



PNB PESO FIXED INCOME FUND

KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT

September 30, 2019

FUND FACTS

Classification:	Money Market Fund	Net Asset Value per Unit:	1.046612
Launch Date:	July 16, 2018	Total Fund NAV:	Php 448.29 Million
Minimum Investment:	Php 10,000	Dealing Day:	9:00 to 12:00 NN of any banking day
Additional Investment:	Php 10,000	Redemption Settlement:	T + 0
Minimum Holding Period:	5 banking days	Early Redemption Charge:	50% of income earned
Trust Fee:	0.5% p.a.	Valuation	Marked-to-Market

FEES*

Trustee Fees: <u>0.0427%</u> PNB Trust Banking Group	Taxation Fees: <u>0.0596%</u> BIR	Other Fees: <u>0.0001%</u> TOAP Annual Registration Fee	External Auditor Fees: <u>0.0001%</u> SGV and Co.
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Custodianship Fees: 0.0004% Deutsche Bank AG, Manila

*As a percentage of average daily NAV for the month valued at Php 423.07 Million.

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 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

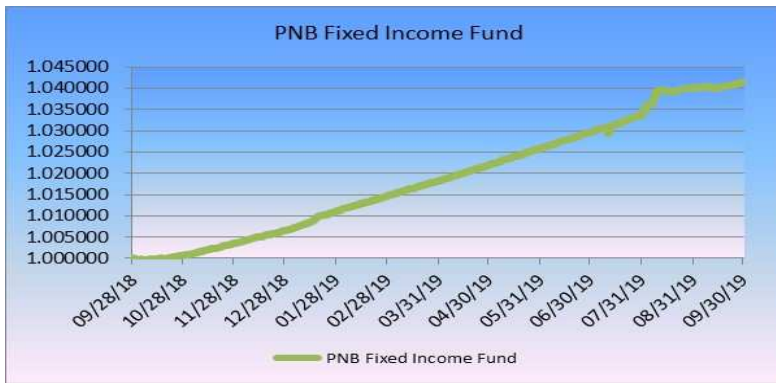
Cooling Off Period - The participant of the Fund may avail of the cooling-off period of two (2) business days immediately following the approval of the participation to cancel his participation without penalty, subject to submission of a written notice during the cooling off period.

- ✓ **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 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	0.14%	1.17%	2.30%	4.15%	N/A	4.66%
Benchmark	0.17%	0.82%	1.81%	3.12%	N/A	3.50%

*The benchmark used is composed of an equal mix (50% each) of BPI MM and PSAVAVE from Oct. 30, 2018 to Nov. 30, 2018; BVAL MM and PSAVAVE from July 16, 2018 to Oct. 29, 2018. The use of BPI MM is temporary until a new benchmark is approved.

**Since Inception

Top 10 Holdings (%)

Company Name	% of Portfolio
Fixed Rate Treasury Notes 3-24	4.56%
Banco De Oro Time Deposit	4.46%
UCPB Time Deposit	3.59%
Philippine National Bank Time Deposit	3.57%
Rizal Commercial Banking Corp. Time Deposit	3.57%
RTB 5-11	3.39%
Rizal Commercial Banking Corp. Time Deposit	3.35%
UCPB Time Deposit	3.35%
China Bank Time Deposit	2.46%
RTB 5-12	2.38%

NAVPU over the past 12 months

Highest	1.046612
Lowest	1.004478

Statistics

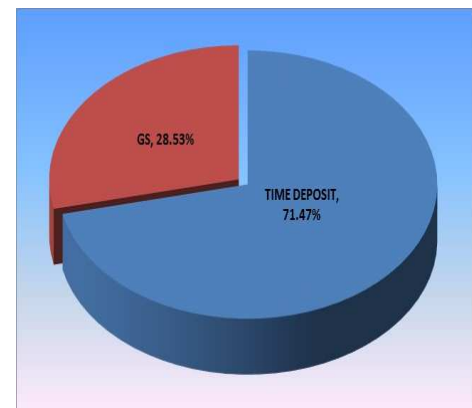
Weighted Ave. Duration	0.70
Volatility, Past 1 Month*	0.10%
Sharpe Ratio**	-0.10
Information Ratio***	0.44

*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

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:

Accredited Banks		
Banco De Oro Unibank, Inc.	Philippine Business Bank	UCPB Savings Bank
Bank of Commerce	Philippine National Bank	ANZ Bank
Bank of the Philippine Islands	PNB Savings Bank	Chinatrust Commercial Bank Corp.
China Banking Corp.	Philippine Savings Bank	Citigroup Inc.
China Bank Savings	Rizal Commercial Banking Corp.	Deutsche Bank
Development Bank of the Phil.	Robinsons Bank Corp.	HSBC Bank
East West Bank	Security Bank Corp.	ING Bank
Land Bank of the Philippines	Sterling Bank of Asia	JP Morgan
Metropolitan Bank and Trust Co.	Union Bank of the Philippines	Maybank
Philippine Bank of Communications	United Coconut Planters Bank	Standard Chartered 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	51, 592, 599.90
PNB Savings Bank	10, 752, 082.36

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.