

# ATRAM TOTAL RETURN PESO BOND FUND

## KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT



As of September 30, 2020

www.atram.com.ph

### FUND FACTS

<b>Classification</b>	Long Term Bond Fund	<b>Net Asset Value per Unit (NAVPU)</b>	Php 126.757382
<b>Launch Date</b>	28 October 2014	<b>Total Fund NAV</b>	Php 748.15 M
<b>Minimum Investment</b>	Php 50	<b>Dealing Day</b>	Daily
<b>Additional Investment</b>	Php 50	<b>Redemption Settlement</b>	Trade Date + 0 Business Days
<b>Minimum Holding Period</b>	none	<b>Early Redemption Charge</b>	none

### FEES<sup>1</sup>

<b>Trustee Fees</b> 1.14%	<b>Custodianship Fees</b> 0.02%	<b>External Auditor Fees</b> 0.01%	<b>Other Fees</b> 0.01%
ATRAM Trust	Citibank	SGV and Co.	(Transaction Fees)

<sup>1</sup> as a percentage of average daily NAV for the quarter valued at Php 772,597,763.51

### INVESTMENT OBJECTIVE AND STRATEGY

The objective of the fund is to maximize total return of a fixed income portfolio, that is, to achieve capital gains while maintaining a level of current income consistent with the maintenance of principal and meeting of liquidity requirements.

### CLIENT SUITABILITY

A client suitability process shall 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 ATRAM Total Return Peso Bond Fund is suitable only for investors who:

- have a moderate risk appetite
- give prime consideration to high liquidity and capital security
- have a long term investment horizon
- are seeking returns of that of a fixed income security

### 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.

**Market Risk.** Factors (e.g. macroeconomic developments, political conditions) that affect the overall performance of financial markets may lead to lower prices of securities and losses for investors. ATRAM Trust adopts an active investment management strategy which incorporates market and fundamental research to help mitigate market risk.

**Credit Risk.** An investor is exposed to credit risk as there is a possibility that a borrower may fail to pay the principal and/or interest in a timely manner on instruments such as bonds, loans, or other form of debt securities which the borrower issued. ATRAM Trust conducts a robust credit analysis for effective investment decision making.

**Interest Rate Risk.** The purchase and sale of a debt instrument may result in profit or loss because the value of a debt instrument changes inversely with prevailing interest rates. As the prices of bond investments of a fund adjust to a rise in interest rates, the Fund's unit price may decline. Active duration management is undertaken to mitigate interest rate risk.

**Counterparty Risk.** The Fund is exposed to risks arising from solvency of its counterparties (e.g. custodian, broker, banks) and their ability to respect the conditions of contracts or transactions. ATRAM Trust only deals with reputable and financially stable accredited counterparties.

**Reinvestment Risk.** When income is received from the investments, or when the investments are sold and reinvested, there is a risk that the return would be lower than the return realized previously.

- **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.**

#### ATRAM Trust Corporation

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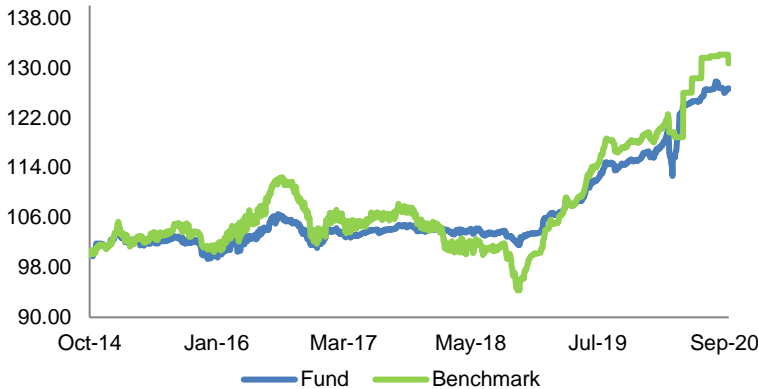
**Liquidity Risk.** Liquidity risk occurs when certain securities in a fund's portfolio may be difficult or impossible to sell at a particular time which may prevent the redemption of investment in a fund until its assets can be converted to cash. ATRAM Trusts invests the portfolio in very liquid securities in order to minimize liquidity risk.

**Legal and Tax Risk.** The interpretation and implementation of laws and regulations are constantly changing and they may change with retroactive effect. There is no certainty that investors will be compensated for any damage or loss incurred as a result of legal or regulatory changes. ATRAM Trust keeps up to date on regulatory developments and consults tax and legal professionals on the interpretation of new laws and regulations.

**Investors should be aware and understand that all investments involve risk and that there is no guarantee against losses on investments made in the Fund. The Fund Manager employs strategies to mitigate risks, however, there is no assurance that no loss will be incurred.**

## FUND PERFORMANCE AND STATISTICS as of September 30, 2020

(Purely for reference purposes and is not a guarantee of future results)



### NAVPU over the past 12 months

Highest	127.840563
Lowest	112.667685

### Statistics over the past 12 months

Standard Deviation	6.88%
Duration (as of 9/30/2020)	5.25
Information Ratio	-0.33

### Cumulative Performance (%)

	1 Mo	3 mos	6 mos	1 Yr	3 yrs
Fund	-0.03	1.15	9.50	10.78	20.99
Benchmark*	-1.09	-0.71	9.92	11.80	21.45

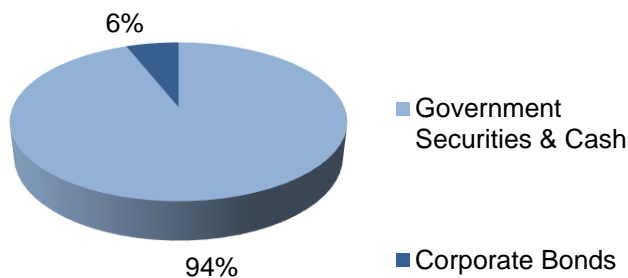
\*ATRAM has changed its benchmark from Bloomberg Philippine Sovereign Bond Index to BPI Government Bond Index as of June 7, 2019. Prior to May 1, 2016, the benchmark was the HSBC Phil. Local Bond Index.

**Standard Deviation** measures how widely dispersed the fund's returns are away from the average return of the fund.

**Duration** is a measure of a fixed income portfolio's sensitivity to interest rate changes. The longer the duration, the more the portfolio's value will fluctuate with interest rate movements.

**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



### Top Holdings

RTB 05-13 2.625% 12Aug2025	61.5%
FXTN 07-62 6.25% 14Feb2026	21.8%
FXTN 20-23 6.75% 24Jan1939	7.9%
FXTN 20-17 8% 19Jul1931	3.0%
MBT 04-22 6.3% /11/2022	1.4%
OMLF 11-21 4.55% 15Nov2021	1.3%
FXTN 20-20 3.625% 21Mar1933	1.0%
ALI 24 R22 4.758% 30Sep2024	0.8%
BPI 05-22 3.05% 31May2022	0.7%
SM 23 R21 5.159% 09Dec2023	0.6%

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## OTHER DISCLOSURES

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The Fund may invest in time deposit or deposit products offered by the following banks:

- Australia and New Zealand Banking Group Ltd. – Phil. Branch
- BDO Unibank, Inc.
- Bank of the Philippine Islands
- China Banking Corporation
- Citigroup, Inc.
- Deutsche Bank AG
- East West Banking Corp.
- First Metro Investment Corp.
- ING Group NV.
- JPMorgan Chase & Co.
- MarketAxess Capital Ltd.
- Maybank Philippines, Inc.
- Metropolitan Bank & Trust Co.
- Philippine National Bank
- Rizal Commercial Banking Corp.
- Robinsons Bank Corporation
- Security Bank Corporation
- Standard Chartered PLC
- Union Bank of the Philippines

or other banks that may be approved by the Board of Directors of ATRAM Trust Corporation.

The Fund may invest in securities issued or guaranteed by the Bangko Sentral ng Pilipinas or the Republic of the Philippines.

The Fund may invest in corporate debt securities issued by the following:

• Aboitiz Equity Ventures, Inc.	• NLEX Corporation
• Aboitiz Power Corporation	• Orix Metro Leasing and Finance Corporation
• AC Energy Financial International Ltd.	• Petron Corporation
• Ayala Corporation	• Philippine National Bank
• Ayala Land, Inc.	• Philippine Savings Bank
• Bank of the Philippine Islands	• PHOENIX Petroleum Philippines, Inc.
• BDO Unibank, Inc.	• PLDT, Inc.
• Cebu Holdings, Inc.	• Power Sector Assets and Liabilities Management Corporation
• Development Bank of the Philippines	• Rizal Commercial Banking Corporation
• Energy Development Corporation	• Robinsons Bank Corporation
• Filinvest Development Corporation	• Robinsons Land Corporation
• Filinvest Land, Inc.	• Royal Capital B.V. <sup>1</sup>
• First Gen Corporation	• San Miguel Brewery, Inc.
• First Metro Investment Corporation	• San Miguel Corporation
• Globe Telecom, Inc.	• San Miguel Food and Beverage, Inc.
• GT Capital Holdings, Inc.	• Security Bank Corporation
• International Container Terminal Services, Inc.	• SM Investments Corporation
• JG Summit Holdings, Inc.	• SM Prime Holdings, Inc.
• Land Bank of the Philippines	• SMC Global Power Holdings Corporation *
• Manila Electric Company	• South Luzon Tollway Corporation
• Megaworld Corporation	• STI Education Systems Holdings, Inc.
• Metropolitan Bank & Trust Company	• Union Bank of the Philippines, Inc.

1) Note: Royal Capital B.V. is a majority owned subsidiary of locally registered International Container Terminal Services, Inc. (ICTSI) and acts only as a special purpose entity primarily for issuing debt.

\* Approved only for ATRAM Total Return Dollar Bond Fund with a maximum holding period of one year

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Participation in the Fund may be further exposed to the risk of potential or actual conflicts of interest in the handling of in-house or related party transactions by ATRAM Trust. These transactions may include: deposits with affiliates; purchase of own-institution or affiliate obligations (e.g. stocks); purchase of assets from or sales to own institutions, directors, officers, subsidiaries, affiliates or other related interests/parties; or purchases or sales between fiduciary/managed accounts. All transactions with related parties, if any, are conducted on an arm's length basis.

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## **OUTLOOK AND STRATEGY**

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Philippine bond yields rose drastically in the earlier part of September by as much as 40 basis points (bps) as market participants reflect less appetite for bonds given adjustments to the Bangko Sentral ng Pilipinas' (BSP) policy on its open bond market operations program. Dealer-driven selling was seen the most on medium-to long-term securities, as demand for duration was seen to be dissipating with the BSP hinting a pause on further monetary accommodation. The correction was also exacerbated by the introduction of BSP-issued securities, implying excess market liquidity is being managed appropriately, but consequently reducing liquidity available for bond buying. The recent market correction in yields was met by a soft inflation print, still weak economic data and a short-dated October auction program. Together, these have led to a resurgence of buying interest for bonds and duration, thereby resulting in medium-to long-term bonds erasing some of its losses seen earlier in the month, with yields closing the month 5-25 bps higher.

To put more context in the data released, inflation for August printed below market expectations ranging 2.60-3.30%, coming out at 2.40%. The primary drivers for the soft print were attributable to lower than expected increases in the price indices of clothing & footwear (+1.9%) restaurants & misc. services (+2.3%) and food (+1.8%). Meanwhile, the BSP held its policy rate at 2.25%, in-line with market expectations. However, they revised GDP estimates for the third quarter downwards to -9.0% (from -6.5%) as well as the inflation estimate for 2020 to 2.30% (from 2.60%).

The BPI Philippine Government Bond Index registered a month-on-month loss of 1.09% in September while the ATRAM Total Return Peso Bond Fund decreased by 3 bps in August, implying an outperformance of 1.06%. Our portfolio's positioning in the belly of the curve has provided significant cushion to the market sell-off while maintaining flexibility to take advantage of tactical opportunities that arose.

Going into October, we see yields consolidating at its current levels. While the BSP has indicated a pause in further accommodation, their pledge to intervene should data deteriorate continue to provide assurance in providing cushion to the economy as monetary policy continue to work its way into the economy. Given our outlook, we continue to maintain a slight underweight duration position and will look to adjust our portfolio to parts of the curve where we see value.

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