

PNB PRIME DOLLAR MONEY MARKET FUND



KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT

Month Ended December 31, 2023

FUND FACTS

| | | | |
|---|-------------------------------|-----------------------------------|-------------------------------------|
| Classification: | Money Market Fund | Net Asset Value per Unit (NAVPU): | 1.160609 |
| Launch Date: | March 7, 2011 | Total Fund NAV: | USD 11.83 Million |
| Minimum / Additional Investment – Class I: | USD 500 (via any PNB branch) | Dealing Day: | 9:00 to 11:00 AM of any banking day |
| Minimum / Additional Investment – Class II: | USD 100 (via PNB UITF Online) | Redemption Settlement: | T + 1 |
| Minimum Holding Period: | 30 calendar days | Early Redemption Charge: | 50% of income earned |
| Trust Fee: | 0.25% p.a. | Valuation: | Marked-to-Market |

FEES*

| Trustee Fees: | Taxation Fees: | Custodianship Fees: | External Auditor Fees: | Other Fees**: |
|-------------------------|----------------|--------------------------|------------------------|---------------|
| 0.0215% | 0.0632% | 0.0001% | 0.0000% | 0.0009% |
| PNB Trust Banking Group | BIR | Deutsche Bank AG, Manila | SGV and Co. | Others |

*As a percentage of average daily NAV for the month valued at USD 11.81 Million.

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

INVESTMENT OBJECTIVE AND STRATEGY

The PNB Prime Dollar Money Market Fund is invested in a diversified portfolio of bank deposits and fixed income instruments issued by the Philippine government with a remaining term to maturity of not more than three (3) years and has a weighted average portfolio life of one (1) year or less. The Fund aims to exceed the Philippine Dollar Deposit Rates Savings Deposit, net of tax. It is the market yield for USD time deposit rates as published by the BSP. It is also available from information vendors such as Bloomberg (Bloomberg Ticker: PPSDUS\$ Index). The risk profile of the fund's benchmark maybe viewed as conservative, having a short-term duration similar to the Fund. The PPSDUS\$ Index is being computed by the BSP. Price frequency is weekly every Friday. Participants are advised that the fund may invest in securities with a remaining term to maturity of not more than three (3) years but with a weighted average portfolio life of one (1) year or less. Additional information on the benchmark may be obtained from Bloomberg.

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 Prime Dollar Money Market Fund is suitable for investors who have conservative risk appetite.
- The Fund's investment horizon shall be one year or less.

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'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

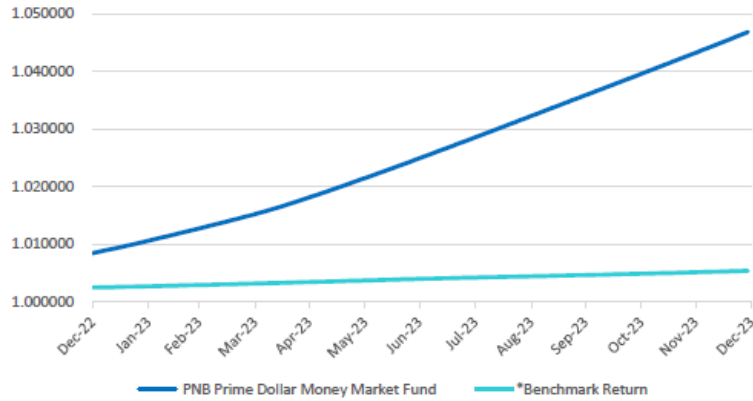
Cooling Off Period - The participant of the Fund may avail of the cooling-off period of two (2) business days immediately following the approval of the participation to cancel his participation without penalty, subject to submission of a written notice during the cooling off period.

- **THE UIT FUND IS A TRUST PRODUCT, NOT A DEPOSIT ACCOUNT AND IS NOT INSURED BY THE PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC).**
- **THE UIT FUND IS NOT AN OBLIGATION OF, NOR GUARANTEED, NOR INSURED BY THE TRUSTEE, ITS AFFILIATES OR SUBSIDIARIES.**
- **DUE TO THE NATURE OF THE INVESTMENTS, THE RETURNS/YIELDS CANNOT BE GUARANTEED AND HISTORICAL PERFORMANCE, WHEN PRESENTED IS PURELY FOR REFERENCE PURPOSES AND IS NOT A GUARANTEE OF SIMILAR FUTURE PERFORMANCE.**
- **THAT ANY LOSSES AND INCOME ARISING FROM MARKET FLUCTUATIONS AND PRICE VOLATILITY OF THE SECURITIES HELD BY THE UITF, EVEN IF INVESTED IN GOVERNMENT SECURITIES, ARE FOR THE ACCOUNT OF THE CLIENT. AS SUCH, THE UNITS OF PARTICIPATION OF THE CLIENT IN THE UITF, WHEN REDEEMED, MAY BE WORTH MORE OR WORTH LESS THAN HIS/HER INITIAL INVESTMENT/CONTRIBUTION.**
- **THE TRUSTEE IS NOT LIABLE FOR ANY LOSS UNLESS UPON WILLFUL DEFAULT, BAD FAITH OR GROSS NEGLIGENCE OF THE TRUSTEE.**
- **THE INVESTOR MUST READ THE COMPLETE DETAILS OF THE FUND IN THE UITF'S DECLARATION OF TRUST, MAKE HIS/HER OWN RISK ASSESSMENT, AND WHEN NECESSARY, SEEK AN INDEPENDENT/ PROFESSIONAL OPINION BEFORE MAKING AN INVESTMENT.**

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 | 0.35% | 1.07% | 2.14% | 3.82% | 4.68% | 16.06% |
| Benchmark* | 0.03% | 0.10% | 0.19% | 0.32% | 0.66% | 7.37% |

*Effective August 15, 2022, the fund's new benchmark is the Philippine Dollar Deposit Rates Savings Deposit, net of taxes. Its previous benchmark was the moving average of the average one-month TD rate quoted by 3 banks, net of taxes.

**Since Inception

Top 10 Holdings (%)

| Fund | % of Portfolio |
|------------------------------------|----------------|
| PS Bank Time Deposit | 3.04% |
| China Bank Time Deposit | 2.99% |
| RCBC Time Deposit | 2.82% |
| China Bank Time Deposit | 2.72% |
| Robinsons Bank Time Deposit | 2.70% |
| RCBC Time Deposit | 2.68% |
| Sterling Bank of Asia Time Deposit | 2.60% |
| China Bank Time Deposit | 2.48% |
| PS Bank Time Deposit | 2.35% |
| Robinsons Bank Time Deposit | 2.33% |

NAVPU over the past 12 months

| | |
|---------|----------|
| Highest | 1.160609 |
| Lowest | 1.156709 |

Statistics

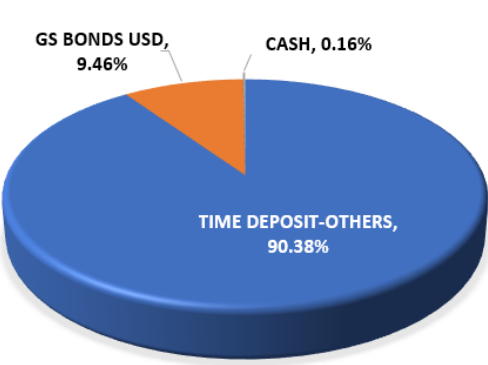
| | |
|------------------------------|-------|
| Weighted Ave. Portfolio Life | |
| Fund | 0.09 |
| Benchmark | 0.08 |
| Volatility, Past 1 Year* | 0.08% |
| Sharpe Ratio** | 1.02 |
| Information Ratio*** | 4.05 |

*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 (Fund)



MARKET OUTLOOK: ROP MARKET

The US FOMC, at the Dec. 12-13 meeting, voted unanimously to keep the federal funds target range unchanged at 5.25-5.50% range. US Fed Chair Powell stated that the historic tightening of monetary policy is likely over as inflation falls faster than expected and with a discussion of cuts in borrowing costs coming “into view.”

Yields on US Treasuries rallied on the tone of the US Fed. In December, yields were mostly lower and declined by an average of 30.7bps mom led by the 20y (52bps), 30y(51bps), and 2y & 7y (50 bps each). Only the 2m(5bps) and 1m(4bps) rose. The UST 2y closed at 4.24% while 10y at 3.87%. The inversion of the 2y and the 10y remained at 37bps.

On the local front, finally, after 20 months of breaching the central bank's 2-4% target band, inflation in the Philippines is finally within target. December inflation rose 3.9% YoY, lower than market consensus forecast of 4.0% and within the 3.6% to 4.4% range forecasted by BSP. The 3.9% YoY rate of increase in December is the slowest rate for 2023. Now the main question is, will inflation stay within target? Recent estimates show that inflation in 2024 will be below target, 3.5%-3.7%. However, risks persist, especially on food and transport prices.

The BSP now has more leg room to adjust monetary policy with the inflation outlook more benign, but we think that local policy rates would still be largely a function of future Fed rate moves (hike, pause or cut) as well as the local inflation trend. We expect the BSP to cut its policy rate only when the Fed begins its easing cycle, which we expect to happen in the 2nd half of the year. Market views 4 rate cuts from the US Fed in 2024.

BSP also disclosed that it is unlikely to start policy easing in the next few months and will only consider rate cuts if inflation settles at the midpoint of the 2-4% target.

We are looking at extending duration and investing cautiously in securities with longer tenor.

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 | | |
|---------------------------------|-----------------------------------|----------------------------------|
| Asia United Bank | Philippine Bank of Communications | Chinatrust Commercial Bank Corp. |
| BDO Unibank, Inc. | Philippine Business Bank | Citigroup Inc. |
| Bank of Commerce | Philippine National Bank | Deutsche Bank |
| Bank of the Philippine Islands | Philippine Savings Bank | HSBC Bank |
| China Banking Corp. | Rizal Commercial Banking Corp. | ING Bank |
| China Bank Savings | Robinsons Bank Corp. | JP Morgan Chase |
| City Savings Bank | Security Bank Corp. | Maybank Philippines Inc. |
| Development Bank of the Phil. | Sterling Bank of Asia | Mizuho Financial Group, Inc. |
| East West Banking Corp. | Union Bank of the Philippines | Standard Chartered Bank |
| Land Bank of the Philippines | UCPB Savings Bank | Sumitomo Mitsui Banking Corp. |
| Metropolitan Bank and Trust Co. | ANZ 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 | 19,356.55 |

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.