

PNB PESO FIXED INCOME FUND



KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT

Month Ended April 30, 2021

FUND FACTS

Classification:	Money Market Fund	Net Asset Value per Unit (NAVPU):	1.081500
Launch Date:	July 16, 2018	Total Fund NAV:	Php 1.79 Billion
Minimum / Additional Investment – Class I:	Php 10,000 (via any PNB branch)	Dealing Day:	9:00 to 12:00 NN of any banking day
Minimum / Additional Investment – Class II:	Php 2,000 (via PNB UITF Online)	Redemption Settlement:	T + 1
Minimum Holding Period:	5 banking days	Early Redemption Charge:	50% of income earned
Trust Fee:	0.25% p.a.	Valuation:	Marked-to-Market

FEES*

Trustee Fees:	Taxation Fees:	Other Fees**:	External Auditor Fees:
<u>0.0208%</u>	<u>0.0118%</u>	<u>0.0001%</u>	<u>0.0000%</u>
PNB Trust Banking Group	BIR	Others	SGV and Co.
Custodianship Fees: 0.0001% Deutsche Bank AG, Manila			

*As a percentage of average daily NAV for the month valued at Php 1.83 Billion.

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

INVESTMENT OBJECTIVE AND STRATEGY

The PNB Peso Fixed Income Fund is invested in a diversified portfolio of bank deposits and fixed income instruments issued by the Philippine government with a portfolio weighted average duration of up to one year. The Fund aims to outperform its benchmark, which is 50% moving average of the Philippine 30-Day Special Savings Rate General Average, net of taxes 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 Peso Fixed Income Fund is suitable for 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.
- **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.

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

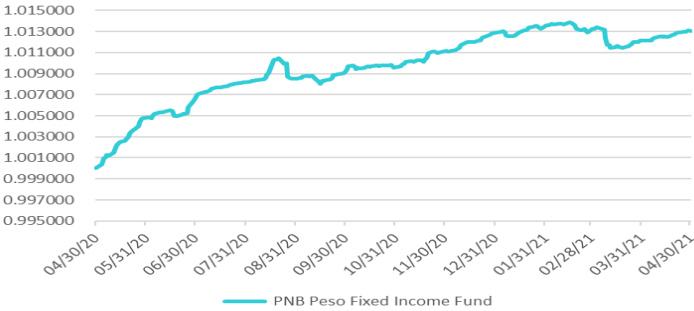
Cooling Off Period - The participant of the Fund may avail of the cooling-off period of two (2) business days immediately following the approval of the participation to cancel his participation without penalty, subject to submission of a written notice during the cooling off period.

- **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

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	1.082329
Lowest	1.067540

Statistics

Weighted Ave. Duration	0.69
Volatility, Past 1 Year*	0.04%
Sharpe Ratio**	0.90
Information Ratio***	-0.08

*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	0.09%	-0.03%	0.35%	1.31%	N/A	8.15%
Benchmark*	0.06%	0.15%	0.41%	1.38%	N/A	6.49%

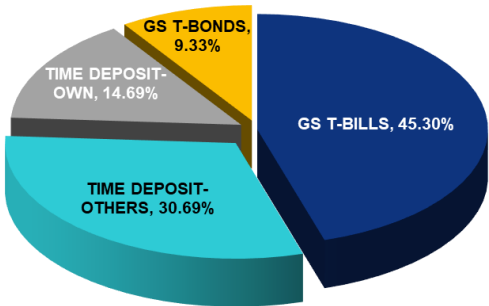
*The benchmark used is composed of an equal mix (50% each) of BPI MM and three banks' average Time Deposit rates from May 2020 up to present; BPI MM and PSAVAVE from Oct. 30, 2018 up to April 2020; BVAL MM and PSAVAVE from July 16, 2018 to Oct. 29, 2018. The use of BPI MM and three banks' average Time Deposit rates is temporary until a new benchmark is approved.

**Since Inception

Top 10 Holdings (%)

Company Name	% of Portfolio
Treasury Bills 06/16/2021	6.15%
RTB 5-13	4.58%
Treasury Bills 08/04/2021	3.91%
Security Bank Time Deposit	3.48%
Treasury Bills 09/08/2021	3.46%
PNB Time Deposit	2.80%
PNB Time Deposit	2.80%
PNB Time Deposit	2.80%
PNB Time Deposit	2.80%
Treasury Bills 08/18/2021	2.79%

Portfolio Composition



MARKET OUTLOOK: LOCAL BOND MARKET

Yields on government securities mostly fell month-on-month amid expectations of tamer CPI figures for the next months and following lower US Treasury rates. Only 1month to 6month treasury bills advanced with 1M, 3M, 6M papers continued to increase by 13.65bps, 5.02 bps, 10.5bps to 1.2127%, 1.3458%, and 1.6444% respectively. One-, two-, three-, four-, five-, and seven-year bonds dropped by 5.31bps, 9.52bps, 11.06bps, 12.65bps, 18.4bps, and 35.15bps to end at 1.8816, 2.3659%, 2.7225%, 2.9987%, 3.2305%, and 3.6236%, respectively. Longer-tenored bonds also declined, with 10-, 20-, and 25-yr paper closed lower by 26.54bps, 11.49bps, and 10.62bps to 4.1287%, 4.8299%, and 4.8239%, respectively.

Buying momentum was sustained after the release of March CPI which came at 4.5%. Bond yields also tracked US Treasuries as it traded to 1month lows. The BTR was able to award 35Bn of its new 7yr bond at 3.625%, about 5bps lower than the prevailing 7yr BVAL rate due to high demand. It gained 90Bn worth of tenders, bid-to-cover ratio was at 2.6x, stronger than 5yr auction this month (2.3x). BTr decided to open the tap facility for an additional 25Bn, making the total size to 60Bn. This is the first time BTR has tapped by this much, and the last tap they did was also for a 7yr bond back in January but for just 10Bn.

BSP once again reiterated its stance on being accommodative to support the country's recovery. BSP Governor Diokno said at the pre-State of the Nation Address of the government's economic cluster last April 26 that they still have room if there is a need for further reductions in banks' reserve requirement ratios. Last year, the Central Bank cut borrowing costs by 200bps and reserve requirement by 400bps, infusing around P2Trillion liquidity into the financial system.

The Asian Development Bank (ADB) cut its 2021 Philippine GDP forecast to 4.5% from 6.5% previously. Their

FUND PERFORMANCE AND STATISTICS

latest forecast was a “floor”, meaning they expected the growth rate to be a minimum of 4.5% but it could be higher. The revised growth estimate already took into consideration the effects of the reimposed tighter quarantine measures in NCR and neighboring provinces. ADB expects the recovery in the Philippines to be fragile, as uncertainties throughout COVID-19 pandemic continue to weigh on household and business sentiment.

Purchasing managers’ index (PMI) slumped to 49.0 in April from 52.2 in March; the last time it was below 50 was in December (note: PMI of above 50 signals expansion, while less than 50 is a contraction). Nevertheless, the reading last month is higher by 55.1% y/y. According to IHS Markit, many factories suspended their operations and demand declined sharply due to renewed lockdown restrictions in the “NCR Plus”.

April inflation was steady at 4.5%, unchanged from March and below market forecast of 4.7%, as slower price increases for key food items such as rice and vegetables offset higher energy costs. BSP said the data was in line with its projection that inflation would remain elevated this year, particularly due to pressures from high pork prices after African swine fever outbreaks reduced supply.

We expect yields to move rangebound with downward bias in the near term, taking its cue on lower USTs and as market players might reposition ahead of PH 1Q GDP to be released on May 11.

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	262,228,680.48

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.