

PNB PROFIT PESO BOND FUND

KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT
Month Ended January 31, 2024



FUND FACTS

Classification:	Fixed Income Fund	Net Asset Value per Unit (NAVPU):	1.605217
Launch Date:	March 01, 2016	Total Fund NAV:	Php168.28 Million
Minimum / Additional Investment – Class I:	Php 10,000 (via any PNB branch)	Dealing Day:	9:00 to 12:00 NN of any banking day
Minimum / Additional Investment – Class II:	Php 2,000 (via PNB UITF Online)	Redemption Settlement:	T + 1
Minimum Holding Period:	30 calendar days	Early Redemption Charge:	50% of income earned
Trust Fee:	0.75% p.a.	Valuation:	Marked-to-Market

FEES*

Trustee Fees:	Taxation Fees:	Custodianship Fees:	External Auditor Fees:	Other Fees**:
0.0645%	0.0691%	0.0010%	0.0000%	0.0186%
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 167.97 Million.
**Other Fees may include transaction, broker's, and TOAP website fees.

INVESTMENT OBJECTIVE AND STRATEGY

The PNB Profit Peso Bond Fund is invested in a portfolio of fixed income instruments with a weighted average portfolio life of more than one (1) year. The Fund aims to outperform its benchmark, which is the Markit iBoxx ALBI Philippines 1-3 Year index. It 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 risk profile of the fund's benchmark maybe viewed as moderate. 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 Profit Peso Bond Fund is suitable for investors who have moderate 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.

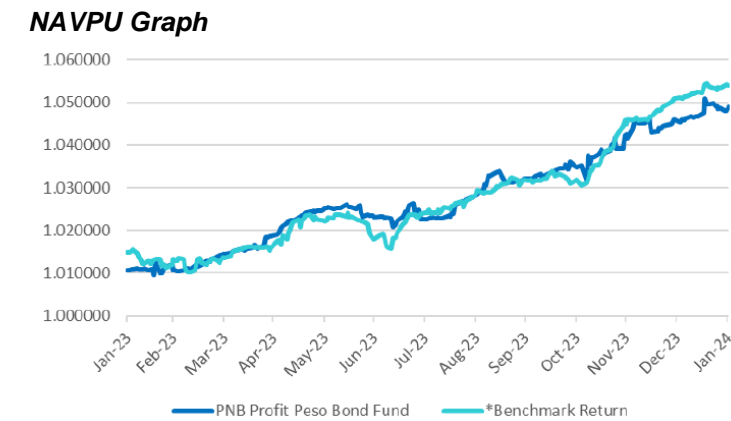
COOLING OFF PROVISION

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 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 over the past 12 months

Highest	1.608063
Lowest	1.539546

Statistics

Weighted Ave. Portfolio Life	
Fund	1.45
Benchmark	1.76
Volatility, Past 1 Year*	0.44%
Sharpe Ratio**	0.06
Information Ratio***	-0.02

Cumulative Performance (%)

Period	1 mo	3 mos	6 mos	1 yr	3 yrs	S.I.**
Fund	0.28%	1.37%	2.58%	3.80%	4.89%	44.94%
Benchmark*	0.29%	2.15%	2.90%	3.86%	5.43%	102.47%

*Effective August 15, 2022, the fund's new benchmark is the Markit iBoxx ALBI Philippines 1-3 year index. Its previous benchmark was the Bloomberg Philippine Sovereign Bond Index 1 to 3 Year, Adjusted.

**Since Inception

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

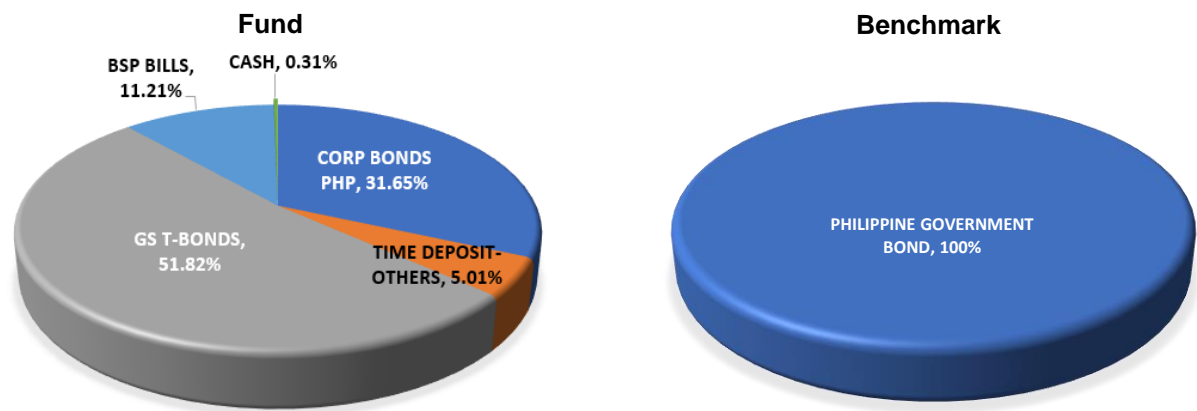
**Sharpe Ratio is used to characterize how well the return of a Fund compensates the investor for the level of risk taken. The higher the number, the better.

***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
VLL Bonds	11.75%	Philippine Government Bond due 12Aug2025	29.15%
Retail Treasury Bonds 3-11	9.18%	Philippine Government Bond due 09Sep2025	16.59%
Bangko Sentral ng Pilipinas Due 27Feb2024	7.96%	Philippine Government Bond due 08Apr2026	15.93%
Retail Treasury Bonds 5-16	7.69%	Philippine Government Bond due 14Feb2026	13.98%
Retail Treasury Bonds 5-13	6.71%	Philippine Government Bond due 12Apr2025	5.71%
Fixed Rate Treasury Notes 3-27	6.48%	Philippine Government Bond due 20Sep2026	5.58%
Retail Treasury Bonds 5-12	5.97%	Philippine Government Bond due 07Apr2025	4.08%
SMC Bonds	5.76%	Philippine Government Bond due 20Oct2026	3.17%
Retail Treasury Bonds 5-15	5.28%	Philippine Government Bond due 04Feb2026	2.66%
Fixed Rate Treasury Notes 5-77	4.06%	Philippine Government Bond due 07Sep2026	1.27%

Portfolio Composition



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 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	

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
San Miguel Corporation (SMC)	14,483,439.37
Philippine National Bank (PNB)	61,937.55

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.