

# PNB PESO FIXED INCOME FUND



## KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT

Month Ended March 31, 2021

### FUND FACTS

<b>Classification:</b>	Money Market Fund	<b>Net Asset Value per Unit (NAVPU):</b>	1.080528
<b>Launch Date:</b>	July 16, 2018	<b>Total Fund NAV:</b>	Php 1.87 Billion
<b>Minimum / Additional Investment – Class I:</b>	Php 10,000 (via any PNB branch)	<b>Dealing Day:</b>	9:00 to 12:00 NN of any banking day
<b>Minimum / Additional Investment – Class II:</b>	Php 2,000 (via PNB UITF Online)	<b>Redemption Settlement:</b>	T + 1
<b>Minimum Holding Period:</b>	5 banking days	<b>Early Redemption Charge:</b>	50% of income earned
<b>Trust Fee:</b>	0.25% p.a.	<b>Valuation:</b>	Marked-to-Market

### FEES\*

<b>Trustee Fees:</b>	<b>Taxation Fees:</b>	<b>Other Fees**:</b>	<b>External Auditor Fees:</b>
<u>0.0216%</u>	<u>0.0131%</u>	<u>0.0034%</u>	<u>0.0000%</u>
PNB Trust Banking Group	BIR	Others	SGV and Co.
<b>Custodianship Fees:</b> 0.0000% Deutsche Bank AG, Manila			

\*As a percentage of average daily NAV for the month valued at Php 2.05 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

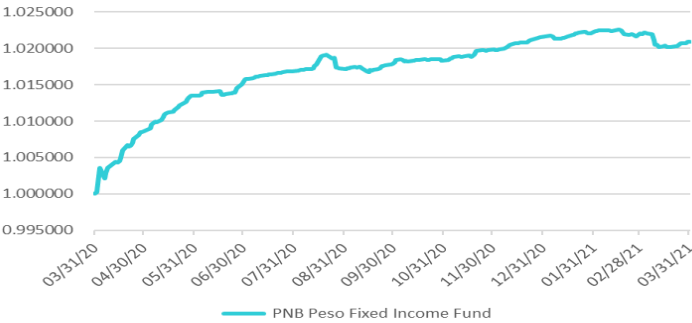
**Cooling Off Period** - The participant of the Fund may avail of the cooling-off period of two (2) business days immediately following the approval of the participation to cancel his participation without penalty, subject to submission of a written notice during the cooling off period.

- **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



Cumulative Performance (%)

Period	1 mo	3 mos	6 mos	1 yr	3 yrs	S.I.**
Fund	-0.07%	-0.07%	0.30%	2.09%	N/A	8.05%
Benchmark*	0.02%	0.17%	0.43%	1.75%	N/A	6.42%

\*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	5.81%
RTB 5-13	4.31%
Security Bank Time Deposit	3.29%
Treasury Bills 09/08/2021	3.26%
Treasury Bills 08/04/2021	2.90%
China Bank Time Deposit	2.82%
PNB Time Deposit	2.65%
PNB Time Deposit	2.65%
PNB Time Deposit	2.65%
PNB Time Deposit	2.65%

NAVPU over the past 12 months

Highest	1.082329
Lowest	1.058401

Statistics

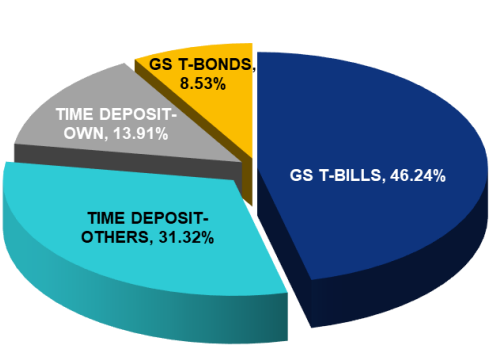
Weighted Ave. Duration	0.67
Volatility, Past 1 Year*	0.15%
Sharpe Ratio**	-0.91
Information Ratio***	-0.12

\*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: LOCAL BOND MARKET

Yields on government securities advanced month-on-month amid rising COVID-19 cases in the country and the imposition of stricter lockdown in Metro Manila and nearby provinces. 1M, 3M, 6M, and 1yr papers increased by 22.2bps, 29.5 bps, 36.5bps, and 25.3bps to 1.1106%, 1.2839%, 1.5198%, and 1.9078% respectively. Likewise, two-, three-, four-, five-, and seven-year bonds jumped by 31.7bps, 35.7bps, 35.7bps, 37.7bps, and 50.8bps to end at 2.419%, 2.7887%, 3.087%, 3.3947%, and 4.0138%, respectively. Longer-tenored bonds also climbed, 10-, 20-, and 25-yr paper closed higher by 46.9bps, 8.7bps, and 7.6bps to 4.4085%, 4.9389%, and 4.9297%, respectively.

NCR and neighboring provinces (Bulacan, Cavite, Laguna, and Rizal) were placed under Enhanced Community Quarantine (ECQ) from March 29 to April 11 to control the spike in coronavirus cases. Reimposed stricter restrictions dampen growth expectations in the country. The National Economic and Development Authority (NEDA) earlier estimated the two-week enhanced community quarantine (ECQ) in Metro Manila, Bulacan, Cavite, Laguna, and Rizal may trim 0.8 percentage point off the GDP this year. Other international organizations have also reduced growth forecasts due to rising COVID-19 cases. The World Bank cut its Philippine growth outlook to 5.5% for 2021 from 5.9% previously, while ASEAN+3 Macroeconomic Research Office (AMRO) lowered its estimate to 6.9% from 7.4%. The United Nations Economic and Social Commission for Asia and the Pacific (UN-ESCAP) has also cut its growth estimate for the Philippines to 6.5% from 7% previously. On the other hand, IMF said it expects the country to grow by 6.9% this year, faster than the 6.6% estimate it gave in January, but it cautioned that the tighter restrictions and spike in daily cases are significant risks to their outlook.

BSP held its monetary board meeting last March 25 and kept its policy rates unchanged at 2.00%. They will likely keep its key rates steady for the rest of the year, looking past higher-than-expected inflation rate to focus on economic recovery of the country. BSP also updated inflation forecast this year at 4.2% from 4.0%, reflecting the

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impact of supply-side constraints on food prices and higher international oil prices. It also revised 2022 CPI forecast at 2.8% from 2.7%.

Philippine CPI in March was lower-than-expected at 4.5%, vs. expectations of 4.9%, and slower than 4.7% print in February. Year-to-date inflation settled at 4.5%, beyond the BSP’s 2-4% target this year and above the forecast of 4.2% for the entire year. Easing was attributed to lower prices in food and non-alcoholic beverages due to “normalization” of supply conditions following weather hurdles in 4Q20. Better-than-expected March CPI causes some relief rally in the bond market.

The Philippine government announced on April 7 that it will provide more market access for pork imports and will reduce pork tariffs for 1 year to combat rising pork prices and stabilize supplies. Import duties on fresh, chilled, or frozen pork within the minimum access volume (MAV) will be lowered from 30% currently to 5% in the next 3 months. It will increase to 10% for the following 9 months. For those outside the MAV, the rate will be reduced from 40% to 15% and 20%, respectively.

**We expect yields to move rangebound with downward bias in the near term as market players might reposition to price in the effect of the Executive Order lowering pork tariffs that will address the supply-side pressure on inflation.**

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	262,600,716.47

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.