

# PNB HIGH DIVIDEND FUND



## KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT

Month Ended December 31, 2023

### FUND FACTS

Classification:	Equity Fund	Net Asset Value per Unit (NAVPU):	1.469336
Launch Date:	June 15, 2012	Total Fund NAV:	Php 544.17 Million
Minimum / Additional Investment – Class I:	Php 10,000 (via any PNB branch)	Dealing Day:	9:00 to 1:00 PM of any banking day
Minimum / Additional Investment – Class II:	Php 2,000 (via PNB UITF Online)	Redemption Settlement:	T + 2
Minimum Holding Period:	30 calendar days	Early Redemption Charge:	50% of income earned
Trust Fee:	2.00% p.a.	Valuation:	Marked-to-Market

### FEES\*

Trustee Fees:	Taxation Fees:	Custodianship Fees:	External Auditor Fees:	Other Fees**:
<u>0.1722%</u>	<u>0.0395%</u>	<u>0.0012%</u>	<u>0.0000%</u>	<u>0.0005%</u>
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 Php 536.56 Million.

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

### INVESTMENT OBJECTIVE AND STRATEGY

The PNB High Dividend Fund seeks dividend income and long-term capital appreciation by investing in listed companies belonging to the PSE with history of paying dividends and with dividend yields that meet the yield requirement as determined by the Fund Manager and approved by the PNB Investment Review Committee. The Fund aims to provide a return that tracks the performance of the PSEi. The PSEi is the main Index in the Philippines. It measures the performance of the basket of securities that represent the Philippine stock market. The PSEi is calculated and broadcasted through PSE's trading system, the PSEtrade XTS. The risk profile of the fund's benchmark maybe viewed as aggressive. Additional information on the benchmark may be obtained from Bloomberg and the PSE Website.

### 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 High Dividend Fund is suitable for investors who have aggressive risk appetite.
- Participants are recommended to stay invested in the fund for at least five (5) years.

### 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.
- **Equities Price Risk** – Since the fund has investment in equities, it is also exposed to equities price risk, which is the risk that the fair value of equities decreases as a result of changes in the level of equity indices and the value of individual stocks.

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	3.67%	0.14%	0.78%	3.85%	14.84%	46.93%
Benchmark	3.64%	2.04%	-0.28%	-1.77%	-9.66%	30.82%

\*Since Inception

Top 10 Holdings (%)

Fund	% of Portfolio	Benchmark	% of Portfolio
International Container Terminal Services Inc. (ICT)	5.61%	SM Investments Corp. (SM)	14.35%
Manila Electric Company (MER)	5.23%	SM Prime Holdings, Inc. (SMPH)	9.86%
Aboitiz Power Corp. (AP)	5.08%	BDO Unibank, Inc. (BDO)	8.48%
PLDT Inc. (TEL)	4.95%	Bank of the Philippine Islands (BPI)	7.34%
Century Pacific Food, Inc. (CNPF)	4.91%	International Container Terminal Services Inc. (ICT)	7.17%
Universal Robina Corp. (URC)	4.89%	Ayala Land, Inc. (ALI)	6.93%
Metropolitan Bank & Trust Company (MBT)	4.76%	Ayala Corp. (AC)	6.04%
Ayala Corp. (AC)	4.73%	Jollibee Foods Corp (JFC)	3.55%
LT Group, Inc. (LTG)	4.63%	Aboitiz Equity Ventures Inc. (AEV)	3.30%
DMCI Holdings, Inc. (DMC)	4.60%	Manila Electric Company (MER)	3.28%

NAVPU over the past 12 months

Highest	1.469336
Lowest	1.413731

Statistics

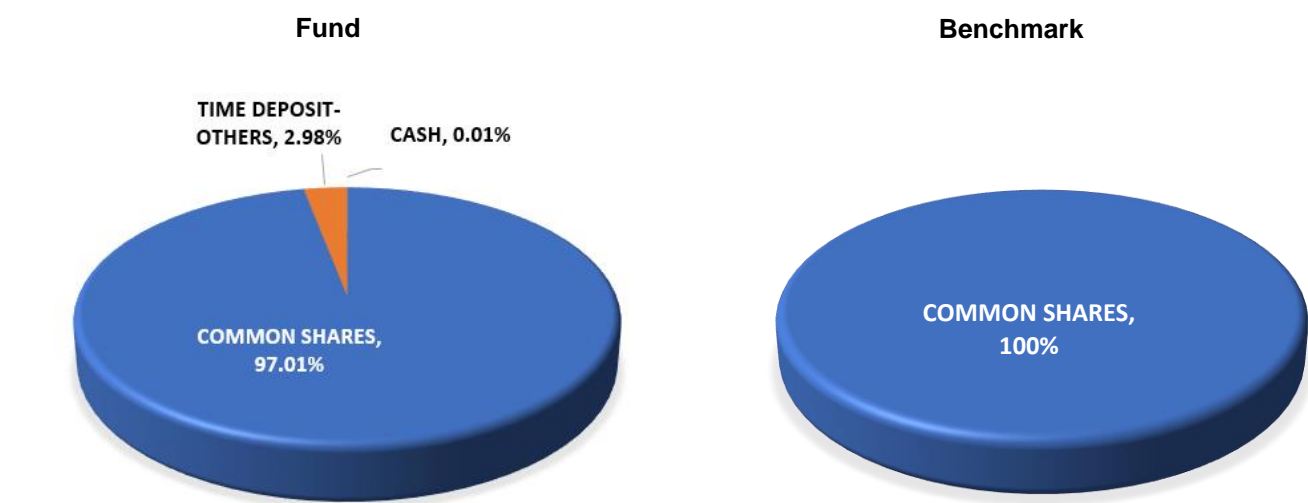
Volatility, Past 1 Year*	3.29%
Sharpe Ratio**	1.04
Information Ratio***	0.003

\*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: STOCK MARKET

The PSEi gained 3.64% MoM lifted by optimism on possible dovish turn for 2024. The market rally, however, fell short in sustaining its momentum near the end of the month as it dropped below the 6,500 level. The local index ended at 6,450.04 in December 2023, a 1.77% YoY decline from 6,566.39 in December 2022. Levels to watch out in the near term: 6,400 support and 6,600 resistance. Investors are seen to remain cautiously optimistic as domestic inflation shows signs of moderating; on the other hand, expectation of slower global economic growth may weigh down on sentiment.

BSP Governor Remolona said that we are still “not out of the woods” when it comes to inflation, especially in 2024. During the December meeting, BSP announced that it will maintain its inflation target range of 2%-4% for 2024, 2025, and 2026. He said that the BSP is still on a hawkish “high-for-longer” policy stance and is unlikely to cut rates in the next few months. It will consider reducing policy rates when CPI falls within the mid-range of the target of 2% - 4% or 3%. The BSP forecasts a risk-adjusted inflation of 4.2% in 2024 and 3.4% in 2025; the El Nino supply shock is already factored in the forecast. It expects continued inflation deceleration in 2024 and 2025 due to limited demand-based inflation and improving supply conditions. Market views 4 - 5 rate cuts from the US Fed in 2024. The average PHP/USD exchange rate for the December was at Php55.588, compared to ave. Php55.812 in November and peak ave. of Php56.789 in October for the year 2023.

PH inflation further decelerated to 3.9% in December 2023 from 4.1% in November 2023 and 8.1% in December 2022, falling near the lower end of the forecast range of 3.6% - 4.4% by analysts and the BSP. The downtrend in inflation for December was due to lower YoY growth of housing, water, electricity, gas & other fuels, and food & non-alcoholic beverages. Core inflation, which excludes volatile food and energy items, ended at 4.4% in December 2023 from 4.7% in November 2023. Average PH headline inflation and core inflation for the year were 6% and 6.6%, respectively.

The NEDA board, chaired by President Marcos Jr., approved another 1-year extension to lower tariff rates on rice, pork, and corn. NEDA Secretary Balisacan said that the reduced tariff will help ensure adequate supply of agricultural commodities and maintain stable and affordable prices.

The forecasted 2024 growth for the Philippines at 6.2% by the ADB and at 5.8% by the World Bank. The World Bank expects the Philippines to be one of the fastest growing countries in 2024, exceeding forecasts for East Asia & Pacific and Pacific Island Countries. The global economy, however, has been showing signs of weakness. China's manufacturing PMI contracted for the 3rd straight month, indicating challenges for one of the largest economies in the world. The Chinese real estate market is still an ongoing issue. The US economy avoided recession in 2023, beating forecast of most analysts; an economic slowdown is seen to be most likely in 2024. The OECD forecasts the global economy to have a mild slowdown in 2024 at 2.7% and a slight improvement in 2025 at 3.0%, with Asia expected to continue to account for the bulk of the global growth.

Domestic liquidity (measured as M3) expanded 8.2% to Php16.7 trillion in October even as credit from banks expanded. Loans from universal and commercial banks grew 7.1% YoY in October from the 6.5% expansion in September. Consumer loans to residents increased 22.8% driven by credit card loans and motor vehicle loans. Outstanding loans for production activities increased 5.9% due to lending in key industries such as real estate activities, electricity/gas/steam/air conditioning supply, wholesale and retail, and repair of motor vehicles and motorcycles. NPL ratio rose to a 5-month high of 3.44% in October from 3.4% in September. Bad loans increased 9.2% YoY to Php449.44 billion.

PH debt reached a record high of Php14.51 trillion in November from Php14.48 trillion in October 2023 due to net issuance of domestic securities. Domestic debt increased 1.23% MoM to Php10.02 trillion. External debt decreased 2.06% to Php4.48 trillion.

PH Trade deficit widened to a 3-month high of USD4.17 billion in October. Value of merchandise exports fell 17.5% to USD6.36 billion, steepest decline since the 20.2% drop in April. Value of merchandise imports slid 4.4% to USD10.54 billion, 9 straight months of decline.

Local office demand breached 1 million sqm as of December 13, 2023 led by the IT-BPO sector according to Leechiu Property Consultants (LPC). The office vacancy rate is currently at 18% or 3.3 million sqm. LPC sees lower vacancy levels in 2024.

The average value turnover amounted to Php5.0 billion with an average daily buying of Php55.8 million. Foreign funds were net buyers for the month at Php1.0 billion.

Given the likelihood of rate cuts from the BSP and US FED due to easing inflation expectations, we are looking at a PSEi target of 7,200-7300 for 2024.

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:

Type of Investment	Issuer/Borrower	
Bank Deposits	Various Banks	
	Asia United Bank	Robinsons Bank Corp.
	BDO Unibank, Inc.	Security Bank Corp.
	Bank of Commerce	Sterling Bank of Asia
	Bank of the Philippine Islands	Union Bank of the Philippines
	China Banking Corp.	UCPB Savings Bank
	China Bank Savings	ANZ Bank
	City Savings Bank	Chinatrust Commercial Bank Corp.
	Development Bank of the Philippines	Citigroup Inc.
	East West Banking Corp.	Deutsche Bank
	Land Bank of the Philippines	HSBC Bank
	Metropolitan Bank and Trust Company	ING Bank
	Philippine Bank of Communications	JP Morgan Chase
	Philippine Business Bank	Maybank Philippines, Inc.
	Philippine National Bank	Mizuho Financial Group, Inc.
	Philippine Savings Bank	Standard Chartered Bank
	Rizal Commercial Banking Corp.	Sumitomo Mitsui Banking Corp.
Equities	PSE stocks that have high dividend yields	

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
Equity	
Metropolitan Bank & Trust Company (MBT)	26,082,818.10
LT Group, Inc. (LTG)	25,368,500.00
Fixed Income	
Philippine National Bank (PNB)	58,080.16

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.