



PNB BALANCED FUND

KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT Month Ended September 30, 2019

FUND FACTS

Classification:	Balanced Fund	Net Asset Value per Unit:	1.441043
Launch Date:	September 8, 2010	Total Fund NAV:	Php 170.26 Million
Minimum Investment:	Php 10,000	Dealing Day:	9:00 to 1:00 PM of any banking day
Additional Investment:	Php 10,000	Redemption Settlement:	T + 3
Minimum Holding Period:	30 calendar days	Early Redemption Charge:	50% of income earned
Trust Fee:	1.25% p.a.	Valuation	Marked-to-Market

FEES*

Trustee Fees:	Taxation Fees:	Other Fees:	External Auditor Fees:
0.1087%	0.0396%	0.0000%	0.0075%
PNB Trust Banking Group	BIR	TOAP Annual Registration Fee	SGV and Co.

Custodianship Fees: 0.0009% Deutsche Bank AG, Manila

*As a percentage of average daily NAV for the month valued at Php 174.26 Million.

INVESTMENT OBJECTIVE AND STRATEGY

The PNB Balanced Fund is suitable for moderately aggressive investors who want the high growth potential of the equities market and the stability and income generating capability of fixed income instruments. These investors understand that capital growth can be achieved by taking on more risks on portions of their investible funds. The Fund aims to outperform its benchmark, which is 50% Philippine Stock Exchange Index (PSEI) and 50% Bloomberg Philippine Sovereign Bond Index Money Market, Adjusted.

CLIENT SUITABILITY

A client profiling process should 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. Clients are advised to read the Declaration of Trust /Plan Rules of the Fund, which may be obtained from the Trustee, before deciding to invest.

- The PNB Balanced Fund is suitable only for investors who have moderately aggressive risk appetite
- Participants are recommended to stay invested in the fund for at least five (5) years.

KEY RISKS AND RISK MANAGEMENT

You should not invest in this Fund if you do not understand or are not comfortable with the accompanying risks.

- **Liquidity Risk** – The possibility for a Trustor to experience losses due to the Fund’s inability to sell or convert assets into cash immediately or in instances where conversion to cash is possible but at a loss.
- **Credit Risk** – The possibility for a Trustor to experience losses in the event the borrower/issuer defaults on his obligation or in the case of a counterparty, when it fails to deliver on the agreed trade.
- **Reinvestment Risk** – This is the risk associated with the possibility that the funds may not be invested at the same rate as it was invested previously.
- **Interest Rate/Price Risk** – This is the possibility for a Trustor to experience losses due to changes in interest rates or due to a decline in the price of a security or a portfolio.
- **Equities Price Risk** – Since the fund has investment in equities, it is also exposed to equities price risk, which is the risk that the fair value of equities decreases as a result of changes in the level of equity indices and the value of individual stocks.

For the fixed income portion of the portfolio, the Fund employs a risk management policy based on duration. Duration measures the sensitivity of NAVPU to interest rate movements. As interest rates rise, bond prices fall. The higher the duration, the more the NAVPU will fluctuate in relation to changes in interest rates. The Fund’s investment strategy and processes are in accordance with the Trustee’s written Desk Manual. Regulatory exposure limits are monitored on a regular basis.

COOLING OFF PROVISION

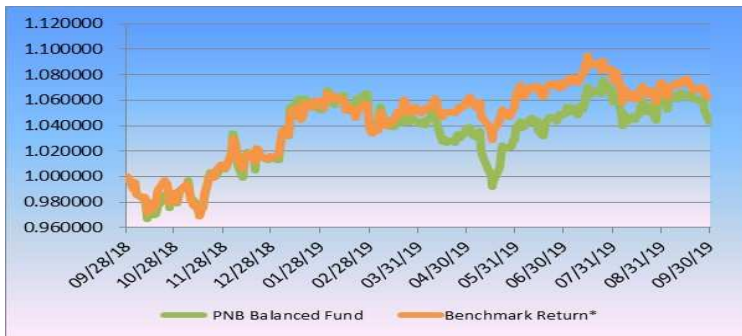
Cooling Off Period - The participant of the Fund may avail of the cooling-off period of two (2) business days immediately following the approval of the participation to cancel his participation without penalty, subject to submission of a written notice during the cooling off period.

✓ **THE UIT FUND IS NOT A DEPOSIT AND IS NOT INSURED BY THE PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC)**
 ✓ **RETURNS CANNOT BE GUARANTEED AND HISTORICAL NAVPU IS FOR ILLUSTRATION OF NAVPU MOVEMENTS/FLUCTUATIONS ONLY**
 ✓ **WHEN REDEEMING, THE PROCEEDS MAY BE WORTH LESS THAN THE ORIGINAL INVESTMENT AND ANY LOSSES WILL BE SOLELY FOR THE ACCOUNT OF THE CLIENT**
 ✓ **THE TRUSTEE IS NOT LIABLE FOR ANY LOSS UNLESS UPON WILLFUL DEFAULT, BAD FAITH OR GROSS NEGLIGENCE**

FUND PERFORMANCE AND STATISTICS AS OF SEPTEMBER 30, 2019

Historical performance, when presented, is purely for reference purposes and is not a guarantee of future results.

NAVPU Graph



Cumulative Performance (%)

Period	1mo	3mos	6mos	1yr	3yrs	S.I**
Fund	-2.06%	-0.37%	-0.05%	4.35%	1.70%	44.10%
Benchmark	-1.14%	-0.72%	0.59%	5.92%	22.11%	62.42%

*The benchmark used is composed of an equal mix (50% each) of BPI MM and PSEi from Oct. 30, 2018 to Nov. 30, 2018; BVAL MM and PSEi from Apr. 29, 2016 to Oct. 29, 2018; and HSLI MM and PSEi from Sep. 8, 2010 to Apr. 28, 2016. The use of BPI MM is temporary until a new benchmark is approved.

**Since Inception

Top 10 Holdings (%)

Company Name	% of Portfolio
SM Investments Corp. (SM)	14.34%
Ayala Corp. (AC)	10.81%
UCPB Savings Time Deposit	8.86%
JG Summit Holdings, Inc. (JGS)	7.03%
Aboitiz Equity Ventures (AEV)	5.52%
GT Capital Holdings, Inc. (GTCAP)	3.27%
Metro Pacific Investments Corp (MPI)	3.04%
Philippine Business Bank Time Deposit	2.97%
RTB 3-9	2.95%
Fixed Rate Treasury Notes 3-23	2.93%

NAVPU over the past 12 months

Highest	1.485902
Lowest	1.334632

Statistics

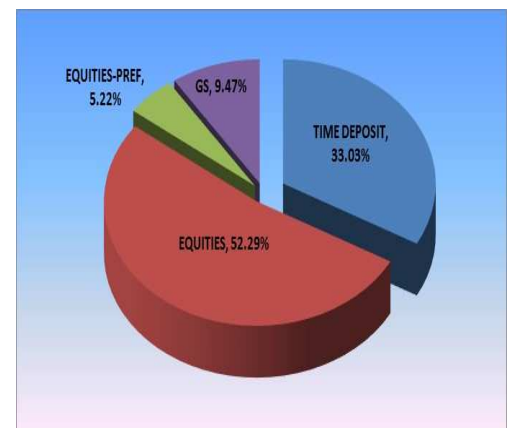
Volatility, Past 1 Year*	2.11%
Sharpe Ratio**	-1.05
Information Ratio***	-0.63

*Volatility measures the degree to which the Fund fluctuates vis-à-vis its average return over a period of time.

**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.

***Information Ratio measures reward-to-risk efficiency of the portfolio relative to the benchmark. The higher the number, the higher the reward per unit of risk.

Portfolio Composition



MARKET OUTLOOK

STOCK MARKET

Monetary easing was seen across major central banks to boost its respective economies, our own Bangko Sentral ng Pilipinas (BSP) cut policy rates by 25 basis points to 4.0%, this was promptly followed by a reduction in Reserve Requirement Ratio (RRR) for banks from 16% to 15%. Still, the local benchmark index September performance slipped 2.51% following a loss of 200.59 points. The PSEi closed at 7,779.07 from last month's 7,979.66.

Foreign investors continued to remain on the sell side to the tune of Php8 billion. There was an increase in average daily turnover to Php6.8 billion, due to the recently concluded FTSE rebalancing. Poor investment sentiment prevailed as trade tensions between US and China including geo-political tensions in the Saudi region weighed heavily on the market. Fears of recession spooked investors as manufacturing index of two of world's biggest economies slipped to contraction levels brought about by prolonged trade war. Philippine manufacturing index maintained an expansionary level at 51.8 against 51.9 in August as strong domestic demand made up for the dip in exports.

BPI, SMPH and ALI led the month's gainers due to expectations cut in policy rates will translate into lower borrowing rates, better loan growth and higher real estate sales. AGI and MEG continued to languish as concerns for the group's exposure to POGO industry remained a concern.

The mining sector continued to rally as Indonesia, the world's biggest nickel ore supplier, implemented a ban on exports earlier than previously announced (2022). The property sector recovered from the August sell off as President Duterte made his stand that POGOs will not be banned. Finance Department however has announced they will go hard on POGOs with tax issues. Move is seen as a positive development as this will weed out unscrupulous POGOs. Telcos continued to drag the services sector as new entrant Dito Telecom is set to start operations early 2020.

Global headwinds will continue to hound the market but investors may find relief on the outcome of the October 10 between US and China trade talk. We maintain our year end target of 8,200-8,400 as Philippine fundamentals remain intact.

LOCAL BOND MARKET

The Bangko Sentral ng Pilipinas (BSP) trimmed its policy rates for the 3rd time this year last September 26. The BSP cut policy rates by 25 basis points to 4.0%. The decision was widely expected given the country's low inflation rate and the US FOMC's decision to cut the Fed Funds Target Rate last September 9.

August inflation was reported at 1.7%, the slowest pace in three (3) years amid lower prices of food, particularly rice. This was also lower than market consensus of 1.8%. On a year to date basis, average inflation stands at 3.0%.

All auctions for the month were fully awarded and oversubscribed, except for the re-issued 20Y Treasury Bonds (FXTN 20-23) which was fully rejected.

A day after the it cut policy rates, the BSP also announced a 100 basis points reduction in the reserve requirement ratio (RRR) for universal banks and commercial banks, thrift banks and rural banks. This will take effect at the start of November. This will set the stage for the release of more funds for lending activities especially for government projects in the pipeline.

With inflation expectation continuing on the downside and monetary easing from various central banks, we expect local bond yields to move with a downward bias. Although volatility may persist in the short term given geopolitical tensions around the globe.

By: Dennis Anthony L. Elayda
Head, Investment Management Division

OTHER DISCLOSURES

Prospective Investments

The following names are among the Fund's approved investment outlets where the Trustee intends to invest depending on its availability or other market driven circumstances:

Type of Investment	Issuer/Borrower	
Government Securities	Republic of the Philippines	
Bank Deposits	Various Banks	
	Banco De Oro Unibank, Inc. Bank of Commerce Bank of the Philippine Islands China Banking Corp. China Bank Savings Development Bank of the Philippines East West Bank Land Bank of the Philippines Metropolitan Bank and Trust Co. Philippine Bank of Communications Philippine Business Bank Philippine National Bank PNB Savings Bank Philippine Savings Bank Rizal Commercial Banking Corp. Robinsons Bank Corp.	Security Bank Corp. Sterling Bank of Asia Union Bank of the Philippines United Coconut Planters Bank UCPB Savings Bank ANZ Bank Chinatrust Commercial Bank Corp. Citigroup Inc. Deutsche Bank HSBC Bank ING Bank JP Morgan Maybank Standard Chartered Bank
Corporate Bonds	Various Corporations	
Equities	Stocks listed in the Philippine Stock Exchange (PSE)	

Related Party Transactions

The Fund has deposits with the Bank Proper and outstanding investments with the following companies related to Philippine National Bank (PNB):

Company Name	Amount
Equity	
San Miguel Corporation (SMC)	4, 703, 387.50
Metro Pacific Investments Corp. (MPI)	5, 235,972.00
LT Group, Inc. (LTG)	3, 434, 816.00
GT Capital Holdings, Inc. (GTCAP)	5, 632, 138.00
Fixed Income	
Philippine National Bank	6, 304, 055.68
PNB Savings Bank	18, 375, 175.78

Investments in the said outlets were approved by the PNB Board of Directors. Likewise, all related party transactions are conducted on an arm's length and best execution basis and within established limits.