

PNB MULTI-ASSET FUND



KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT

Month Ended January 31, 2024



FUND FACTS

Classification:	Multi-asset Fund	Net Asset Value per Unit (NAVPU):	1.395156
Launch Date:	September 8, 2010	Total Fund NAV:	Php 183.65 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:	1.25% p.a.	Valuation:	Marked-to-Market

Trustee Fees:	Taxation Fees:	Custodianship Fees:	External Auditor Fees:	Other Fees**:
0.1075%	0.0363%	0.0010%	0.0000%	0.0127%
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 184.89 Million.*
***Other Fees may include transaction, broker's, and TOAP website fees.*

INVESTMENT OBJECTIVE AND STRATEGY

The PNB Multi-Asset Fund is invested in a diversified portfolio of fixed income securities, equities, and other allowable investments for UITFs. The Fund aims to outperform its benchmark, which is 50% Philippine Stock Exchange Index (PSEi) and 50% Markit iBoxx ALBI Philippines 1 to 3. 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 Markit iBoxx ALBI Philippines 1-3 contains Philippine government bonds and Treasury Bills with a remaining maturity between 1 year and 3 years. End-of-day closing values are calculated once daily after the close of trading in the market. The indices are calculated every day except on holidays common to all Asian markets. The overall risk profile of the fund's benchmark maybe viewed as moderately 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 Multi-Asset Fund is suitable only for investors who have moderately aggressive risk appetite.
- Participants are recommended to stay invested in the fund for at least one (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.
- **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.
- **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

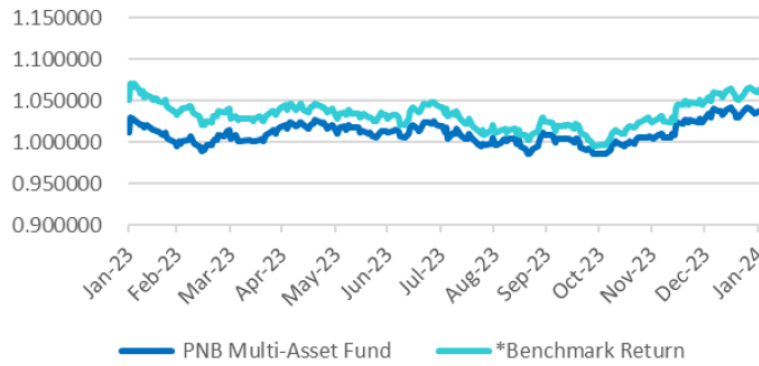
Cooling Off Period - The participant of the Fund may avail of the cooling-off period of two (2) business days immediately following the approval of the participation to cancel his participation without penalty, subject to submission of a written notice during the cooling off period.

- **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



NAVPU over the past 12 months

Highest	1.401578
Lowest	1.325171

Statistics

Weighted Ave. Portfolio Life	
Fund	1.37
Benchmark	1.76
Volatility, Past 1 Year**	2.24%
Sharpe Ratio***	0.46
Information Ratio****	-0.68

Cumulative Performance (%)

Period	1 mo	3 mos	6 mos	1 yr	3 yrs	S.I.**
Fund	1.28%	5.28%	1.84%	2.61%	3.74%	39.52%
Benchmark*	1.67%	6.70%	1.87%	0.85%	5.12%	56.22%

*Effective August 15, 2022, the fund's new benchmark is composed of an equal mix (50% each) of Markit iBoxx ALBI Philippines 1-3 year index and PSEi. Its previous benchmark was composed of an equal mix (50% each) of Bloomberg Philippine Sovereign Bond Index 1 to 3 Year, Adjusted and PSEi.

**Since Inception

*Volatility measures the degree to which the Fund fluctuates vis-à-vis its average return over a period of time.

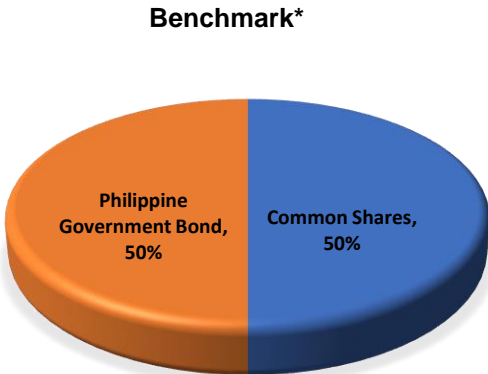
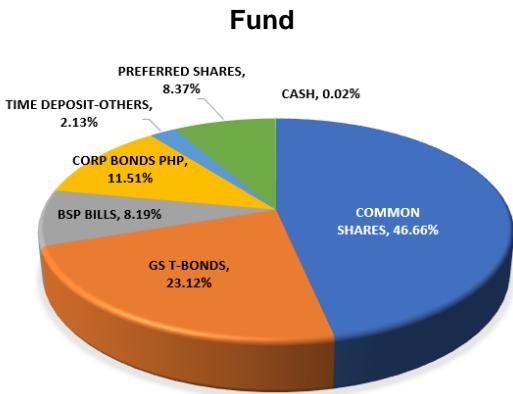
**Sharpe Ratio is used to characterize how well the return of a Fund compensates the investor for the level of risk taken. The higher the number, the better.

***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.

Top 10 Holdings (%)

Fund	% of Portfolio	Benchmark*	% of Portfolio
Retail Treasury Bonds 3-11	7.57%	Philippine Government Bond due 12Aug2025	14.58%
SM Investments Corp. (SM)	5.35%	Philippine Government Bond due 09Sep2025	8.29%
BDO Unibank, Inc. (BDO)	5.06%	Philippine Government Bond due 08Apr2026	7.96%
San Miguel Corp. (SMC) Bonds	4.07%	SM Investments Corp. (SM)	7.15%
Ayala Corp. (AC)	3.94%	Philippine Government Bond due 14Feb2026	6.99%
Bangko Sentral ng Pilipinas Bills due 27Feb2024	3.77%	SM Prime Holdings, Inc. (SMPH)	4.96%
Ayala Land Inc. (ALI)	3.67%	BDO Unibank, Inc. (BDO)	4.55%
Fixed Rate Treasury Notes 5-77	3.66%	Bank of the Philippine Islands (BPI)	4.02%
International Container Terminal Services, Inc. (ICT)	3.22%	International Container Terminal Services Inc. (ICT)	3.41%
Aboitiz Equity Ventures (AEV)	3.18%	Ayala Land, Inc. (ALI)	3.31%

Portfolio Composition



*Combined PSEi and Markit iBoxx ALBI Philippines 1-3 Year index

MARKET OUTLOOK: STOCK MARKET

The PSEI gained 3.04% MoM and extended its rally for the 3rd consecutive month. Net foreign flows remained positive for the 3rd month in a row amounting to Php4.5bn in January. The index ended 2023 at 6,450.04, recording a high at 6,686.09 in the last week of January and closing the month out at the 6,646.44 level. At the month's close, the index was trading at an 11.6x P/E, below the historical 15-year average of 17.5x. The main catalyst for growth in the market remains the policy rate decision by both the US Federal Reserve and the Bangko Sentral ng Pilipinas, where market expects both to likely cut rates in 2H24 due to easing overall inflation. Near-term, the debate is centered on a matter of when versus a matter of if in this case. Locally, the BSP continues to signal to the market its "high for longer" policy stance and is unlikely to cut rates in the next few months. The World Bank expects faster than 2023 economic growth but says that the pace will be lower than the government's target at 5.8% whereas the Marcos administration is targeting a growth within the range of 6.5% – 7.5%, which it narrowed down from a previous target of 6.5% – 8%.

The BSP's Monetary board members were completed in the month, with former Finance Secretary Benjamin Diokno being appointed as full-time Member with newly appointed Department of Finance Secretary Ralph Recto also joining the board as cabinet representative.

Headline inflation came out much lower than survey expectations at 2.8% versus 3.1%, lower than the December print at 3.9% while core inflation was also lower at 3.8% month-on-month compared to the prior month at 4.4. This is the slowest inflation rate since the 2.3% inflation figure recorded since October 2020. According to the National Statistics Office, the downtrend was brought about by slower annual increment of food and non-alcoholic beverages (at 3.5% in January from 5.4% in December), with housing/water/electricity/gas and other fuels with slower annual increase (at 0.7% versus 1.5% previous).

Industry News:

Bank of the Philippine Islands' (BPI), the country's third biggest lender, is getting a new bank for the new year as it firms up the takeover date of Robinsons Bank after the Bangko Sentral ng Pilipinas approved the P32-billion merger. The merger is expected to take effect on January 1, 2024 said BPI, which is part of the Ayala Group of the Zobel Family. BPI earlier said it will issue 314 million shares, equivalent to about 6% stake, to Gokongwei-led JG Summit Holdings and Robinsons Retail Holdings which will give up majority control of Robinsons Bank.

Colliers Philippines said that the country's office property market is expected to improve in 2024 on better demand for office spaces and as companies resume their real estate plans this year, citing that expansions and new setups accounted for 70% of property transactions as of the third quarter of 2023 and the Company expects the net take-up rate to be sustained this year. Said take-up is projected to reach 30,000 square meters or 36.43% higher than in 2023, with demand coming in mainly from traditional and outsourcing companies as more workers are expected to report back to work in these offices. The information technology and business process management (IT-BPM) industry is expected to remain the key driver of the country's office market growth in 2024, Colliers said, citing the projection of IT and Business Process Association of the Philippines' (IBPAP) 7-8% growth in staffing this year. New and existing tenants are also seeking new locations outside Metro Manila for their expansion plans, including Cebu, Pampanga, Laguna, Davao, Iloilo, and Bacolod.

The country's manufacturing growth slowed for the second straight month in January as production was subdued amid sluggish demand, results of the latest survey conducted by S&P Global with headline S&P Global Philippines Manufacturing PMI stood at 50.9% in January, down from 51.5% the previous month, but the fifth straight month above the 50.0 threshold that separates expansion and contraction. S&P said demand generally waned, especially from overseas markets, leading to factory orders posting fractional growth to mark the weakest expansion in five months. Production growth was also the weakest since August 2023.

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 the year.

MARKET OUTLOOK: LOCAL BOND MARKET

Philippine inflation slowed to 2.8% this January from 3.9% last December as food prices continue to stabilize - the slowest pace since October 2020 with 2.3% print. It is also the second consecutive month that CPI is within BSP's target of 2-4%. The main driver of deceleration was the slower increase in yearly prices of food and non-alcoholic beverages, dropping to 3.5% from 5.4% the month before. Additionally, the slower annual increase in housing, water, electricity, gas, and other fuels also contributed to the downward trend, decreasing to 0.7% compared to the 1.5% in December 2023. The BSP forecasts that headline inflation will average 3.7% for this year, a decrease from the 6% recorded in 2023 and is expected to further ease to 3.2% by 2025.

Last January 30-31, at its first FOMC meeting, the US Fed kept its policy rate unchanged at 5.25-5.50% range for a 4th straight meeting. US Fed Chair Powell stated that a March rate cut seems unlikely but signaled its openness to cutting them though not necessarily right away until they are more confident on the inflation level. Market is expecting for the US Fed to begin its easing cycle in June 2024 (25bps rate cut and 25bps each quarter thereafter). The BSP is expected to hold its benchmark rate steady at its first policy meeting on Feb 15 and to follow the policy movement of the US Fed. But with the robust economy, this gives the BSP room to cut much later than the FED, BSP Governor Remolona said that they may cut borrowing cost this year but it's unlikely within the first semester.

Local GS yields for the month rose slightly across the curve by an average of 12bps MoM. The government fully awarded one reissued and three fresh Treasury bonds (Tbonds), reissued 3yr FXTN 03-30 (with coupon rate of 6.00%), 5yr FXTN 05-78 (with coupon rate of 6.125%), 7yr FXTN 07-71 (with coupon rate of 6.125%), and 10yr FXTN 10-72 (with coupon rate of 6.25%) at average rates of 6.007%, 6.073%, 6.094%, and 6.218% respectively. Strong demand was observed for all tenors (bids were more than 2.08-3.5x the auction sizes), specially for the 7yr and 10yr fresh Tbonds where BTr even opened its tap facility to raise Php5 Bn more. For the month of January, the government was able to raise Php211 Bn above its Php195 Bn program (Php130 Bn from Tbond auctions and Php81 Bn from Tbill offerings, both were higher than the original plan of Php75 Bn for T-bills and Php120 Bn for

MARKET OUTLOOK: LOCAL BOND MARKET (CONT'D)

Tbonds). BTr plans to raise Php210 Bn worth of bills and bonds in February, which is 7% higher than the Php195 Bn plan last month, from the domestic market via Treasury bills (Php60 Bn), and Treasury bonds (Php150 Bn) and external sources to help fund budget deficit. They are set to offer bonds with longer tenor, with maturities as high as 20yrs. Weekly bond auctions will have an issue size of Php5 Bn through 91-, 182- and 364d Tbills and Php30 Bn in the 3Y, 5Y, 7Y, 10Y and 20Y tenor buckets.

We recommend 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:

Type of Investment	Issuer/Borrower	
Government Securities	Republic of the Philippines	
Bank Deposits	Various Banks	
	Asia United Bank BDO Unibank, Inc. Bank of Commerce Bank of the Philippine Islands China Banking Corp. China Bank Savings City Savings Bank Development Bank of the Philippines East West Banking Corp. Land Bank of the Philippines Metropolitan Bank and Trust Company Philippine Bank of Communications Philippine Business Bank Philippine National Bank Philippine Savings Bank Rizal Commercial Banking Corp.	Robinsons Bank Corp. Security Bank Corp. Sterling Bank of Asia Union Bank of the Philippines UCPB Savings Bank ANZ Bank Chinatrust Commercial Bank Corp. Citigroup Inc. Deutsche Bank HSBC Bank ING Bank JP Morgan Chase Maybank Philippines, Inc. Mizuho Financial Group, Inc. Standard Chartered Bank Sumitomo Mitsui Banking Corp.
Corporate Bonds	Various Corporations	
Equities	Stocks listed in the Philippine Stock Exchange (PSE)	

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)	4,168,300.00
GT Capital Holdings, Inc. (GTCAP)	2,082,349.50
LT Group, Inc. (LTG)	665,000.00
Bonds	
San Miguel Corporation (SMC)	13,601,283.21
Fixed Income	
Philippine National Bank (PNB)	30,471.15

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.