

## DECLARATION OF TRUST

### **BPI PERA GOVERNMENT BOND FUND A Unit Investment Trust Fund**

#### **KNOW ALL MEN BY THESE PRESENTS:**

THE BPI ASSET MANAGEMENT AND TRUST CORPORATION (BPI AMTC), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at 7/F BPI Buendia Center, Sen. Gil J. Puyat Avenue, Makati City, with authority to perform trust and other fiduciary functions, hereinafter referred to as the "Trustee";

#### **WITNESSETH:**

#### **ARTICLE I CREATION OF THE TRUST**

That, for the purpose of providing its trust clients with investment returns derived primarily from a diversified portfolio of fixed income instruments, pursuant to investment objectives and policies herein stipulated, the Trustee hereby establishes and declares itself as Trustee, and has created and shall administer a Unit Investment Trust Fund (UITF), a trust product, for the collective investment of funds held by it in such capacity, upon the terms and conditions hereinafter set forth.

#### **ARTICLE II NATURE AND INVESTMENT OBJECTIVES**

Sec. 1 Title of the Fund – The UITF shall be known as BPI PERA GOVERNMENT BOND FUND (the "Fund").

Sec. 2 Nature of the Fund – The Fund is a long-term bond UITF established pursuant to related provisions under Republic Act No. 9505 (otherwise known as the "Personal Equity and Retirement Account Act of 2008") and shall be operated subject to the provisions of this Declaration of Trust / Plan Rules and as the same may be amended from time to time, in accordance with the regulations issued by the Bangko Sentral ng Pilipinas (the "BSP") and existing laws. The Appendix shows a more detailed description of the fund specifications.

The Fund shall have a base currency of Philippine Peso (PHP).

The Fund shall be treated as an entity separate and distinct from its constituent assets, contributions of the Participants thereto, and other trust accounts administered by the Trustee.

Sec. 3 Title to Assets of the Fund - All assets of the Fund shall, at all times, be considered as assets held by the Trustee, and title thereto shall be vested solely in the Trustee.

Sec. 4 Relationship of the Trustee with the Fund - The Trustee shall not have any other relationship with the Fund except in its capacity as Trustee thereof. Provided, however, that the Trustee which simultaneously administers other trust, fiduciary, or investment management funds may invest such funds in the Fund, if allowed under a policy approved by its Board of Directors.

Sec. 5 Nature of Participant's Interest in the Fund – No Participant shall have or be deemed to have any ownership or interest in any particular account, investment or asset of the Fund but shall have only its proportionate and undivided beneficial interest in the Fund as a whole.

Sec. 6 Investment Objectives and Policy – The Fund shall be invested and reinvested in such investment outlets, and held and disposed of in accordance with such investment objectives and policies as specified in the Appendix, Sections 1 and 2.

The Trustee shall make available to all Participants for review the Key Information and Investment Disclosure Statement (KIIDS) which shall be updated quarterly. Such disclosure shall be substantially in the form of as prescribed by the Bangko Sentral ng Pilipinas (BSP).

### **ARTICLE III PARTICIPATION: ADMISSION & REDEMPTION**

Sec. 1 Qualified Participants (Requirements and Restrictions) – Prior to acceptance of the initial participation in the Fund, the Trustee shall perform a Client Suitability Assessment (CSA) for the purpose of profiling the risk return orientation of the client and establishing the suitability of the client to the Fund. The Fund is suitable for investors with a moderate risk profile.

Participation in the Fund shall be limited to participants with:

- (a) Legal capacity to contract
- (b) Possessing a Tax Identification Number (TIN)

As provided in the PERA Act of 2008.

Sec. 2 Participation Units – Participation in the Fund shall always be through participation in units of the Fund and each unit shall have uniform rights or privileges as any other participating unit in the Fund. The beneficial interest in the Fund shall be divided into units, each of which shall represent a pro rata interest, determined under the net asset value per unit valuation methodology, in the aggregate market value of all instruments in the Fund.

The participation or redemption of units in the Fund may be made only on the basis of the valuation methodology under Article V hereof, and in such frequency as indicated in the Appendix, Section 7.

### **ARTICLE IV MANNER OF OPERATION**

Sec. 1 Pooled Fund Accounting – The total assets and accountabilities of the Fund shall be accounted for as single account based on the pooled-fund accounting methodology.

Sec. 2 Distribution Channels – The Fund shall be distributed exclusively in distribution channels duly accredited by the Trustee and allowed under existing regulations.

Sec. 3 Expansion and Contraction of Fund – Participations in the Fund shall serve to expand the Fund's total outstanding units. Conversely, every redemption of participation/s from the Fund shall serve to contract the Fund's outstanding units.

Every participation in the Fund shall be evidenced by a purchase of units arrived at by dividing the amount of investment by the prevailing net asset value per unit (NAVPU). On the other hand, redemption of participations from the Fund shall be evidenced by a sale of units arrived at by dividing the amount of redemption by the prevailing NAVPU.

Sec. 4 Allocation and Distribution of Income – The investments of the Fund shall be entitled to tax privileges stated in the PERA Act of 2008. The income from the underlying investments which accrues to the Fund and the market value of the Fund's investments, net of qualified taxes, fees and expenses which are chargeable against the Fund shall be reflected in the net asset value of the Fund. The income of the Fund, therefore, shall be allocated to the Participants on a pro rata

and pari passu basis depending upon the number of units held by each Participant in the Fund.

The unrealized income / loss of each Participant in the Fund shall be the difference between the prevailing NAVPU over the acquisition cost of the Participant's units, multiplied by the number of units held by the Participant. The actual distribution or realization of income shall take place every time a redemption of units from the Fund is made, to the extent of the number of units redeemed.

## **ARTICLE V VALUATION OF THE FUND AND PARTICIPATION UNITS**

Sec. 1 Valuation of the Fund – The Trustee shall compute the NAV of the Fund daily in Philippine Pesos (PHP), subject to the following rules:

(a) On “Valuation Day” which shall mean a trading day where the Fund is made available for participation or redemption, the Trustee shall determine the NAV of the Fund.

(b) The NAV shall be the summation of the market value of each investment of the Fund, less qualified taxes, fees, and other qualified expenses as defined herein. The determination of market value of the investments of the Fund shall be in accordance with existing BSP rules and regulations on marking to market valuation of investment instruments. The rules related to Valuation are more specifically defined in the Appendix, Section 5.

Sec. 2 Valuation of Participation Units – The valuation of participation units shall be subject to the following rules:

(a) The NAVPU shall be determined daily by dividing the NAV of the Fund by the total number of units outstanding as of Valuation Date.

(b) The Trustee shall cause the publication of the NAVPU of the Fund at least weekly in one or more newspaper of national circulation and in the Trustee's website on a daily basis. Historical NAVPUs may also be accessed in the Trustee's website.

Sec. 3 Fees and Expenses of the Fund

(a) Trustee's Fees – The Trustee shall charge against the Fund trust fees in the amount indicated in the Appendix, Section 8 on a per annum basis based on the NAV of the Fund, net of taxes as its compensation for the administration and management of the Fund. These fees shall accrue and be collected as and when the same become due, at such times as indicated in the Appendix, Section 8. The trust fees shall be uniformly applied to all Participants in the Fund. Said fees may be increased or decreased in the future as may be warranted by circumstances then existing, subject to the requirements of Subsection 4410Q.6 of the Manual of Regulations for Non-Bank Financial Institutions. Amended trust fee structure shall be applied prospectively.

(b) Special Expenses – Special expenses may be charged separately or in addition to the necessary trust fees if such are necessary to preserve or enhance the value of the Fund. Such special expenses shall be payable to pertinent third party or parties, provided that the same are covered by separate contract/s, and disclosed to the Participants in the Key Information and Investment Disclosure Statement.

The amount of, nature, and period covered of the special expenses, as well as the amount of regular trust fees for each quarter, shall be disclosed to the Participants. No fees and expenses other than the foregoing shall be charged to the Fund.

**ARTICLE VI  
TRUSTEES' POWERS & LIABILITIES**

Sec. 1 Management of the Fund – The Trustee shall have the exclusive management, administration, operation and control of the Fund and full discretion in respect of investments, and the sole right at any time to sell, convert, reinvest, exchange, transfer or otherwise change or dispose of the assets comprising the Fund.

However, if the Trustee deems it proper and beneficial for the Fund, the Trustee may engage the services of third party/ies to manage a portion of the Fund, provided that such arrangement is covered by separate contract/s; provided further that, it is disclosed to the Participants and the BSP is duly notified thereof with the pertinent documents on the hiring of such third party/ies submitted thereto. The Trustee shall periodically review on an ongoing basis the performance by such third party/ies.

Sec. 2 Powers of Trustee – The Trustee shall have the following powers:

- a. To hold legal title over the assets comprising the Fund for the benefit of the Participants;
- b. To hold, place, invest and reinvest the Fund with full discretionary powers, and without distinction, as to principal and income in instruments stipulated in the Appendix, Section 2 and in such investments it may deem sound and appropriate, subject only to the limitations, investment objectives, and policies of the Fund as stated in the Appendix, Sections 1 and 2;
- c. To deposit in any bank or financial institution, including its own bank, a portion of the Fund, subject to the requirement of Subsection 4410Q.8 of the Manual of Regulations for Non-Bank Financial Institutions;
- d. To register or cause to be registered any securities of the Fund in nominee or bearer form;
- e. To hire and compensate legal counsel/s, certified public accountant/s and other specialist/s in connection with the administration and management of the Fund and the protection or advancement of its legal and other interests;
- f. To make, execute, acknowledge, and deliver any or all securities, agreements, contracts, deeds, documents and instruments necessary in the management and reinvestment of the Fund, or in connection with the exercise of the powers herein conferred or the performance of acts herein authorized;
- g. To collect and receive income, dividends, interest, profits, increments and such other sums accruing or due the Fund;
- h. To pay out of the Fund all costs, expenses, taxes, and other proper charges incurred in connection with the administration, preservation, maintenance and protection of the Fund;
- i. To adopt an external or internal risk management and hedging strategy and a more definitive policy guideline based on generally accepted risk management principles, and duly approved by the Board of Directors of the Trustee;
- j. To set the minimum amounts or number of units required for purchases or redemptions by a Participant of the Fund as defined in the Appendix, Section 7 (c);
- k. To set the participation and redemption cut-off time as defined in the Appendix, Section 7(e); and
- l. To collect from the Fund trust fees as defined in the Appendix, Section 8.

Sec. 3 **Liability of Trustee – Save that attributable to the Trustee's fraud, willful default, bad faith or gross negligence, the Trustee shall not be liable for any loss or depreciation or diminution in the value of the Fund or the Participant's interest in the Fund. The Trustee shall also be held free and harmless from any liability for any of its actions and omissions made in good faith, for which the Trustee believed to be authorized or falling within its discretion, rights or powers conferred under the Declaration of Trust.**

Sec. 4 Non-Coverage by PDIC – Participation in the Fund creates a trust and not a deposit account. As such, the participation in the Fund is not covered by the Philippine Deposit Insurance Corporation (PDIC). Any income or loss of the Fund (whether realized or unrealized) will impact on the NAVPU and shall be for the account and risk of the Participant.

## **ARTICLE VII RIGHTS OF PARTICIPANTS**

Sec. 1 Declaration of Trust / Plan Rules - A copy of this Declaration of Trust and Plan Rules shall be available at the principal office of the Trustee for inspection by any person having an interest in the Fund, or by his authorized representative/s. Upon request, a copy of this Declaration of Trust and Plan Rules shall be furnished such interested person/s.

Sec. 2 Disclosure of Investments - The Key Information and Investment Disclosure Statement (KIIDS) which shall be updated quarterly shall be made available to interested Participants. Such disclosure shall substantially be in the form as prescribed by BSP in accordance with Appendix “Q-34” of Subsection 4410Q.7 of the Manual of Regulations for Non-Bank Financial Institutions. Upon request, a copy of the quarterly list of investments shall be furnished to interested Participant/s.

Sec. 3 Disclosure of Risk – Participants shall be informed of the risks attendant to this type of Fund through a ‘Risk Disclosure Statement’.

Sec. 4 Disclosure of Amendments to the Plan Rules – A notice of amendments to Plan Rules / Declaration of Trust shall be furnished the Participants immediately. The Participants shall be allowed to redeem their participations in the Fund, subject to the procedure set forth in Article IX, Sec. 1 hereof.

Sec. 5 Termination of the Fund – A written notice of the termination of the Fund shall be provided the remaining Participants at least thirty (30) business days prior to the actual termination of the Fund, pursuant to Article IX, Sec. 2 hereof. The Participants shall have the right to inspect or be provided upon request with a copy of the financial statement used as basis for the distribution of the Fund.

In respect of the Fund, the rights of the remaining Participants as against each other shall be *pari passu* and *pro-rata*.

## **ARTICLE VIII ANNUAL AUDIT AND REPORT BOOK OF ACCOUNTS**

Sec. 1 Annual External Audit - Aside from the regular audit requirement applicable to all trust accounts of the Trustee, an external audit of the Fund shall be conducted annually after the close of each fiscal year by an independent auditor acceptable to BSP. The external audit shall be conducted by the same external auditor engaged for the audit of the Trustee/Trust Entity. The result of this audit shall be the basis of the Trustee’s annual report which shall be made available to all the Participants. A notice shall be sent to the Participants that the report is available, and upon request, a copy of such report shall be furnished such Participant/s, without charge.

The Trustee shall, likewise, prepare a quarterly performance review of the Fund and shall make the same available to the Participants not later than twenty (20) calendar days from end of the reference date / period.

**ARTICLE IX  
AMENDMENTS & TERMINATION**

Sec. 1 Amendments – This Declaration of Trust / Plan Rules may be amended from time to time by resolution of the Board of Directors of the Trustee: Provided, however, that Participants in the Fund shall be immediately notified of such amendments and participants who are not in conformity with the amendments made shall be allowed to redeem their participations within (30) calendar days after the amendments are approved, or such longer period as may be fixed by the Trustee: Provided further, That amendments to the Plan shall be submitted to the BSP within ten (10) business days from approval of the amendments by the Board of Directors of the Trustee.

The amendments shall be deemed approved after thirty (30) business days from date of completion of requirements.

Sec. 2 Termination - This Declaration of Trust / Plan Rules may be terminated by a resolution of the Board of Directors of the Trustee when, in the sole judgment of the Trustee, continued operation thereof is no longer viable, or not consistent with the Trustee's present or new business strategy. A copy of the resolution, which shall specify the effective date of such termination, shall be submitted to the appropriate department of the BSP. At the discretion of the Trustee's Board of Directors, the Trustee may engage the services of a reputable accounting firm to look into the books and record of the Fund maintained by the Trustee and to certify to the financial condition of the Fund. Upon approval of the termination of the Declaration of Trust / Plan Rules, the Trustee shall notify the Participants accordingly.

The Trustee shall provide written notice of the termination of the Fund to the remaining Participants at least thirty (30) business days prior to the actual termination of the Fund. Such notice may be made by the Trustee by way of direct written notice to each participant or through the posting of notices in the premises of the Head Office and branches of the Trustee. Upon termination, the Trustee shall prepare a financial statement of the Fund which shall be made the basis of distribution to the Participants.

**ARTICLE X  
OTHER TERMS AND CONDITIONS**

This plan was approved to be adopted by the Board of Directors of the Trustee on June 19, 2019.

This Declaration of Trust is further subject to the other terms and conditions that may be stipulated in the Appendix.

IN WITNESS WHEREOF, BPI-AMTC has caused this Declaration of Trust / Plan Rules to be signed and its corporate seal affixed thereto on August 20, 2019 at Makati City, Philippines

**BPI ASSET MANAGEMENT  
AND TRUST CORPORATION  
(Trustee)**



**SHEILA MARIE U. TAN  
President**

**APPENDIX**  
**BPI PERA GOVERNMENT BOND FUND**  
**Unit Investment Trust Fund**  
**(UITF)**

**FUND SPECIFICATIONS**

1. Investment Objective – The Fund intends to achieve for its participants capital appreciation and income derived from a diversified portfolio of primarily long term fixed income securities issued by the Republic of the Philippines. The Fund aims to provide returns in excess of the return of the BPI Philippine Government Bond Index.
2. Investment Policy - Pursuant to the foregoing objectives, the Fund may be invested and reinvested in the following:
  - (a) Primarily tradable fixed-income instruments issued or guaranteed by the Philippine government or the BSP; investment outlets/ categories the BSP allow. Provided, that, a financial instrument is regarded as tradable if quoted two-way prices are readily available and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.
  - (b) Bank deposits, BSP special deposit account or tradable debt instruments issued by the BSP.
  - (c) Such other investments allowed under regulations issued by the BSP.

For all transactions with related parties or entities, the Trustee of the Fund shall be transparent at all times and maintain an audit trail. The Trustee shall observe the principle of best execution and no purchase/sale shall be made with related counterparties without considering at least two (2) competitive quotes from other sources.

Modified Duration Policy – As a long term bond fund, the modified duration of the Fund shall be greater than five (5) years. Modified duration is used to determine the effect of a 1% or 100 basis points change in interest rates on the price of the fixed income security. The Trustee is authorized to adopt internal guidelines in relation to the Fund's modified duration policy, as duly approved by its Board of Directors.

3. Diversification Policy – The combined exposure of the UIT Fund to any entity and its related parties shall not exceed fifteen percent (15%) of the market value of the UIT Fund: PROVIDED, THAT, A UIT FUND INVESTED, PARTIALLY OR SUBSTANTIALLY, IN EXCHANGE TRADED SECURITIES SHALL BE SUBJECT TO THE 15% EXPOSURE LIMIT TO A SINGLE ENTITY/ISSUER: PROVIDED FURTHER, THAT, IN THE CASE OF AN EXCHANGE TRADED SECURITY WHICH IS INCLUDED IN AN INDEX AND TRACKED BY THE UIT FUND, THE EXPOSURE OF THE UIT FUND TO A SINGLE ENTITY SHALL BE THE ACTUAL BENCHMARK WEIGHTING OF THE ISSUER OR 15%, WHICHEVER IS HIGHER. THIS LIMITATION SHALL NOT APPLY TO NON-RISK ASSETS AS DEFINED BY THE BSP. In case the limit is breached due to the marking-to-market of certain investment/s or any extraordinary circumstances, e.g. abnormal redemptions which are beyond the control of the trustee, the trustee shall be given thirty (30) days from the time the limit is breached to correct the same.

4. Qualified Participants – Participation in the Fund shall be open to all eligible PERA Participants. The Fund is suitable for investors with a moderate risk profile.
5. Rules Related to Valuation - The matter of determining the value of the various instruments in the Fund shall be vested in the Trustee through its Board of Directors. Subject to pertinent BSP Implementing Rules and Regulations, the Trustee shall adopt a Marked-to-Market Valuation Methodology which, once adopted, shall herewith be consistently and strictly applied. The basis for pricing/valuation per asset class/asset shall follow existing BSP marking-to-market guidelines.

(a) The NAV shall be computed using the pooled-fund accounting methodology, or more specifically based on the following formula:

Cash Deposits	
+ Market Value of Investment	
+ Accrued Interest on Cash Deposits	
+ All other assets and receivables	
	<b>GROSS ASSET VALUE</b>
- Accrued Taxes Payable	
- Accrued Trust Fee Payable	
- Other Accrued Expenses	
- Accounts Payable	
- All Other Liabilities	
	<b>NET ASSET VALUE OF THE FUND</b>

The NAVPU shall be calculated by dividing the NAV by the number of Units outstanding as of the date of valuation. The NAVPU shall be computed up to two (2) decimal places as follows:

$$\text{NAVPU} = \frac{\text{Total Net Assets of the Fund}}{\text{Total number of outstanding Units}}$$

(b) The NAVPU of the Fund shall be computed earliest 7:00PM on each valuation day and made available not later than 12:00 NN the following day. The NAVPU shall be made available to Participants upon request and published in the Trustee’s website.

(c) Suspension of Trading – The Trustee of the Fund may temporarily suspend calculation of the NAV/NAVPU of the Fund, as well as participation to and redemption from the Fund, if it is unable to determine the NAVPU of the Fund due to any fortuitous event, such as fire, natural calamity, public disorder, or national emergency affecting the financial market resulting in the suspension of trading and consequently, the absence of available market prices of securities/instruments.

6. Risk Management and Hedging Policy – For the general and collective interest of the Fund’s Participants, the Trustee is authorized to adopt an external or internal risk management and hedging strategy and a more definitive policy guideline based on generally accepted risk management principles, and duly approved by the Board of Directors of the Trustee.

The Fund may avail itself of instruments solely for the purpose of hedging risk exposures of the existing investments of the Fund, provided, that, these are accounted for in accordance with existing BSP guidelines, as well as the Trustee’s risk management and hedging policies duly approved by the Board of Directors of the Trustee, and disclosed to the Participants



## 7. Participation and Redemption

(a) Admission and Redemption Prices - Admission or redemption of units of participation in the Fund, including fractions thereof, shall be based on the applicable NAVPU for the day computed based on Section 5 (Rules Related to Valuation) of this Appendix.

(b) The Fund shall have an initial NAVPU of PHP1.00/unit.

(c) The Trustee shall set the minimum amount or number of units required for purchases or redemptions by a Participant in the Fund, which may be changed from time to time by the Trustee, as conditions warrant subject to the Trustee's compliance with Subsection 4410Q.6 of the Manual of Regulations for Non-Bank Financial Institutions. Policies on Participation and Redemption are the following:

i. Minimum Initial Participation. The minimum amount of initial participation/contribution is PHP 1,000.00.

ii. Minimum Maintaining Participation. The minimum maintaining participation is the same as the amount prescribed for minimum initial participation.

iii. Minimum Additional Participation. The minimum additional participation is PHP1,000.00.

(d) Settlement of Participations and Redemptions. Participations received on or before the cut-off time are settled at the end of the next business day following valuation day. Redemptions received on or before the cut-off time are settled on the next business day after the valuation day using the NAVPU of that valuation day as the basis for settlement. Valuation day is defined under Article V Section 1(a): Valuation of the Fund of the plan rules.

Partial redemption or redemption of unitholdings less than the outstanding units is allowed and shall be based on the applicable NAVPU for the day. On the next business day after the partial redemption, a transaction advice shall be sent to the trustor indicating the remaining outstanding unitholdings. Should a partial redemption result in the investment falling below the required minimum maintaining balance, the Trustee shall automatically close the account, without need of prior notification to the participant, in which case, the entire balance of the account shall be paid through credit to the Trustor/s' PERA Account based on the applicable Net Asset Value per unit for the day multiplied by the number of remaining unit holdings.

(e) Participation and Redemption Cut-off Time. Admission and/or notice of redemption received by the Trustee on or before the cut-off time of 2:30PM shall be considered as transaction for the day. However, participation/notice of redemption received after the cut-off time shall be considered as transaction for the next applicable valuation day. Upon initial participation, the Participating Trust Agreement shall be made available to the Participant. A Confirmation of Participation or Transaction Advice shall be provided to the Participant for subsequent transactions.

(f) Redemption Requirements and Conditions. Redemption shall also be subject to the requirement/condition below:

i. Redemption Notice Period - The Participant of the Fund may redeem his participation on any business day and shall be based on the applicable NAVPU for the day. Request for redemption shall be dealt with by the Trustee in chronological order according to the day that notice is received. On the next business day after the redemption, a transaction advice shall be sent to the Participant. However, the Trustee reserves the right to require from the Trustor/s' a five (5) business day advanced written notice of redemption from the Fund. This required notice may be shortened or extended at the sole discretion of the Trustee depending on the liquidity position of the Fund and the frequency and volume of requests for redemption received by the Trustee at any given time. When such changes

are made, the Trustee shall communicate these by way of direct written correspondence to each Participant or through the posting of the announcements in the premises of the Head Office and the branches of the Trustee and through the Trustee's website not shorter than three (3) business days before any changes are implemented.

ii. Early Withdrawal – Early withdrawals, as defined and pursuant to the provisions of Republic Act 9505, shall be subject to penalties payable to the government. This shall be computed and withheld by the Participant's PERA Administrator

8. Fees – The Trustee shall collect from the Fund trust fees in the amount equivalent to one percentage (1.00%) per annum based on the Net Asset Value of the Fund, net of taxes. The said fees shall accrue daily and shall be collectible from the Fund on a monthly basis.
9. Custody of Securities – Investments of the Fund shall be held for safekeeping by any BSP accredited third party custodian/s which shall perform independent marking-to-market of such investments, as well as other functions pursuant to the relevant Custodianship Agreement. The name of the third party custodian shall be indicated in the Key Information and Investment Disclosure Statement.