

# ATRAM TOTAL RETURN PESO BOND FUND

## KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT



As of March 31, 2020

www.atram.com.ph

### FUND FACTS

<b>Classification</b>	Long Term Bond Fund	<b>Net Asset Value per Unit (NAVPU)</b>	Php 115.761444
<b>Launch Date</b>	28 October 2014	<b>Total Fund NAV</b>	Php 854.46 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>	30 calendar days	<b>Early Redemption Charge</b>	1% of amount redeemed

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

<b>Trustee Fees</b> 0.98%	<b>Custodianship Fees</b> 0.01%	<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 676,989,895.33

### 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

8th Floor, 8 Rockwell Building, Hidalgo Drive, Rockwell Center, Makati City, 1210 Philippines  
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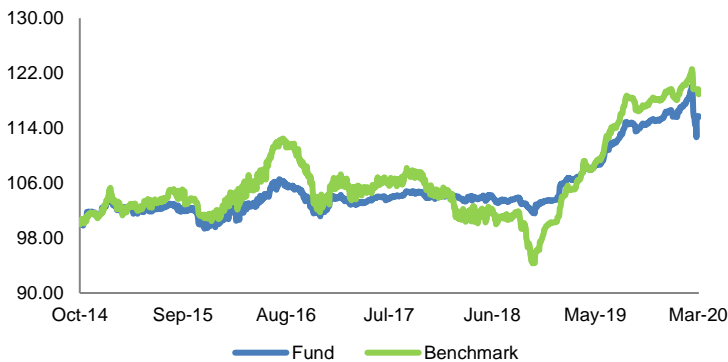
**Liquidity Risk.** Liquidity risk occurs when certain securities in a fund's portfolio may be difficult or impossible to sell at a particular time which may prevent the redemption of investment in a fund until its assets can be converted to cash. ATRAM Trusts invests the portfolio in very liquid securities 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 March 31, 2020

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



### NAVPU over the past 12 months

Highest	120.157863
Lowest	107.914778

### Statistics over the past 12 months

Standard Deviation	3.77%
Duration (as of 3/31/2020)	6.88
Information Ratio	-1.17

### Cumulative Performance (%)

	1 Mo	3 mos	6 mos	1 Yr	3 yrs
Fund	-2.26	-0.67	1.17	6.43	12.43
Benchmark*	-1.88	-0.57	1.71	8.85	12.72

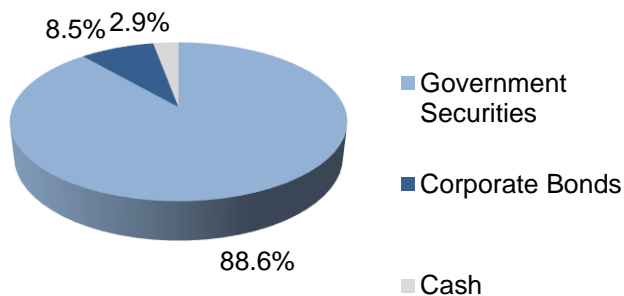
\*ATRAM has changed its benchmark from Bloomberg Philippine Sovereign Bond Index to BPI Government Bond Index as of June 7, 2019. Prior to May 1, 2016, the benchmark was the HSBC Phil. Local Bond Index.

**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

FXTN 10-64 0%	10Jan2029	33.8%
FXTN 07-62 0%	14Feb2026	19.3%
FXTN 20-23 0%	24Jan1939	18.0%
FXTN 20-17 0%	19Jul1931	9.5%
RTB 25-01 0%	24Oct1937	4.6%
RTB 03-10 0%	11Feb2023	3.4%
SMPH 02-21 0%	25Feb2021	2.4%
MBT 04-22 0%	/11/2022	1.3%
OMLF 11-21 0%	15Nov2021	1.1%
MBT 11-20 0%	09Nov2020	1.1%

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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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Risk-off sentiment from COVID-19 took an unexpected turn as government-mandated lockdowns impaired financial market participants. The sudden lack of liquidity in the market due to operational constraints as well as foreign selling pushed yields higher by as much as 80-120 bps.

The BPI Philippine Government Bond Index registered a month-on-month loss of 1.88% in March.

In February, food and non-alcoholic beverage price increases slowed down, to 2.1% compared to January's 4.2% price increase. Deceleration of price increases was also seen in the indices of alcoholic beverages & tobacco at 18.2%; housing, water, electricity, gas, and other fuels, 1.7%.

Over March, the Bangko Sentral ng Pilipinas (BSP) cut the overnight policy rate by 50 bps, down to 3.25%. They also reduced the Reserve Requirement Ratio by 2% and gave further indication of more reductions should liquidity in the market not improve.

The ATRAM Total Return Peso Bond Fund decreased by -2.26% in March. Our portfolio's long-term bond holdings were heavily affected by the sudden uptick in yields as market liquidity dried up.

Going into April, we see yields consolidating around these levels. The BSP has initiated its government security buyback program which will at worst protect yields from any further upticks. As inflation grinds lower (towards 2%) from the sudden pause in the economy, we see potential room for yields to grind lower off the back of further monetary stimulus. We continue to focus on the liquid securities, allowing us the flexibility to make any tactical adjustments should further opportunities arrive.

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