deemed to be more exposed to this risk.
- **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.

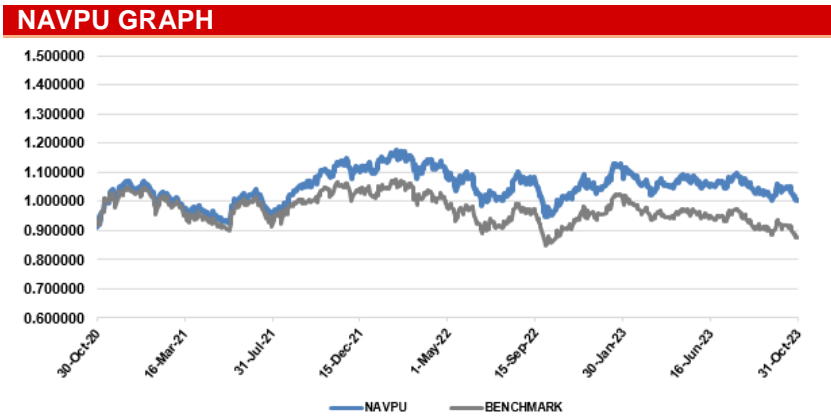
The Trustee only transacts with reputable counterparties and invests in debt securities issued by prime corporate borrowers which have undergone a rigorous accreditation and evaluation process. Internal and regulatory exposure limits are monitored regularly to ensure that exposures are managed. The Fund 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 OCTOBER 31, 2023

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



NAVPU OVER THE PAST 12 MONTHS

Highest	1.131690
Lowest	1.003115

STATISTICS

Weighted Average Duration	0.02
Volatility, Past 1 year ²	6.15%
Sharpe Ratio ³	-0.81
Information Ratio ⁴	1.84

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.

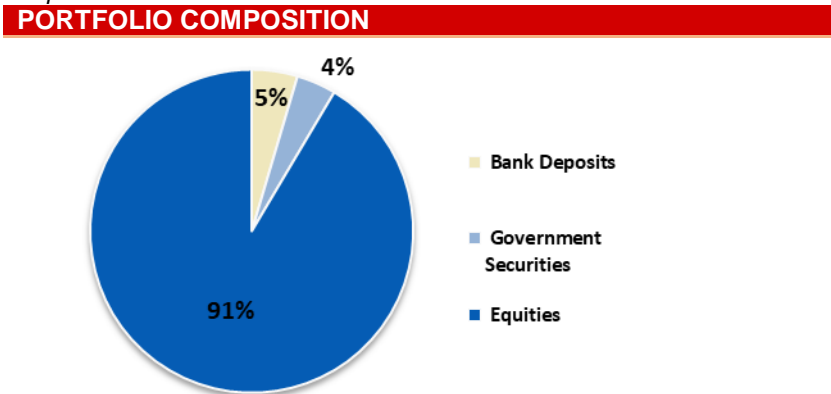
⁴**Information Ratio** measures the reward-to-risk efficiency of the portfolio relative to the benchmark. The higher the number, the higher the reward per unit of risk. This is computed by dividing the excess return of the fund against the benchmark over the fund's volatility.

CUMULATIVE PERFORMANCE (%)

Period	1mo	3mos	6mos	1yr	3yrs
Fund	-4.47%	-7.23%	-7.14%	-0.73%	9.38%
Benchmark	-5.21%	-8.85%	-9.22%	-2.56%	-4.91%

The PSEi is a composite index that tracks the performance of the top 30 publicly listed companies in the Philippines based on market capitalization and is computed using a free-float, market capitalization-weighted methodology. It includes a diversified range of companies from various sectors of the economy including financials, property, industrials, services and holdings firms, among others.

The BPHILMM Index is a systematically designed, rules-based, market value-weighted index that measures the performance of short-term, fixed-rate and zero-coupon local currency securities that are publicly issued by the Philippines. It includes liquid money market instruments such as treasury bills with maturities of less than one year and minimum par amounts of Php3.0Bn.



TOP TEN HOLDINGS (%)

SM	9.5%
ICT	8.5%
BDO	8.2%
BPI	7.0%
AC	6.2%
MER	5.9%
TEL	5.7%
SMPH	5.6%
ALI	5.5%
AP	4.6%

SECTOR HOLDINGS (%)

Holding	24%
Financial	21%
Services	20%
Industrial	18%
Property	16%
Mining	1%

OTHER DISCLOSURES

RELATED PARTY TRANSACTIONS

The Fund has deposits with the Bank Proper, amounting to Php23.09 million, 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

The performance of the Philippine Stock Exchange Index (PSEi) faced renewed challenges as the fourth quarter commenced. Early in October, Bangko Sentral ng Pilipinas (BSP) Governor Eli Remolona commented that they are ready for an off-cycle rate hike, with the aim of keeping inflation expectations anchored. His hawkish tilt was supported when the Philippines' September inflation data was released, with the headline reading accelerating for the second month to 6.10%, bringing the year to date average to 6.60%. Later in the month, the BSP followed through with this message by hiking policy rates by 25bps to 6.50%, and kept the possibility of another similar move during the November monetary board meeting. Meanwhile, long-term bond yields continued their trek upwards, with the PH 10Y rising to 7.00%, while the US 10Y climbed to 5.00%. The latter's move was influenced by the third quarter GDP data of the US printing an annual pace of 4.90%, adding support to the US Federal Reserve's bias to keep policy rates higher for longer. Separately, geopolitical tensions kept the market on edge. News broke that militant group Hamas attacked Israel, in which the latter promptly responded to by launching a large-scale ground invasion into the Gaza strip. The volatility in the oil market increased, with participants keeping an eye as to whether other neighboring nations will get involved in the war. Closer to home, the Philippines and China had another maritime confrontation, with a Chinese vessel

reportedly bumping into a ship of the Philippine Coast Guard. Faced with these long list of risks, the PSEi dropped by 347.46pts or -5.50% during the month to close at the 5973.78 level. This brought the index to a new low for the year, with the year to date performance now at -9.02%.

Looking at the sector performance, Mining and Oil (-9.37%) and Financials (-8.03%) underperformed. Meanwhile, Holding Firms (-5.09%), Industrials (-4.92%), Services (-3.66%), and Property (-2.79%) outperformed, but also slid with the broad market. In terms of individual stock performance, NIKL (-15.90%), AGI (-13.96%), CNVRG (-12.81%), JFC (-10.64%), BPI (-10.27%), and BDO (-10.15%) were the top decliners. Meanwhile, ACEN (+7.94%), TEL (+2.89%), EMI (+0.24%), and CNPF (0.00%) bucked the trend. On the earnings front, a number of corporates have reported their third quarter and 9-month numbers for 2023. By our count, among the index members that have reported so far, 3 were in line (BPI, BDO, MBT), 3 were behind (PGOLD, WLCON, SCC), and 1 was ahead (DMC) of consensus estimates. Financials, particularly the big 3 banks were among the biggest detractors for the PSEi during the month despite meeting consensus earnings estimates, as the BSP reported that the overall bank lending in the system continued to ease for the fifth straight month in August to 7.20%. The BSP attributed this slowdown to the lagged impact of aggressive rate hikes which stood at an accumulated 450bps since they began. Meanwhile, a common theme that names that were behind on earnings pointed to was their higher operating expenses during the year.

With its renewed weakness, the PSEi's forward P/E ratio stood at 10.33x, which is equivalent to an earnings yield of 9.68%. This decline in P/E or increase in the case of earnings yield brings the market to a valuation comparable to the Global Financial Crisis in 2008, and the onset of the pandemic in 2020. While a re-rating to higher valuation may be farther out given the number of risks in the horizon, long term investors can take solace from the fact that corporate earnings continue to grow. Considering the index members that have reported their 9-month performance for the year so far, earnings look on track to meet the +15% growth for this year, bringing the trailing weighted earnings per share of the index to all-time high levels. Earnings are expected to grow by another +10% for 2024 based on analyst estimates.

INVESTMENT POLICY / PROSPECTIVE INVESTMENTS

The Fund may be invested or reinvested in the following:

- a) Equities listed in the PSE which have a regular dividend payment policy and/or track record or regular dividend payments;
- b) Securities issued by or guaranteed by the Philippine government or the Bangko Sentral ng Pilipinas (BSP);
- c) Tradable fixed income securities issued by private and public corporations which are listed and traded in an organized exchange/market such as bonds and notes;
- 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:	1.00% 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.