

PNB INSTITUTIONAL MONEY MARKET FUND

KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT

Month Ended December 31, 2020

FUND FACTS

Classification:	Money Market Fund	Net Asset Value per Unit (NAVPU):	1.152453
Launch Date:	February 14, 2014	Total Fund NAV:	Php 1.08 Billion
Minimum Investment:	Php 10 Million	Dealing Day:	9:00 to 12:00 NN of any banking day
Additional Investment:	Php 1 Million	Redemption Settlement:	T + 0
Minimum Holding Period:	3 banking days	Early Redemption Charge:	50% of income earned
Trust Fee:	0.125% p.a. of FV	Valuation	Accrual

FEES*

Trustee Fees:	Taxation Fees:	Other Fees**:	External Auditor Fees:
<u>0.0108%</u>	<u>0.0117%</u>	<u>0.0000%</u>	<u>0.0000%</u>
PNB Trust Banking Group	BIR	None	SGV and Co.

*As a percentage of average daily NAV for the month valued at Php 1.07 Billion.

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

INVESTMENT OBJECTIVE AND STRATEGY

The PNB Institutional Money Market Fund was specifically created to meet the investment needs of institutional investors. It is invested in a portfolio of bank deposits with a maximum weighted average duration of one year. The Fund aims to outperform its benchmark, which is the moving average of the Philippines 30 Day Special Savings Rate General Average, net of taxes.

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 Institutional Money Market Fund is suitable for large institutional investors who have conservative risk appetite.
- Participants are recommended to stay invested in the fund for at least one (1) year.

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.

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

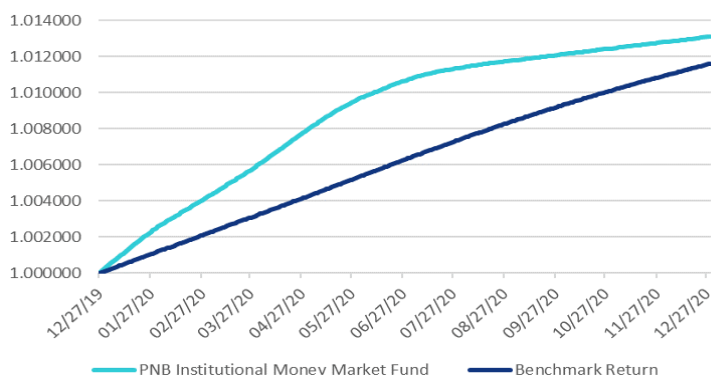
Cooling Off Period - The participant of the Fund may avail of the cooling-off period of two (2) business days immediately following the approval of the participation to cancel his participation without penalty, subject to submission of a written notice during the cooling off period.

✓ **THE UITF 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 DECEMBER 31, 2020

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

NAVPU Graph



NAVPU over the past 12 months

Highest	1.152453
Lowest	1.137532

Statistics

Weighted Ave. Duration	0.18
Volatility, Past 1 Year*	0.01%
Sharpe Ratio**	-0.98
Information Ratio***	2.93

*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.

Cumulative Performance (%)

Period	1 mo	3 mos	6 mos	1 yr	3 yrs	S.I.**
Fund	0.04%	0.10%	0.24%	1.31%	8.43%	15.25%
Benchmark*	0.02%	0.07%	0.19%	0.82%	3.24%	6.58%

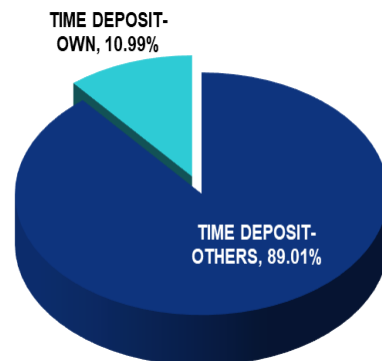
*The use of three banks' average Time Deposit rates as replacement for the discontinued PSAVAVE rates is temporary until a new benchmark is approved.

**Since Inception

Top 10 Holdings (%)

Company Name	% of Portfolio
RCBC Time Deposit	7.21%
UCPB Savings Time Deposit	6.44%
Philippine Bank of Communications Time Deposit	6.00%
BDO Time Deposit	5.12%
China Bank Time Deposit	5.09%
Union Bank of the Philippines Time Deposit	4.99%
Philippine National Bank Time Deposit	4.61%
China Bank Time Deposit	4.61%
Bank of Commerce Time Deposit	3.88%
Union Bank of the Philippines Time Deposit	3.70%

Portfolio Composition



MARKET OUTLOOK

LOCAL BOND MARKET

Yields on government securities from 1-month up to 7-year tenor papers ended lower while 10-year to 25-year bonds were higher month-on-month in December as market focuses on the vaccine availability in the country. Rate of 4-year bond declined the most, losing 15bps to close at 2.299%, followed by five-, three-, two-, and seven-year bonds, which dropped 13.4bps, 12.8bps, 7.6bps, and 4.8bps, to end at 2.503%, 2.077%, 1.846%, and 2.783%, respectively. One year and less papers shed an average of just 0.78 bps. On the other hand, 25-, 20-, and 10-year bonds went up by 9bps, 8.7bps, and 4.3bps, to yield 3.95%, 3.965%, and 2.996%, respectively.

BSP said that it may keep a low interest environment through 2022 to help the country fully recover from the impact of the pandemic. It also expected that they will keep the rates at this level until the economy is growing by about 6.5-7.5% and unemployment has come down to 5% range. It maintained the policy rate at 2.00% last December meeting, in-line with market expectations. It will likely have a rate cut pause at least through the first half of 2021, but further cuts will still be on the table depending on the inflation level and the need for further monetary easing. Gov. Diokno also reiterated his commitment to cut RRR, which is currently at 12%, to single digits by 2023.

December inflation was faster than expected at 3.5%, driven by the heavily-weighted food and non-alcoholic beverages sector to hit the highest level since February 2019. This brought the full-year 2020 average to 2.6%, same with BSP's revised forecast last December MB meeting and still well within the official target range of 2%-4%. It has raised its inflation forecast at 3.2% for 2021 (from 2.7%) due to increase in crude oil prices and the higher-than-expected food inflation in November. The 2022 forecast was kept at 2.9%.

FUND PERFORMANCE AND STATISTICS AS OF DECEMBER 31, 2020

Bureau of the Treasury has set a P140Bn borrowing program for January, higher than the P120Bn program last December. BTr's planning to borrow P80Bn of Treasury Bills and P60Bn of Treasury bonds for this month. 10-year auction last December was fully awarded for P30Bn and had a successful tap facility amounting to additional P10Bn. Demand reached P70.45Bn, showing investors continuing to prefer safe haven assets as the coronavirus persists.

On the other hand, Philippines is targeting to secure 148 million doses of COVID-19 vaccines from around seven companies this year. Vaccine czar Carlito Galvez, Jr. said that they are in "advanced stages of negotiations" with American pharmaceutical companies Novavax, Pfizer, and Johnson and Johnson, Chinese drugmaker Sinovac, and Russian medical research institute Gamaleya. Aside from the doses that will be secured through bilateral agreements, the country also stands to receive "fully subsidized" COVID-19 vaccines for 22 million Filipinos through the COVAX facility. COVAX is a global initiative to ensure countries' "equitable access" to safe and effective coronavirus vaccines. In the 2021 national budget, P72.5Bn was set aside for COVID-19 vaccines, but only P2.5Bn is funded by available cash. The rest can only be accessed once a vaccine is ready for purchase in the country, to be sourced through loans.

We expect yields to move rangebound with an upward bias given higher inflation print for December and with BSP signalling rate cut pause for the first half of the year.

STRATEGY

The Fund will continue to invest in high yielding deposit instruments.

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:

Accredited Banks		
Banco De Oro Unibank, Inc.	Philippine Business Bank	ANZ Bank
Bank of Commerce	Philippine National Bank	Chinatrust Commercial Bank Corp.
Bank of the Philippine Islands	Philippine Savings Bank	Citigroup Inc.
China Banking Corp.	Rizal Commercial Banking Corp.	Deutsche Bank
China Bank Savings	Robinsons Bank Corp.	HSBC Bank
Development Bank of the Phil.	Security Bank Corp.	ING Bank
East West Bank	Sterling Bank of Asia	JP Morgan
Land Bank of the Philippines	Union Bank of the Philippines	Maybank
Metropolitan Bank and Trust Co.	United Coconut Planters Bank	Standard Chartered Bank
Philippine Bank of Communications	UCPB Savings Bank	

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
Philippine National Bank	119,164,835.15

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.