

## **DECLARATION OF TRUST**

### **BPI FIXED INCOME PORTFOLIO FUND-OF-FUNDS A Unit Investment Trust Fund**

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

THE BANK OF THE PHILIPPINE ISLANDS (BPI), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at BPI Building, Ayala Avenue corner Paseo de Roxas, Makati City, with authority to perform trust and other fiduciary functions, acting in this instance through its ASSET MANAGEMENT AND TRUST GROUP 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 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-of-Funds (UIT Fund-of-Funds), 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 FIXED INCOME PORTFOLIO FUND-OF-FUNDS (the "Fund").

Sec. 2 Nature of the Fund –The Fund is a long term bond UITF operating as a Fund-of-Funds established in accordance with, 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.

Pursuant to existing BSP rules and regulations, as a Fund-of-Funds, this Fund is mandated to invest at least 90% of its assets in more than one collective investment scheme. Such underlying collective investment schemes are referred to as target funds and selected consistent with the provisions on investment objective and investment policy under Section 6 and the Appendix, following the Trustee's established investment process.

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 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, a list of prospective and outstanding investment outlets, and in the case of fund-of-funds, all relevant information on the target fund/s, which shall be updated quarterly. Such disclosure shall be substantially in the form as prescribed by the Bangko Sentral ng Pilipinas.

### **ARTICLE III PARTICIPATION: ADMISSION AND 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 an aggressive risk profile. Qualified participants are more specifically defined in the Appendix, Section 4.
- 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 and 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 admission or redemption of units of participation in the Fund may be made only on the basis of the valuation methodology under Art. 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 a 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 – Admissions of 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, every redemption of participation/s 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 market value of the Fund’s investments, net of taxes, fees and expenses which are chargeable against the Fund shall be reflected in every NAV computation. 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 taxes, fees and other qualified expenses as defined herein. The determination of the 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 consider the frequency of valuation and trading of the target funds when determining the Fund-of-Funds’ own frequency of valuation and trading.
- (c) 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.

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 X410.6/ of the Manual of Regulations for Banks. 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 (KIIDS).

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, including the authority to switch underlying instruments/target funds, with full discretionary powers, and without distinction, as to principal and income in instruments stipulated in the Appendix, Section 2 including local and foreign collective investment schemes 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 X 410.8 of the Manual of Regulations for Banks.
- d. To register or cause to be registered any securities of the Fund in nominee or bearer form;
- e. To appoint and retain the services of qualified and reputable local or foreign investment advisor and/or fund manager/s; provided, however, that the Trustee shall retain ownership and control of the Fund, and provided further, that the investment advisor/s and/or fund manager/s shall work within the investment parameters or guidelines set by the Trustee from time to time and shall be directly responsible to the Trustee for any investment actions and decisions undertaken for the Fund;
- f. 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;
- g. 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;
- h. To collect and receive income, dividends, interest, profits, increments and such other sums accruing or due the Fund;
- i. 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;
- j. 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 Trust Committee;
- k. 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);
- l. To set the admission and redemption cut-off time as defined in the Appendix, Section 7(f); and,
- m. 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 Participant/s. Such disclosure shall substantially be in the form as prescribed by BSP in accordance with Appendix "62" of Subsection X410.7 of the Manual of Regulations for Banks. Upon request, a copy of such list shall be furnished such interested Participant/s. The Trustee shall also make available to Participant/s all relevant information on the target funds.

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 the 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 Art. 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 Art. 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 BOOKS 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 thirty (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.

(a) Switching of Target Funds. Switching of target funds with similar investment objectives shall not be considered as an amendment within this section. Such may be deemed necessary in case of any, but not limited to the following:

1. Performance vis-à-vis expectations
2. Change of in the Target Fund's investment objective or risk profile
3. Resignation of fund manager/s
4. Closure of Target Fund or its maximum AUM capacity has been reached
5. Prolonged suspension of subscription to/from the Target Fund
6. Market conditions which in the reasonable opinion of the Investor Fund Trustee warrant a change in Target Fund.

In such instances, disclosure regarding changes or additions to the Target Funds shall be done through any of the following means:

1. Key Information and Investment Disclosure Statement
2. Announcement in the Trustee's official website

In case of switching of the Target Fund, the Trustee shall follow its defined internal process to ensure protection of investors' interest. This shall include processes and procedures relating to:

1. Termination of Subscription to Target Fund or Agreement
2. Temporary Holdings in Cash
3. Subscription to a New Target Fund
4. Information and Public Announcement of Target Fund Switch

(b) Material, and Non-Material Changes in Target Fund's Structure

Material changes in a Target Fund shall require re-assessment and review by the Trustee of the suitability of the Target Fund. Material changes can be described as a change, with all else being unchanged, that a reasonable investor would consider important in the investor's decision to buy, hold or sell. Such changes may include but are not necessarily limited to:

1. A change in the portfolio management team of the Target Fund
2. A change in the objective or investment style of the Target Fund.

3. A change in the Target Fund's fees that will significantly affect the total expense ratio of the Investor Fund.
4. A regulatory change in the jurisdiction where the Target Fund is domiciled that would significantly affect the Target Fund's operations.
5. Significant legal disputes.
6. Any other change that would necessitate a change in the Investor Fund's Declaration of Trust.

Should the Trustee decide to retain the Target Fund despite such material change, such change must be properly disclosed to the investors via a formal written notification. Investors shall be allowed to withdraw their participation within a reasonable period of time but in no case less than thirty (30) days. The Trustee shall not increase the Investor Fund's participation to that particular Target Fund within the notice period.

Non-Material Changes to the Target Fund or any information that, which to the Trustee's best judgment, will not reasonably affect the investor's decision to buy, hold, or sell its investment in the Investor Fund, shall be disclosed via the Trustee's website.

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 Trust Committee of the Bank (BPI) on March 16, 2016.

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

IN WITNESS WHEREOF, BPI-AMTG has caused this Declaration of Trust / Plan Rules to be signed and its corporate seal affixed thereto \_\_\_\_\_ at Makati City, Philippines.

**BANK OF THE PHILIPPINE ISLANDS  
ASSET MANAGEMENT & TRUST GROUP  
(Trustee)**

A handwritten signature in black ink, appearing to read 'Mario T. Miranda', with a large, stylized flourish at the end.

**By: MARIO T. MIRANDA  
Senior Vice-President**



## APPENDIX

### BPI FIXED INCOME PORTFOLIO FUND-OF-FUNDS Unit Investment Trust Fund (UITF)

#### FUND SPECIFICATIONS

1. Investment Objective - The Fund, operating as a Fund-of-Funds, intends to achieve for its Participants principal protection by investing in a diversified portfolio of primarily domestic money market and bond collective investment schemes. The Fund aims to provide excess return over the BPI Philippine Government Bond Index.
2. Investment Policy - Pursuant to the foregoing objectives, the Fund may be invested and reinvested in the following, subject to the approval of the Trust Committee:
  - (a) Primarily in more than one collective investment schemes, that are approved/registered and supervised by the Bangko Sentral ng Pilipinas (the "BSP") or the Securities and Exchange Commission (the "SEC") and managed by the Trustee or by its related parties; provided further that such combined investment in collective investment schemes should not fall below ninety percent (90%) of the net asset value of the Fund. Such collective investment schemes must not have any investment exposure in other collective investment schemes.
  - (b) Short-term tradable fixed-income instruments issued or guaranteed by the Philippine government or the BSP; tradable securities issued by the government of a foreign country, any political subdivision/agency of a foreign country or any supranational entity; tradable fixed-income instruments issued by foreign or local financial institutions or private corporations; exchange-listed securities; marketable instruments that are traded in an organized exchange; loans traded in an organized market; and, such other tradable investments outlets/ categories as the BSP may allow. Provided, that, a financial instrument is regarded as tradable if two-way prices are quoted, readily available or 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.
  - (c) Short-term tradable fixed-income instruments issued, underwritten, or otherwise dealt by BPI and/or any of its subsidiaries, affiliates, their successors-in-interest or assignees, their directors, officers, stockholders, and related interest, and any of their trust and fund managed accounts, under such terms and conditions as the Trustee may deem to be in the best interest of the Fund; and, any such other instruments as may be allowed under BSP regulations. Investment with related interests shall be in accordance with Subsection X410.12 (a) of the Manual of Regulations for Banks.
  - (d) Bank deposits, BSP special deposit account or tradable debt instruments issued by the BSP.
  - (e) 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.

The Trustee may invest the funds of the UIT Fund structured as an Investor Fund in a target fund that is administered by the Trustee or its related party/company, provided, that there shall be no cross-holding between the Investor Fund and the target fund, where cross-holding refers to the holding of shares/units of participation in one another by two (2) or more funds.

Provided further that, in the process of switching from one target fund to another or in the case of breach of the ten percent (10%) exposure limit to the target fund, investments in cash or cash equivalents for liquidity purposes and/or for funds awaiting disposition, may exceed the allowable limit prescribed by the BSP, within the transitory period.

Modified Duration Policy – As a long term bond fund-of-funds, 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 Trust Committee.

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 the case of Fund-of-Funds, the fifteen percent (15%) exposure limit shall be applied on the target fund's underlying investments. Furthermore, the investment in any one target fund shall not exceed ten percent (10%) of the total net asset value of the target fund. The frequency of monitoring of the exposure limits may be synchronized with the reporting frequency of the Target Fund.

In case the limits prescribed above are breached due to the marking-to-market of certain investment/s or 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 or in the case of fund-of-funds, thirty (30) days from date of receipt of report indicating the net asset value of the target fund, to correct the same.

Investment	Allocation Range
Money Market Funds	0% to 10%
Bond Funds	90% to 100%

4. Qualified Participants - Participation in the Fund shall be open to all persons with legal capacity to enter into contracts. Acceptance of Participants shall be subject to the rules or procedures established by the Trustee which it deems advantageous or to the best interest of the Fund. The Fund is suitable for investors with an aggressive 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 Trust Committee. 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

GROSS ASSET VALUE

- Accrued Taxes Payable
- Accrued Trust Fee Payable
- Other Accrued Expenses
- Accounts Payable
- All Other Liabilities

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NET ASSET VALUE

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 11:00AM on the next day following each valuation day and made available not later than 2:00PM on the same 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 admission to and redemption from the Fund, if it is unable to determine the NAVPU of the Fund due to the suspension of trading of its target fund/s or 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

The suspension of any of the target funds will mean the unavailability of a real-time NAVPU that is reflective of actual market movements if previous day NAVPU of the target fund would be used.

- 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 Trust Committee.

The Fund and its target funds 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 Trust Committee, and disclosed to the Participants.

7. Admission 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 Item 5 (Rules Related to Valuation) of this Appendix.
- (b) The Fund shall have an initial NAVPU of PHP100.00/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 Bank's compliance with Subsection X410.6.k of the Manual of Regulations for Banks (MORB). Provisions related to amendment/s are more specifically defined in Article IX of the Plan Rules. Policies on Admission and Redemption are the following:

- i. Minimum Initial Participation. The minimum amount of initial participation/contribution is PHP1,000,000.
  - 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 PHP10,000.
  - iv. Minimum Redemption Amount. The minimum redemption amount is PHP 10,000.
  - v. Minimum Holding Period: None
- (d) Settlement of Contributions and Redemption. Contributions received on or before the cut-off time are settled at the end of the next day following valuation day using the NAVPU of that valuation day as the basis for settlement. Redemptions received on or before the cut-off time are settled on the 3rd banking day after the valuation day using the NAVPU of that valuation day as the basis for the settlement. Valuation day is defined under Article V Section 1(a): Valuation of the Fund of the Plan Rules.
- (e) 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 banking 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' Settlement Account based on the applicable Net Asset Value per unit for the day multiplied by the number of remaining unit holdings.
- (f) Admission and Redemption Cut-off Time. Admission and/or notice of redemption received by the Trustee on or before the cut-off time of 12:00NN shall be considered as transaction for the day. However, admission/notice of redemption received after the cut-off time shall be considered as transaction for the next applicable banking day. Upon initial participation, the Participating Trust Agreement shall be made available to the Participant. A Confirmation of Participation or Transaction Advice shall be sent to the Participant on the next banking day for subsequent transactions.
- (g) Redemption Requirements and Conditions. Redemption shall also be subject to the requirement/condition below:
- Redemption Notice Period. The participant of the Fund may redeem its participation on any banking day and shall be based on the applicable NAVPU for the day. Request for redemption, subject to the cut-off time specified in section 7(f), shall be dealt with by the Trustee in chronological order according to the day that notice is received. However, the Trustee reserves the right to require from the Trustor/s a five (5) banking 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 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) banking days before any changes are implemented.
- (h) Suspension of Contributions and Redemptions - Conditions for the suspension of contributions to, and redemptions from the Fund are specified in section 5 (d): Suspension of Trading of the Appendix.
8. Fees and Expenses – The Trustee shall waive the trust fee of the Fund and shall collect trust fees at the level of the Target Funds based on the Net Asset Value of the Target Funds, net of taxes.

For purchase and/or sale of the units of the Target Fund/s, including in the case of switching of the Target Fund/s, expenses such as but not limited to brokerage commission, early withdrawal charges,

switching fees, sales load, or any other transaction costs payable to third party/ies shall be borne by the Fund.

Any changes to the expenses charged to the Target Fund/s shall reflect in the returns of the Target Fund/s.

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 Fund's custodian bank is Hong Kong and Shanghai Banking Corporation (HSBC).

Investments of the target funds shall be held for safekeeping by an institution registered/authorized/approved by a relevant regulatory authority in its home jurisdiction to act as third party custodian.

**APPENDIX II  
PRO-FORMA KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT (KIIDS)**

[Name of Bank]

[Name of UIT Fund]

**KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT**

[Reporting Period]

**FUND FACTS**

Classification:	Net Asset Value per Unit (NAVPU):
Launch Date:	Total Fund NAV:
Minimum Investment:	Dealing Day:
Additional Investment:	Redemption Settlement:
Minimum Holding Period:	Early Redemption Charge:

**FEES\*** [Indicate trustee fees and special reimbursable expenses, as necessary]

Trustee Fees: _____% [Name of Trustee]	Custodianship Fees: _____% [Name of Custodian]	External Auditor Fees: _____% [Name of External Auditor]	Other Fees: _____% [Pls specify]
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\*As a percentage of average daily NAV for the quarter valued at \_\_\_\_\_.

**INVESTMENT OBJECTIVE AND STRATEGY** [Indicate the investment objective of the fund and the strategies on how to attain the said objective]

Example:

The Fund intends to achieve for its participants long-term capital growth by investing into the extent possible, equity securities issued by Philippine domiciled companies which have a value style bias. The Fund aims to provide returns in excess of the return of the Philippine Stock Exchange index (PSEi).

**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 [Name of the Fund] is suitable only for investors who:
  - [Indicate the risk profile of the target investors/participants]
  - [Indicate if the principal will be at risk]
  - [Indicate the recommended investment horizon of a participant]
  - [Indicate other key characteristics of the fund which can help investors determine if it is suitable for them]

Example:

- The Equity Fund is suitable only for investors who:
  - Have aggressive risk appetite
  - Are comfortable with the greater volatility and risks of an equity fund
- Participants are recommended to stay invested in an equity fund for three (3) years

**KEY RISKS AND RISK MANAGEMENT** [Disclose the key risks of the Fund and provide short illustrations/explanations which are stated in plain and simple language, and the risk management process employed in managing the Fund, as necessary]

You should not invest in this Fund if you do not understand or are not comfortable with the accompanying risks.

Example:

- Market risks: You have greater exposure to market risks as this is an equity fund since equities usually have greater volatility than bonds and other fixed income securities.
- 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 NAVPU will fluctuate in relation to changes in interest rates.

⚠ **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**

[Indicate contact details of the trustee which investors can use if they have queries. Include a website address, email address and telephone number]

**FUND PERFORMANCE AND STATISTICS AS OF [report date]**  
(Purely for reference purposes and is not a guarantee of future results)

**NAVPu Graph** [Include graph showing the NAVPu trend vis-à-vis the benchmark]

Example:

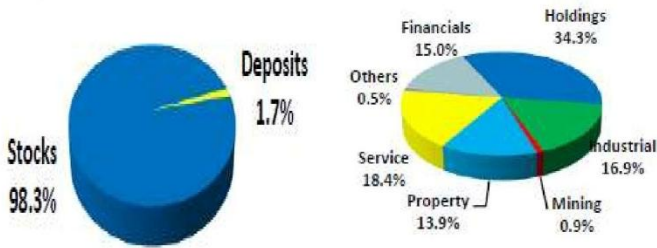


**Cumulative Performance (%)**

Period	1 mo	3 mos	6 mos	1 yr	3 yrs
Fund	xx.xx	xx.xx	xx.xx	xx.xx	xx.xx
Benchmark	xx.xx	xx.xx	xx.xx	xx.xx	xx.xx

**Portfolio Composition** [Illustrate/describe the composition of the Fund as a percentage of the NAV as of the reference quarter in terms of asset class, maturity profile, and credit rating of trustees, as applicable; use of graphs/charts/tables are highly recommended]

Example:



**NAVPu over the past 12 months**

Highest	xx
Lowest	xx

**Statistics** [Fill in the information, as necessary]

Weighted Ave. Duration	xx
Volatility, Past 1 Year *	xx%
Sharpe Ratio **	xx
Information Ratio ***	xx

\*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 Ten Holdings (%)**

ABC Co.	xx.x
DEF Co.	xx.x
XYZ	xx.x
AB & J	xx.x
KYLPN Co.	xx.x
GJ Investments	xx.x
JK Corp.	xx.x
Bank OP	xx.x
FKH Group	xx.x
ANGL Corp.	xx.x
Total	xx.x

**OTHER DISCLOSURES** [Indicate RELATED PARTY TRANSACTIONS, prospective investments and other disclosures deemed necessary or relevant] [This heading may be changed as appropriate]

Example:

**RELATED PARTY TRANSACTIONS**

The Fund has deposits with the Bank Proper and investments in ABC Co., a wholly-owned subsidiary of the Bank, amounting to Pxxx and Pxxx, respectively, which were approved by the Board of Directors. Likewise, all related parties transactions are conducted on an arm's length basis.

**OUTLOOK AND STRATEGY**

The Fund took advantage of the pockets of rallies supported by the substantial liquidity in the system. It took profit on its bond holdings across the curve in anticipation of increased volatility in the months ahead. Market corrections are likewise seen as opportunities to reposition in the more liquid and tradable bonds. Nonetheless, amidst prospects of further SDA rate hikes, we maintain our overall defensive stance. The Fund's prospective investments include xxx.