

## KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT

As of February 29, 2024

### FUND FACTS

<b>Classification:</b>	Money Market Fund	<b>Net Asset Value per Unit (NAVPu):</b>	1.279807
<b>Launch Date:</b>	May 22, 2014	<b>Total Fund Net Asset Value (NAV):</b>	Php3,850.49 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 banking days	<b>Early Redemption Fee:</b>	1.00% of the proceeds

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

<b>Trustee Fees:</b> 0.0201%	<b>Custodianship Fees:</b> 0.0007%	<b>External Auditor:</b> 0.0002%	<b>Other Fees:</b> 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 Php3,902.74 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, BSP securities, corporate bonds/notes with a weighted average portfolio modified duration of not more than one (1) year, and preferred shares classified as debt securities. The Fund aims to outperform its benchmark which is the 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 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 at least 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.

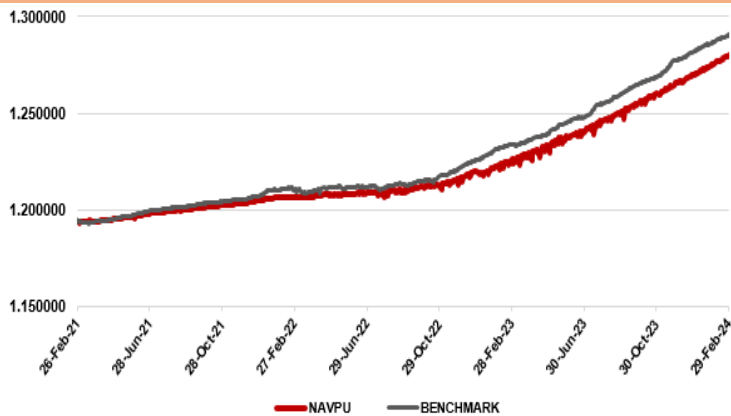
- **THE UITF IS A TRUST PRODUCT AND NOT A DEPOSIT ACCOUNT, AND IS NOT INSURED NOR GOVERNED BY THE PDIC.**
- **THE UITF IS NOT AN OBLIGATION OF, NOR GUARANTEED, NOR INSURED BY THE TRUST ENTITY OR ITS AFFILIATES OR SUBSIDIARIES.**
- **DUE TO THE NATURE OF THE INVESTMENTS OF A UITF, THE RETURNS/YIELDS CANNOT 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 8885-5875, 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 FEBRUARY 29, 2024

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

### NAVPU GRAPH



### NAVPU OVER THE PAST 12 MONTHS

Highest	1.279807
Lowest	1.223223

### STATISTICS

Weighted Average Duration	0.14
Volatility, Past 1 year <sup>2</sup>	0.94%
Sharpe Ratio <sup>3</sup>	0.07
Information Ratio <sup>4</sup>	-0.24

<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.

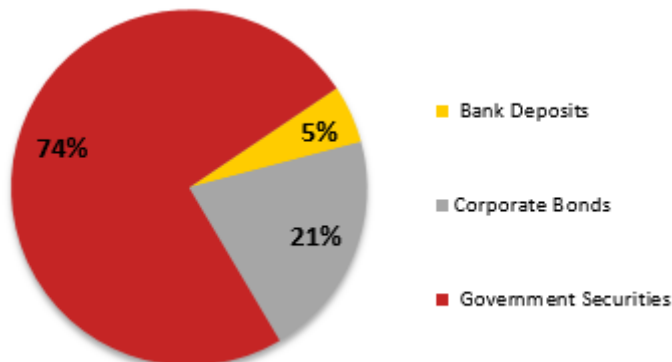
<sup>4</sup>**Information Ratio** measures the reward-to-risk efficiency of the portfolio relative to the benchmark. The higher the number, the higher the reward per unit of risk. This is computed by dividing the excess return of the fund against the benchmark over the fund's volatility.

### CUMULATIVE PERFORMANCE (%)

Period	1mo	3mos	6mos	1yr	3yrs
Fund	0.36%	1.16%	2.32%	4.58%	7.20%
Benchmark	0.34%	1.04%	2.43%	4.62%	8.18%

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. 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 HOLDINGS (%)

BSPL 03.19.24	38.9%
BSPL 03.12.24	18.2%
RCB 05-24	13.0%
SM 02-25	6.4%
Deposit - Own Bank	5.2%
BSPL 03.05.24	5.2%
BSPL 03.19.24	5.2%
BSPL 03.26.24	5.2%
RTB 03-11	1.1%
DNL 09-24	0.5%

## OTHER DISCLOSURES

### RELATED PARTY TRANSACTIONS

The Fund has deposits with the Bank Proper, amounting to Php204.06 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 February, the peso yield curve shifted upwards due to central banks' pushback on policy rate cuts amidst upside inflation risks. Yields on average rose by 15 basis points (bps) across the curve, with the short-end underperforming the rest of the curve. Yields for 1 year and less went up by an average of 16 bps, with the 1-year benchmark ending at 6.1084%. Meanwhile the belly increased by 13 bps on average, as the 2-year and 5-year rates rose 14 and 13 bps to 6.1152% and 6.2048%, respectively. The 10-year rate, on the other hand, went up 7 bps to fetch 6.2404, while the 20- and 25-year yields both rose 19 bps to fetch 6.3103% and 6.3138%, respectively. Total traded volume for the month was Php477.668billion, which was 28% lower than January's volume. Bangko Sentral ng Pilipinas (BSP) bills and RTBs both contributed 29% to total trading volume for February, accounting for Php138.520billion and Php137.015billion, respectively.

As of latest data release, January consumer prices saw a slower increase due to improved food supply, despite concerns about El Niño potentially undermining government efforts to curb inflation. The Consumer Price Index indicated a softer inflation rate of 2.8% in January 2024, down from 3.9% in December. This figure, the lowest since October 2020, fell within the lower end of the BSP's forecast range for the month. It also marked the second consecutive month of inflation easing into the BSP's target range of 2-4%, following a 20-month period of exceeding this range. While there were fewer pressures

leading to price increases last month, particularly in essential food items, the Philippine Statistics Authority noted that a significant portion of the subdued inflation in January was due to base effects.

Although inflation has shown signs of slowing down, other economic indicators suggest strong demand. In January, new vehicle sales surged by 15.5% compared to the previous year, totaling 34,060 units. This increase was primarily fueled by the introduction of new models and the expanding market for electric vehicles. Despite a 13% decrease in sales from the previous month, industry confidence remains high, buoyed by positive business and consumer sentiment. The job market also experienced improvement, with December's unemployment rate dropping to 3.1%, even lower than the previous low of 3.6% in November, attributed to seasonal hiring during the holiday season. Additionally, despite higher interest rates, bank loans and money supply continued to grow in December. Outstanding loans from universal and commercial banks increased by 7% year-on-year, consistent with the growth observed in November. Meanwhile, domestic liquidity (M3) rose by 5.9% year-on-year to Php7.4 trillion in December, slightly lower than the 7% growth recorded in November.

Given the macroeconomic backdrop and latest inflation data, the BSP's Monetary Board left its benchmark interest rate unchanged at 6.5%, as market has expected. The BSP also emphasized its continued hawkish stance, as it recognizes that inflation conditions have improved, but balance of risks remains tilted to the upside. Nonetheless, the BSP expects inflation to settle within the 2-4% target range in the 1<sup>st</sup> quarter and rise above the range from April to July 2024 due to base effects. Moreover, their risk-adjusted inflation forecasts were adjusted downwards in 2024, from 4.2% to 3.9%, and upwards for 2025, from 3.4% to 3.5%.

In the local bond space, the Bureau of Treasury (BTr) revised its Php150billion schedule for February to make way for its retail treasury bond (RTB) offering. It pushed through with its 5- and 20-year auctions and cancelled its 7- and 10-year auctions for the month. However, the 5-year auction early in the month, which came before the RTB announcement, was fully rejected. Meanwhile, the 20-year auction, a new issue, raised Php30billion and was priced at a 6.25% coupon rate and had a bid-to-cover ratio of 3.05 times. Similarly, the RTB, a 5-year issue, was priced at a 6.25% coupon rate. The RTB offering allowed the BTR to raise a total of Php584.86billion of which Php212.72 billion was awarded at the rate-setting auction on February 13, 2024. During the nine-day offer period, an additional Php372.14billion orders came in, of which Php128.69billion was raised in new money and Php243.45billion through the Switch Program.

For the coming month, we expect the market to take its cue from the forthcoming supply of fresh bills and bonds. The BTr is scheduled to auction off 3-, 5-, 7-, and 10-year bonds for the month. The market also awaits the release of the February inflation print on March 05, to provide a possible direction to how the central bank will decide on the policy rate in their next meeting.

## 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 or 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

<b>Trust Fee:</b>	0.25% p.a.	<b>Minimum Maintaining Amount:</b>	Php5,000.00
<b>Initial NAVPu:</b>	P1.000000	<b>Minimum Redemption Amount:</b>	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).