

PNB HIGH DIVIDEND FUND



KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT

Month Ended March 31, 2021

FUND FACTS

Classification:	Equity Fund	Net Asset Value per Unit (NAVPU):	1.182383
Launch Date:	June 15, 2012	Total Fund NAV:	Php 813.51 Million
Minimum / Additional Investment – Class I:	Php 10,000 (via any PNB branch)	Dealing Day:	9:00 to 1:00 PM of any banking day
Minimum / Additional Investment – Class II:	Php 2,000 (via PNB UITF Online)	Redemption Settlement:	T + 3
Minimum Holding Period:	30 calendar days	Early Redemption Charge:	50% of income earned
Trust Fee:	2.00% p.a.	Valuation:	Marked-to-Market

FEES*

Trustee Fees:	Taxation Fees:	Other Fees**:	External Auditor Fees:
<u>0.1721%</u>	<u>0.0681%</u>	<u>0.0000%</u>	<u>0.0000%</u>
PNB Trust Banking Group	BIR	None	SGV and Co.
Custodianship Fees: 0.0000% Deutsche Bank AG, Manila			

*As a percentage of average daily NAV for the month valued at Php 811.96 Million.

**Other Fees may include transaction, broker's, and TOAP website fees.

INVESTMENT OBJECTIVE AND STRATEGY

The PNB High Dividend Fund seeks dividend income and long-term capital appreciation by investing in listed companies belonging to the PSE with history of paying dividends and with dividend yields that meet the yield requirement as determined by the Fund Manager and approved by the PNB Investment Review Committee. The Fund aims to outperform its benchmark, which is 100% PSEi.

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 High Dividend Fund is suitable for investors who have 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.
- **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.

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

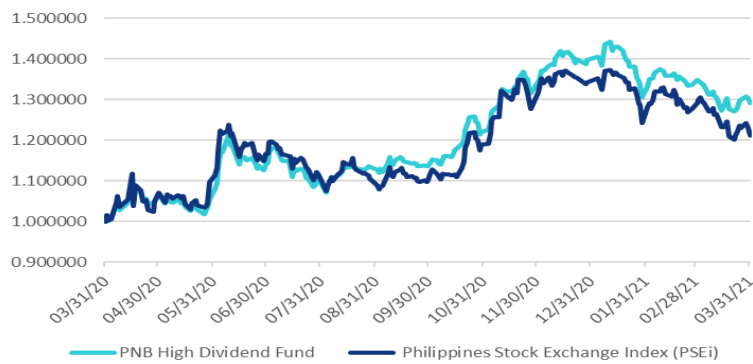
Cooling Off Period - The participant of the Fund may avail of the cooling-off period of two (2) business days immediately following the approval of the participation to cancel his participation without penalty, subject to submission of a written notice during the cooling off period.

- **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

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

NAVPU Graph



Cumulative Performance (%)

Period	1 mo	3 mos	6 mos	1 yr	3 yrs	S.I.*
Fund	-3.37%	-7.59%	13.67%	29.05%	-16.86%	18.24%
Benchmark	-5.18%	-9.76%	9.87%	21.08%	-19.26%	30.67%

*Since Inception

Top 10 Holdings (%)

Company Name	% of Portfolio
PNB Time Deposit	8.17%
Universal Robina Corporation (URC)	4.91%
PLDT Inc. (TEL)	4.55%
DMCI Holdings, Inc. (DMC)	4.46%
Semirara Mining and Power Corporation (SCC)	4.36%
First Gen Corporation (FGEN)	4.28%
Manila Electric Co. (MER)	4.25%
International Container Terminal Services Inc. (ICT)	4.02%
Security Bank Corporation (SECB)	3.98%
Globe Telecom, Inc. (GLO)	3.93%

NAVPU over the past 12 months

Highest	1.320637
Lowest	0.916227

Statistics

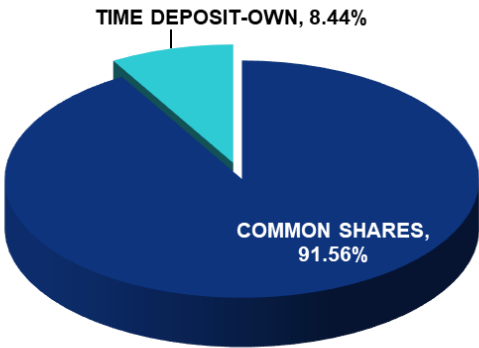
Volatility, Past 1 Year*	5.64%
Sharpe Ratio**	-0.60
Information Ratio***	-0.29

*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

The PSEi fell 5.18% or 351.77 points to close at 6,443.09 in March as resurgence of COVID-19 infections forced government to reimpose lockdown measures from March 24 to April 4, which was later extended to April 11. At 6443.09, the index is down 9.76% as of 1Q21, down 696.62 points from last years close of 7,139.71. Market participation remained 66% skewed towards locals, with foreigners at 34%. Adding pressure to the market was February inflation print of 4.7%, the highest since 4.4% recorded in January 2019. February inflation is the fifth straight monthly increase following January’s 4.2%. Surge was driven by food and transport costs.

Foreign funds continued to net sellers, average daily foreign selling amounted to Php473.72mm while total net foreign selling amounted to Php10.90bb.

BSP Governor Benjamin Diokno said over Php150bb in non-performing asset could be disposed under the FIST (Financial Institutions Strategic Transfer) Law. The estimate is based on the Asian Financial Crisis experience of which 30% of the banking system NPAs were sold under the Special Purpose Vehicle Act. As of January 2021, the banking industry’s NPA amounted to Php509bb or 2.6% of gross assets. Financial institutions will be allowed to clean up balance sheets by offloading NPAs and bad loans to FIST Corporations. The FIST Law is expected to aid banks which has increased its NPL provisioning for 2020.

Purchasing Managers Index continued to move higher in March although at a slower pace. 1Q21 average PMI is 52.4% against 1Q20’s 48.0%. Manufacturers reported a marginal rise in new order volume despite drop in overseas demand. Expectations of an improving demand led manufacturing firms to add to their inventories.

CREATE Act was finally signed into law by the President. The law lowers corporate income tax from 30% to 25% for large corporations and 20% for small and medium corporations. The new tax reform reduces corporate income tax to a level more aligned with our ASEAN neighbors. Seen as vital for the recovery of the economy.

FUND PERFORMANCE AND STATISTICS

The country’s second REIT offering was listed this month. DDMPR, despite strong market expectations due to previous stellar IPO performances of “InJap” stocks, this time performed below par after it listed in March 24. Offered at Php2.25, the stock closed at Php2.15 at month’s end.

Banco De Oro Unibank posted a net income of Php28.2bb in 2020 from Php44.2bb in 2019, as pre-emptive provisions of Php30.2bb was set aside against potential delinquencies brought about by the COVID-19 pandemic. Net interest income grew 12% to Php133.7bb, loans grew 3% to Php2.3tt, whereas CASA deposits went up 17% to Php2.1tt.

Ayala Land said that it expects recovery in 2H21 and is preparing Php100bb worth of projects in the pipeline. The company believes however it will take 2 to 3 years to return to pre-pandemic levels. Around 44% of capex will be used for residential projects, 26% for land acquisition and 13% for estate development. Balance will be allocated for hotels, resorts, offices and malls.

PLDT core earnings grew 8% to Php7.5bb in 4Q20, whereas core net income for full year 2020 rose by 8% to Php25.1bb. Driven by strong performances from mobile data and home broadband, PLDT declared Php40 cash dividend in 1Q21 against P39 in 1Q20.

Metro Pacific core net income fell 19% year on year to Php2.5bb in 4Q20, bringing 2020 income to Php10.2bn or a decline of 34%. Operating income from subsidiaries took a hit from reduced toll road traffic, suspended and reduced rail services, and decreased demand for water and power.

Market is expected to trade with caution in near term as the country continues to struggle to contain the pandemic and copes with rising unemployment and inflation. Downside risk is offset by opportunity to position as faster rollout in vaccine by 3Q21 which will eventually boost economic activity. Support levels are at 5,900 and 6,200 areas. Resistance at 6,500 and 6,700 level.

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	
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 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
Equities	PSE stocks that have high dividend yields	

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	
Metropolitan Bank & Trust Company (MBT)	31,143,802.80
Metro Pacific Investments Corp. (MPI)	30,671,740.00
GT Capital Holdings, Inc. (GTCAP)	29,754,000.00
Fixed Income	
Philippine National Bank	68,743,327.26

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.