

## KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT

As of August 31, 2023

### FUND FACTS

<b>Classification:</b>	Money Market Fund	<b>Net Asset Value per Unit (NAVPu):</b>	1.250748
<b>Launch Date:</b>	May 22, 2014	<b>Total Fund Net Asset Value (NAV):</b>	Php4,247.69 million
<b>Minimum Investment :</b>	Php5,000.00	<b>Dealing Day:</b>	Daily up to 12:00nn
<b>Additional Investment:</b>	At least Php1,000.00	<b>Redemption Settlement:</b>	Next banking day from date of notification
<b>Minimum Holding Period:</b>	3 business days	<b>Early Redemption Penalty:</b>	1.0% of the amount redeemed

### FEES<sup>1</sup>

<b>Trustee Fees:</b> 0.0215%	<b>Custodianship Fees:</b> 0.0006%	<b>External Auditor:</b> 0.0002%	<b>Other Fees:</b> None
Chinabank – 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 Php4,317.54 million.

### INVESTMENT OBJECTIVE AND STRATEGY

The Chinabank Short-Term Fund intends to achieve a high level of liquidity and better earnings potential than those offered by money market placements, regular savings deposit and short-term time deposit accounts by investing in a diversified portfolio of marketable financial instruments including deposits issued by financial institutions, money market instruments, government securities, and corporate bonds/notes with an average duration of not more than one (1) year, and preferred shares of stock classified as debt securities. The Fund aims to outperform its benchmark which is the Bloomberg Philippine Sovereign Bond Index Money Market (BPILMM 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 Short-Term 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 not 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.
- **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.

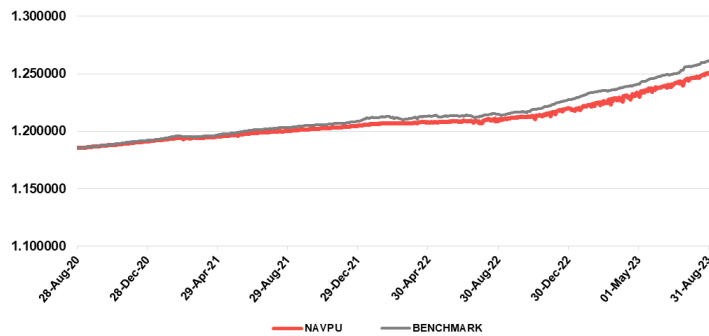
- **THE UITF IS A TRUST PRODUCT AND NOT A DEPOSIT ACCOUNT, AND IS NOT INSURED NOR GOVERNED BY THE PDIC.**
- **THE UITF IS NOT AN OBLIGATION OF, NOR GUARANTEED, NOR INSURED BY THE TRUST ENTITY OR ITS AFFILIATES OR SUBSIDIARIES.**
- **DUE TO THE NATURE OF THE INVESTMENTS OF A UITF, THE RETURNS/YIELDS CANNOT 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.**

For more information, you may call us at (+632) 8885-5863, 8885-5857 and 8885-5884, 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 AUGUST 31, 2023

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

### NAVPU GRAPH



### NAVPU OVER THE PAST 12 MONTHS

Highest	1.250748
Lowest	1.208670

### STATISTICS

Weighted Average Duration	0.33
Volatility, Past 1 year <sup>2</sup>	0.90%
Sharpe Ratio <sup>3</sup>	-0.76
Information Ratio <sup>4</sup>	-3.52

<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.

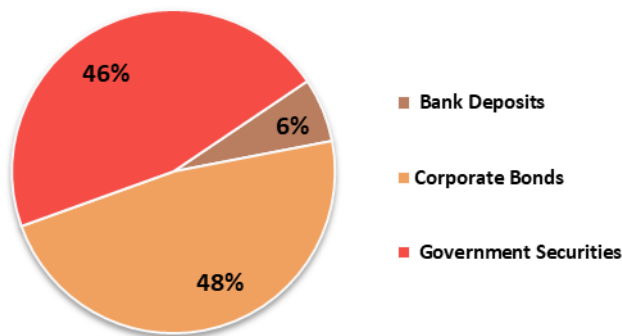
<sup>3</sup>Sharpe Ratio is used to characterize how well the return of a Fund compensates the investor for the level of risk taken. The higher the number, the better. This is computed by dividing the excess return of the fund against the risk-free rate over the fund's volatility.

<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	0.38%	0.99%	2.21%	3.35%	5.52%
Benchmark	0.41%	1.19%	2.12%	3.86%	6.47%

### PORTFOLIO COMPOSITION



### TOP HOLDINGS (%)

BSPL 09.05.23	28.2%
CHIB 02-24	14.2%
BSPL 09.19.23	14.1%
BDO 01-24	13.8%
RCB 05-24	11.7%
Deposit - Other Banks	6.4%
SM 02-25	5.7%
BSPL 09.12.23	2.4%
RTB 03-11	1.0%
FDC 24 R21	0.7%

### OTHER DISCLOSURES

#### RELATED PARTY TRANSACTIONS

The Fund has deposits with the Bank Proper, amounting to Php603.55 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

In August, the yield curve slightly bear flattened versus the previous month on hawkish central bank rhetoric amidst emerging upside risks to inflation. Yields across the curve increased by 1 basis point on average, with the 1-year and below tenors increasing by 6 basis points (bps) on average, and the rest of the curve declining by 3 bps on average. The belly outperformed, with the 3- to 5-year tenors declining by 7 bps, and the 5-year tenor fetching 6.2193%. Meanwhile, underperformers were the 3-months to 1-year tenors, with the 1-year benchmark rising by 11 bps to 6.2632%. The 7- and 10-year tenors both declined by 2 bps, ending at 6.2865% and 6.3936%, respectively. Total traded volume for August declined by 9% to Php494.447 billion versus last month's Php541.469 billion. Trading volume across various security classifications declined except for T-bills which increased by 32% month-on-month. Majority of trades were generated by FXTNs accounting for 35% of trades, followed by Bangko Sentral ng Pilipinas' (BSP) bills generating 28%.

An early market driver was July's inflation print, which declined to 4.7% from 5.4% in June. This figure was below the consensus estimate of 4.9% and fell within BSP's forecasted range of 4.1% to 4.9%. It marked the lowest reading since March 2022, and was attributed to the slower price increase in housing, water, electricity, gas, and other fuels at 4.5% from 5.6% in June. Food inflation also dropped to 6.3% from 6.7%, primarily due to lower meat, fish, and sugar prices. The transport sector also contributed to the decline, with a faster decrease of -4.7%. Core inflation, which excludes volatile food and energy items, also decreased from 7.4% to 6.7% in July.

Meanwhile, the Philippines' gross domestic product (GDP) in 2Q2023 disappointed at 4.3%, a decrease from the 6.4% growth in the previous quarter. Notably, this growth rate fell short of the 6.0% forecasted by economists and is the slowest growth since 2Q2021. The impact of reduced government spending was a significant factor in dragging down the growth figures. Moreover, the slower growth was attributed to the elevated costs of borrowing and commodity prices. With this, growth for 1H2023 reached 5.3%, falling below the government's full-year target of 6.0% to 7.0%. Still, the country's growth

is still relatively strong, ranking lower than Indonesia's 5.2% expansion but surpassing Vietnam's 4.1% and Singapore's modest 0.7% growth.

With inflation easing and GDP coming out lower than expected, the BSP's Monetary Board decided to keep the policy rate at 6.25% in August, despite emerging risks to the inflation outlook. BSP Governor Eli Remolona is not ruling out a rate hike if the data-dependent BSP finds reasons to do so, such as elevated price pressures. Remolona says the Monetary Board recognizes the "challenging outlook" for GDP growth and is one of the reasons for the continued hold decision. Furthermore, the BSP revised upward its inflation forecasts for 2023 to 5.6%, 3.3% for 2024 and 3.4% for 2025.

In the local bond market, the Bureau of Treasury (BTr) fell short of its bond auction program for the month of Php150 billion, awarding only Php110.235 billion, as it rejected defensive bids. The BTr auctioned off 5-year bonds twice, and 6-, 10-, and 15-year bonds that fetched an average of 1.65 times. Yields increased by an average of 35 bps from previous auctions of same tenors. The 10-year auction, a new issue, was met with the most demand, fetching a bid-to-cover ratio of 2.23 times, and a coupon of 6.625%, which was 89 bps higher than the last auction of same tenor in May this year. Meanwhile, T-bill auctions also fell a bit short of their target Php60 billion for the month, having awarded only Php53.935 billion of bids despite bid-to-cover ratio averaging 3.2 times, as yields increased month-on-month. The 91-day T-bill ended the month at 5.573%, up 35 bps from previous month-end, the 182-day T-bill fetched 5.993%, up 20 bps, and the 364-day T-bill fetched 6.297%, up 9 bps from end-July.

For the coming month, we expect the market to remain rangebound and take its cue from the release of the September borrowing program and August's inflation print, as well as movement in US Treasury yields. The BSP expects inflation for August to come out between 4.8 to 5.6%, higher from the July figure of 4.7%, on the back of upside inflationary pressures coming from higher rice and oil prices.

## INVESTMENT POLICY / PROSPECTIVE INVESTMENTS

The Fund may be invested or reinvested in the following:

- (a) Evidences of indebtedness issued by or guaranteed by the government of the Republic of the Philippines or the Bangko Sentral ng Pilipinas (BSP) or any of its subdivisions or instrumentalities;
- (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) Cash, bank deposits and tradable money market instruments issued by accredited financial institutions including the Trustee's own commercial banking and treasury units;
- (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 financial instruments as may be allowed by the BSP.

## OTHER BASIC FUND FACTS

<b>Trust Fee:</b>	0.25% p.a.	<b>Minimum Maintaining Participation:</b>	Php5,000.00
<b>Initial NAVPu:</b>	P1.000000	<b>Redemption Amount:</b>	No minimum amount is imposed provided the minimum maintaining participation is complied with.

## 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).