

## DECLARATION OF TRUST

### **PBCOM Value Equity Fund** A Unit Investment Trust Fund

KNOW ALL MEN BY THESE PRESENTS: Philippine Bank of Communications, a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at 6795 Ayala Avenue corner V. A. Rufino Street, Makati City, with authority to perform trust and other fiduciary functions, acting herein through its PBCOM - Trust and Wealth Management Group (herein referred to as the "Trustee");

WITNESSETH:

#### Article I

#### **CREATION OF THE TRUST**

For the purpose of providing investment opportunities to its trust clients for a diversified portfolio of investments pursuant to investment objectives and policies herein stipulated, the Trustee hereby establishes and declares itself as trustee of a unit investment trust fund for the collective investment of funds held by it in the capacity of trustee under the terms and conditions herein below set forth:

#### Article II

#### **NATURE AND INVESTMENT OBJECTIVES**

**Sec. 1 Title of the Fund** – The pooled fund shall be known as **PBCOM Value Equity Fund** (herein referred to as the "Fund").

**Sec. 2 Nature of the Fund** – The Fund is a PHP-denominated Unit Investment Trust Fund established in accordance with and shall be operated subject to the stipulations of this Declaration of Trust, as the same may be amended from time to time in accordance with the regulations issued by the Bangko Sentral ng Pilipinas (BSP) and Applicable Laws.

The Fund is structured as a Multi-Class Fund and will have more than one class of Participation Unit. It is a UITF structure with more than one class of units in the fund and is invested in the same pool of securities and portfolio, with the same investment objectives and policies.

The Fund shall be treated as a fund that is separate and distinct from its constituent assets and from the contributions of the Participants thereto and from other trust accounts administered by the Trustee.

**Sec 3. Unit Classes** – The Fund has two classes of Participation Units:

- a. Class R units ("R units")
- b. Class I units ("I units")

The difference between R units and I units is the eligibility of the investors for each class and the applicable fee structure. For each class, the computation of NAVPU will be different due to the different fee structure. More details on the features of each class of Participation is in Appendix I, the Fund Specifications hereto.

***Sec. 4 Title to Assets of the Fund*** – All assets of the Fund shall, at all times, be considered as assets held by the Trustee vested solely in the Trustee.

***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 Description of the Fund*** – The Fund shall be classified as an aggressive fund with an aggressive risk profile and with features more particularly described in the Fund Specifications in Appendix I hereto.

***Sec. 7 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 Fund Specifications in Appendix I hereto.

The Trustee shall make available to all Participants for review a list of prospective and outstanding investment outlets which shall be updated quarterly. Such disclosure shall be in the form prescribed under Subsection 414-Q of the Manual of Regulations for Non-Bank Financial Institutions (the “MORNBFI”).

### Article III

#### **PARTICIPATION: ADMISSION & REDEMPTION**

***Sec. 1 Qualified Participants (Requirements and Restrictions)*** – Prior to acceptance of the initial participation of a client in the Fund, the Trustee shall perform a Client Suitability Assessment for the purpose of profiling the risk-return orientation of the client and establishing the suitability of the client to the Fund.

Participation in the Fund shall be open to Qualified Participants with legal capacity to contract subject to the rules or procedures stipulated in the Fund Specifications (Appendix I) and those established by the Trustee to be for the best interest of the Fund.

R units are available for subscription to all individual and juridical entities who are qualified participants, however, I units shall only be available to qualified participants who meet certain criteria. These qualifications are defined in Appendix I, the Fund Specifications.

The Trustee has the sole discretion to accept the participation, investment or contribution of any person or entity in the Fund. The Trustee expressly reserves its right to accept, reject or refuse any participation, investment, or contribution in the Fund by any person or entity for any reason that it may deem appropriate for the proper and advantageous administration and management of the Fund.

The Trustee will not issue, execute a switch of or transfer units to any investor who is deemed not to meet the eligibility requirement under the relevant class of unit.

**Sec. 2 Qualified Participants (Risk Profile)** – The Fund is suitable for investors with a long-term investment horizon seeking to invest their money in equities for capital appreciation.

**Sec. 3 Participation Units** – Participation in the Fund shall always be through Participation Units. Each Participation Unit shall have uniform rights and privileges as any other Participation Unit. In a Multi-Class Fund, Participation Units shall be issued as Participation Units in a class of the Fund. The beneficial interest of each Participation Unit in the Fund shall be determined under the Valuation of the Fund and Participation Units defined in Article V hereof. Subscription to or redemption of Participation Units shall be made only on the basis of valuation and in such frequency and accordance with the Subscription Requirements and Conditions or Redemption Requirements and Conditions, as the case may be, set forth in the Fund Specifications in Appendix I.

**Sec. 4. Suspension of Redemption** – The Trustee reserves the right to suspend redemption of Participation Units in case of national emergencies, fortuitous events or severe market illiquidity. In such extreme situations, there may not be enough buyers for securities or the spreads for prices may be extremely wide, that forcing the immediate sale of assets may be more detrimental for the fund. The Trustee may defer any request for redemption, in whole or in part. Any redemption request so deferred will have priority, on a first-come first serve basis, over subsequent redemption requests received on the next Banking Day.

#### Article IV **MANNER OF OPERATION**

**Sec. 1 Management of the Fund** – PBCOM Trust and Wealth Management Group, as Trustee, shall have exclusive management and control of the Fund.

**Sec. 2 Pooled Fund Accounting** – The Trustee shall keep separate books of account and accounting records for the Fund. The total assets and accountabilities of the Fund shall be accounted for as a single account (the “Pooled-Fund Accounting Method”). For a Multi-Class Fund, the investments shall remain as one pool and are not separately allocated per class.

**Sec. 3 Distribution** – The Fund shall be distributed exclusively by the Trustee or through distribution channels duly authorized by the Trustee. These distribution channels are limited to those allowed under existing rules and regulation.

**Sec 4. Reclassification of unit classes** – A reclassification is a transaction to convert a participant’s holdings in one class of participation unit into another class within the same fund.

The transaction can be done provided that eligibility requirements and minimum investment amounts are met to allow the reclassification between unit classes. This is executed by redeeming the participation

units (R units) held by the investor in one class, then subscribing units in the other class (I units) – or in some cases I units to R units. More details are provided in Appendix I, the Fund Specifications.

**Sec. 5 THE TRUSTEE DOES NOT AND SHALL NOT GUARANTEE A FIXED RATE OF RETURN OR INCOME TO THE PARTICIPANTS. LOSSES, IF ANY, SHALL BE FOR THE ACCOUNT AND RISK OF THE PARTICIPANTS. AND, THAT HISTORICAL PERFORMANCE, WHEN PRESENTED, IS PURELY FOR REFERENCE PURPOSES AND IS NOT A GUARANTEE OF SIMILAR FUTURE RESULTS.**

**Sec. 6 NON-COVERAGE BY PDIC – PARTICIPATION IN THE FUND IS A TRUST ARRANGEMENT AND IS NOT A DEPOSIT ACCOUNT. AS SUCH, THE PARTICIPATION IN THE FUND IS NOT COVERED OR INSURED BY THE PHILIPPINE DEPOSIT INSURANCE CORPORATION ("PDIC"). ANY INCOME OR LOSS OF THE FUND (WHETHER REALIZED OR UNREALIZED) WILL IMPACT THE NAVPU AND SHALL BE FOR THE ACCOUNT AND RISK OF THE PARTICIPANT.**

#### Article V

#### VALUATION OF THE FUND AND PARTICIPATION UNITS

**Sec. 1 Valuation of the Fund** – The valuation of the Fund shall be subject to the following rules:

- a. The Trustee shall, on a daily basis, determine the net asset value (the “NAV”) of the Fund and the value of each Participation Unit (herein referred to as the “NAVPU”)
- b. The NAV shall be the summation of the market value of each investment of the Fund less fees, taxes, and other qualified expenses as defined in Section iii below. 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 more specifically described in the Fund Specifications in Appendix I.

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

- a. The NAVPU shall be determined by dividing the NAV of the Fund by the total number of units outstanding as of Valuation Date. The net asset of each class shall represent its proportionate share to the net assets of the Multi-Class Fund less the trust fees and expenses attributable to that class.

The net asset of the Multi-Class Fund is the summation of the market value of each investment less fees, taxes, and other qualified expenses, but gross of trustee fees and expenses attributable to a particular class.

- b. The NAVPU at the start of the Fund’s operation, of the Fund’s par value, is PHP 100.
- c. Valuation Date shall mean at the close of banking day.

- d. The NAVPU shall be computed daily at the time specified in the Fund Specifications in Appendix I hereto.

**Sec. 3 Fees and Expenses of the Fund**

- a. **Trustee's Fees** – The Trustee shall charge against the Fund regular trust fees in the amount indicated in the Fund Specifications on a per annum basis based on the NAV of the Fund, as its compensation for the administration and management of the Fund (the “Trust Fees”). The Trust Fees shall accrue and shall be collectible from the Fund as and when the same becomes due, at such times as indicated in the Fund Specifications. The Trust Fee may be increased or decreased in the future as may be warranted by circumstances then existing, subject to the requirements of Subsection 414-Q of the MORNBFIs or any amendments thereto. In the event the Trust Fees are changed, such change shall be charged prospectively, subject to the provisions of Article IX, Section 9.1 hereof.
- b. **Expenses** –The Trustee may charge the Fund for other qualified expenses incurred by it in the management of the Fund, including custody fees, external audit fees and other similar expenses as allowed by the BSP. For expenses not attributable to any particular class, there shall be an equitable allocation of any costs, charges, and expenses payable out of the Multi-Class Fund.

The Trustee may charge the Fund for special expenses, such as attorney’s fees should the Fund be involved in litigation, if the same are necessary to preserve or enhance the value of the Fund. Such special expenses shall be payable to pertinent third party or parties covered by separate contract/s, and disclosed to the Participants in the quarterly reports.

Article VI

**TRUSTEE'S POWERS & LIABILITIES**

**Sec. 1 Management of the Fund** – The Trustee shall have the exclusive management, administration, operation and control of the Fund, 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 as investment advisor or manager of a portion of the Fund; provided that the said arrangement shall be covered by a written agreement/contract and such third party/ies is/are disclosed in the quarterly reports to the Participants of the Fund.

**Sec. 2 Powers of the 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 have exclusive management and control of the Fund, full discretion in respect of the Fund's 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;
- c. To hold, place, invest and reinvest the Fund with full discretionary powers and without distinction as to principal and income, in investments stipulated in the "Investment Objectives" and "Investment Policy" under the Fund Specifications hereof, and in such investments as it may deem sound and appropriate.
- d. To deposit in any bank or financial institution, any portion of the Fund, subject to the requirements of subsection 414-Q of the MORNBF;I;
- e. To register or cause to be registered any securities of the Fund in nominee or bearer form;
- f. To appoint and retain the services of qualified and reputable local or foreign investment advisors and/or fund managers; provided, however, that the Trustee shall retain ownership and control of the Fund, and provided further, that such investment advisors and/or fund managers 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;
- g. To hire and compensate the Fund's legal counsel/s, certified public accountant, custodian/s, and other professionals in connection with administration and management of the Fund and the protection or advancement of its legal and other interests;
- h. To make, execute, acknowledge and deliver any and all securities, agreements, contracts, deeds, documents and instruments necessary in the management, investment and reinvestment of the Fund, or in connection with the exercise of the powers herein conferred or the performance of acts herein authorized;
- i. To exercise any and all rights and privileges inherent or incidental to the ownership of securities, deposits, shares of stocks or properties comprising the assets of the Fund;
- j. To collect and receive income, dividends, interest, profits, increments and such other sums accruing or due to the Fund; and
- k. To pay out of the Fund all costs, expenses, taxes, and proper charges incurred in connection with the administration, preservation, maintenance and protection of the Fund.
- l. The Trustee shall have such additional powers and authority conferred by Applicable Laws and such as may be necessary for the purpose of this DOT.

**Sec. 3 Temporary Suspension of Determination of NAVPU, Subscription and Redemption** – The Trustee may suspend the determination of NAVPU, subscription and redemption of Participation Units as provided for in Sections 8, 9 and 11 in the Appendix I (Fund Specifications) of this DOT.

**Sec. 4 Liability of the Trustee** – Save for those that are attributable to the Trustee’s fraud, willful default, bad faith or gross negligence, the Trustee shall not be liable for any loss or depreciation in the value of the Fund or in the value of the Participant’s participation in the Fund. The Trustee shall not be liable for any error in judgment, for any act done or step taken, or omitted by it in good faith, for any mistake of fact or law, or for anything which it may do or refrain from doing in connection with its obligations as Trustee under this DOT, or for any act or omission where such action or inaction, in the good faith and judgment of the Trustee, was then necessary, reasonable or appropriate for the proper and advantageous administration and management of the Fund.

**Sec. 5 Non-Responsibility Beyond Stipulated Scope** - This DOT sets forth exclusively the duties and responsibilities of the Trustee with respect to the matters pertinent hereto. No implied duties or obligations shall be read into this DOT against the Trustee.

**Sec. 6 Right to Refuse to Act on Perception of Liability or Violation of Law** - The Trustee may refrain from performing any instruction or from doing anything which it in good faith deems would or might be contrary to law or government regulations or judgment, award or decree binding upon it or which or might render it liable to any person or to any government agency.

## Article VII

### RIGHTS OF PARTICIPANTS

**Sec. 1 Right to Inspect Declaration** – A copy of this DOT shall be available at the principal office of the Trustee for inspection by any having an interest in the Fund, such as customers, or by his authorized representative. Upon request, a copy of this DOT shall be furnished such interested person.

**Sec. 2 Disclosure of Investments** – A list of existing and prospective investments of the Fund shall be made available to Participants. Such disclosure shall be substantially in the form of the Key Information and Investment Disclosure Statement, as required under Subsection 4410Q.7 of the MORNBF. Upon request, Participants shall be furnished a quarterly list of investments held by the Fund.

**Sec. 3 Disclosure of Risks** – Potential Participants shall be informed of both the general risks and risks specific to the Fund and a Participant shall acknowledge the disclosure by executing a "Risk Disclosure Statement" in the form attached hereto as Appendix II.

Due to the nature of the investment in the Fund, all potential Participants shall be advised to read and evaluate the details of the Fund and all the risks involved, and to seek independent/professional opinion, before making an investment in the Fund.

**Sec. 4 Disclosure of Material Changes** – Participants shall be informed of material changes to the Fund prior to such changes being implemented. The Trustee shall inform Participants in writing of material changes at least thirty (30) calendar days prior to the implementation of the material change to provide time for those who are not in conformity to redeem their units from the Fund.

Non-material changes may be disclosed to clients either through the quarterly Key Information and Investment Disclosure Statement (KIIDS) or a notice on the Trustee's website.

**Sec. 5 *Rights upon Termination of DOT*** – In case of termination of this DOT, Participants shall have (a) the right to be notified of such termination in accordance with the provisions in Article IX Section 9.2 of this DOT and, (b) upon demand, the right to inspect or be provided a copy of the financial statement used as the basis for the distribution of the Fund.

In respect of the Fund, the rights of the Participants at the time of such termination as against each other shall be pari-passu and pro-rata.

#### Article VIII **ANNUAL AUDIT AND REPORT**

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 audit 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. 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 copy of the report, or a notice that the report is available and that a copy thereof will be furnished upon request, without charge, shall be sent to each Participant, whether hard copies or electronically. Additionally, this report shall be made available on the trustee's website.

#### Article IX **AMENDMENTS & TERMINATION**

**Sec. 1 *Amendments*** – This DOT 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 in writing and those who are not in conformity with the amendments made shall be allowed to withdraw their Participation Units 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 DOT shall be submitted to the BSP within ten (10) Banking Days from approval of the amendments by the Board of Directors of the Trustee. The amendments shall be deemed approved after thirty (30) Banking Days from date of completion of requirements.

**Sec. 2 *Termination*** – This DOT 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 by reason of a change in the Trustee's banking strategy. The resolution shall specify the effective date of such termination. A copy of the resolution shall be submitted to the appropriate department of the BSP. At the discretion of the Trustee's Board of Directors, it may engage the services of a reputable accounting firm to look into the books and records of the Fund maintained by the Trustee and to certify to the financial condition of the Fund. Upon approval of the termination of this DOT, the Trustee shall notify the Participants accordingly.



Following the approval of the termination of this DOT but at least thirty (30) Banking Days prior to the actual termination of the Fund, the Trustee shall provide notice of the termination of the Fund to the Participants. 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 or on the Trustee's website. Upon termination, the Trustee shall prepare a financial statement of the Fund which shall be made the basis for distribution of the net assets of the Fund to the Participants.

**Sec. 3** Within a reasonable time after termination of this DOT, the Trustee shall distribute to the Participants each Participant's proportionate interest in the net assets of the Fund after deducting all accrued taxes, expenses, and Trust Fee chargeable against the Fund. The Trustee shall be authorized to sell or dispose of any asset of the Fund as may be necessary to fully implement the distribution to the Participants and finally liquidate or settle its accountabilities or obligations as Trustee.

**Sec. 4** Even after the termination of this DOT, the Trustee shall continue to exercise its powers and rights until all the assets of the Fund have been liquidated and distributed to all Participants.

#### Article X **RISK DISCLOSURE**

Below are the relevant risks that the Fund may be subject to. Some or all of these risks may adversely affect the Fund's NAVPU, return on investment, and/or its ability to meet its investment objectives:

- a. Market Risk - the risk that movement in the financial markets will adversely affect the investments of the Fund. The markets will fluctuate based on many factors, such as the state of the economy, current events, corporate earnings, interest rate movements.
- b. Interest Rate Risk - the risk that the value of the portfolio will decline as interest rates rise. Bond prices are inversely related to interest rates. As interest rates increase, bond prices decrease.
- c. Liquidity Risk - the risk that the investments of the Fund cannot be sold or converted into cash within a reasonable time or in instances where sale or conversion is possible but not at a fair price.
- d. Credit Risk - the risk that the bond issuer may not be able to pay its debt upon interest payments and maturity.
- e. Inflation Risk - the risk the return of your investments will not keep pace with the increase in consumer prices.
- f. Currency Risk - the risk that fluctuations in the exchange rate between the US dollar and a foreign currency may decrease the value the Fund's investments.
- g. Reinvestment Risk - risk associated with the possibility of having lower returns or earnings when maturing funds or the interest earnings of funds are re-invested.

#### Article XI **TAXATION**

**Sec. 1** Taxation or tax exemption on income or other yield earned by a Participant from the Fund shall be based on prevailing tax laws and regulations of the relevant tax authority.

**Sec. 2** Taxes on investments of the Fund or income earned by the Fund, including assessments for deficiencies, penalties, surcharges, claims and costs for defense or counsel in appropriate proceedings shall be for the account of the Fund.

**Sec. 3** Notwithstanding anything to the contrary contained herein, in the event that there shall hereafter occur any change in tax laws/rulings or in the interpretation or administration thereof, the Trustee shall not be precluded from collecting the entire amount of additional taxes, including any interest, surcharge or penalties from the Fund or Participant, as the case may be, resulting from the implementation of such change. Investors are thus exposed to legal and tax risks since additional taxes, including any surcharge or penalty, may be applied to transactions of the Fund made prior to the investor becoming a unitholder, if any change in laws/rulings or in the interpretation or administration thereof is implemented with a retrospective effect.

Article XII

**OTHER TERMS AND CONDITIONS**

**Sec. 1** The provisions of the Participation Trust Agreement and Confirmation of Participation shall be in accordance with this DOT and shall include other provisions as may be required by the BSP rules and regulations or as may be deemed necessary under the circumstances, provided that, any such additional provisions are not inconsistent with this DOT. The provisions of this Plan shall prevail over those of the Participation Trust Agreement or the Confirmation of Participation, in the event that there is an inconsistency between their provisions.

**Sec. 2** The Confirmation of Participation, to be effective, need not be manually signed by the Trustee or its authorized representative. It may be in the form of an electronic document which shall be governed by R.A. No 8792, otherwise known as the Electronic Commerce Act, and its implementing rules and regulations.

IN WITNESS WHEREOF, PBCOM-Trust and Wealth Management Group has caused this Amended Declaration of Trust to be signed on August \_\_, 2023 at Makati City, Metro Manila.

**PHILIPPINE BANK OF COMMUNICATIONS  
TRUST AND WEALTH MANAGEMENT GROUP**

BY:

**DREDA TERESA D. MENDOZA**  
Trust Officer

Appendix I  
**Fund Specifications**

**PBCOM Value Equity Fund**

**1. Investment Objective**

The primary investment objective of the Fund is to provide participants with income and long-term capital growth in a portfolio of stocks listed in the Philippine Stock Exchange (PSE). The Fund is invested substantially, at least 80% of its net asset value, in equities. However, if in the judgement of the fund manager a higher cash position is warranted, such as in instances when market volatility or an increase in redemptions is expected, the actual portion invested in equities may drop below 80% temporarily. Cash may be kept for liquidity and portfolio rebalancing purposes.

The Fund aims to outperform its benchmark which is the Philippine Stock Exchange Index (PSEi) or its equivalent benchmark approved by regulators.

**2. Investment Policy**

Pursuant to the foregoing objectives, the Fund may be invested and reinvested in the form of any of the following:

- a. Equities listed in the Philippine Stock Exchange;
- b. Securities issued by or guaranteed by the Philippine government, or by the BSP;
- c. Marketable fixed income instruments that are traded in an organized exchange;
- d. Loans traded in an organized market;
- e. Bank deposits; and
- f. Such other tradable investments outlets as may be approved by the relevant authority and allowed by the BSP.

The combined exposure limit of the Fund to any entity and its related parties shall not exceed 15% of the market value of the Fund or the actual benchmark weighting, whichever is higher. The single issuer limit may change as may be prescribed by the BSP. The single issuer exposure limit does not apply to securities issued or guaranteed by the Philippine government or by the BSP.

**3. Benchmark**

**Philippine Stock Exchange Index (PSEi)**

The benchmark shall be the year to date performance of the PSEi. The PSEi is composed of the 30 largest and most active common stocks listed in the Philippine Stock Exchange based on a set of criteria including public float, liquidity and market capitalization. The index undergoes review and rebalancing by the PSE semi-annually. The composition and value of the PSEi is published daily in the PSE website and in major newspapers.

*For more information on the benchmark, customers can visit the PSE website at [www.pse.com.ph](http://www.pse.com.ph).*

#### **4. Fund structure**

Unit Investment Trust Fund structured as a Multi-Class Fund. The Fund will have two classes:

- a. R units and
- b. I units

#### **5. Qualified Participants**

Persons or entities with legal capacity to contract, subject to the account opening procedures established by the Trustee.

Participation in the Fund shall be opened to any person, association, entity or firm who has a legal capacity to enter into a Trust Agreement. The Fund is suitable for investors with an aggressive risk profile who are aware of the potential for high yields in stock markets investments and are willing to take the corresponding risk of such investments. In order to minimize risks and maximize the earning potential of their investments, the participants/trustors are recommended to stay invested in the Fund for at least 5 years.

#### **6. Eligible investors for R & I Units**

R units shall be available for investment by retail investors that are not eligible to subscribe to class I.

I units shall be available to qualified participants who meet any of the following criteria:

- a. Qualified participant with either an Investment Management, Trust, or other Fiduciary accounts managed by the Trustee with placement in own UITF of at least twenty million (PHP 20,000,000) on a per fund basis.
- b. Existing clients with total relationship balance or Assets Under Management of at least PHP20,000,000 with TWMG under either Investment Management, Trust or other Fiduciary accounts with minimum allowed investment in any of the Fund of PHP 1,000,000.
- c. Retail or institutional investors with existing or new total placement or investment in the Fund of at least twenty million pesos (PHP 20,000,000).

#### **7. Fund Features**

- a. Base Currency: Philippine pesos
- b. Initial NAVPU: PHP 100
- c. Trading Frequency: Daily
- d. Trust Fee:

The trust fee shall be accrued daily and payable monthly or at such periodic intervals as the Trustee may determine, as its compensation for the administration and management of the Fund.

R units: 1.5% per annum

I units: 0.75% per annum

The trust fees shall be uniformly applied to all participants in the Fund. Said fee may be increased or decreased in the future as may be warranted by circumstances then existing, subject to the

requirements of Section 414/414-Q (Plan Rules) of the Manual of Regulations for Banks. In the event the trust fees are changed, such change shall be charged prospectively.

The trust fee daily computation shall be based on the following formula:

	R units	I units	Fund total
Total assets (TA)	TA <sub>R</sub>	TA <sub>I</sub>	TA <sub>R</sub> + TA <sub>I</sub>
Allocation ration	R%*	I%**	R% + I% = 100%
Less: Expenses before trust fee (EXP)	EXP x (R%)	EXP x (I%)	Total expense of the Fund
Net assets before trust fee payable	XXX.XX	XXX.XX	
Less: Daily trust fee	x ___%/360	x ___%/360	
Daily trust fee	xx.xx	xx.xx	

\*R% = TA<sub>R</sub> / (TA<sub>R</sub> + TA<sub>I</sub>)

\*\*I% = TA<sub>I</sub> / (TA<sub>R</sub> + TA<sub>I</sub>)

**8. Subscription requirements and conditions:**

- a. Minimum initial participation:
  - i. Class R – PHP 5,000
  - ii. Class I – PHP 20,000,000
- b. Minimum maintaining participation:
  - i. Class R – PHP 5,000
  - ii. Class I – PHP 20,000,000
- c. Minimum subsequent participation: PHP 1,000
- d. Minimum holding period: 30 Calendar Days
- e. Subscription cut-off time: 11:00 am
- f. Subscription settlement date: Trade date + 3 banking day
- g. Subscription price: Available NAVPU on trade date
- h. Other participation requirements and conditions:
  - i. Subscription into the fund shall be made through a notice to the Trustee
  - ii. Subscription is subject to receipt of cleared funds by the Trustee
  - iii. Subscription orders received after the Subscription cut-off time shall be processed the following Banking Day and shall receive that day's NAVPU.
  - iv. A copy of the Participation Trust Agreement (PTA) and Confirmation of Participation shall be issued to Participants corresponding to their subscription into the Fund. The PTA will be given to the client after it has been duly signed by the authorized signatories of the Trustee, no later than five (5) banking days after Subscription Settlement Date. The Confirmation of Participation is available two (2) banking days after Subscription Settlement Date.
  - v. The Confirmation of Participation may be in the form of an electronic document not manually signed by the Trustee or its authorized representative. Provided, however, that the said electronic document shall be in accordance with R.A. 8792 or the Electronic

Commerce Act of 2000 and its implementing rules and regulations. The TRUSTEE may formulate the manner of redemption in such cases.

vi. **Reclassification from Class R to Class I:**

Provided that the eligibility for Class I will be met with the additional subscription, this is executed by redeeming investor's participating R units, then all units will be subscribed to Class I along with the additional subscriptions.

vii. **Cooling-off period:**

Pursuant to BSP Circular No 1160, the investor, if he/she is a natural person, is entitled to cancel his/her investment within two (2) banking days ("Cooling-Off Period") from the date of the agreement. This provision shall cover UITFs that have underlying investments with a remaining term equal to or beyond one (1) year including, but not limited to government securities and corporate bonds. All discretionary pre-termination penalties such as holding period fees shall be waived. If the investor wishes to exercise his/her right to cancel the investment, the investor shall inform the Trustee via written notice to cancel which must be duly received by the Trustee within the prescribed Cooling-Off Period. As a result of the cancellation of the participation, the investor hereby agrees that any difference in the NAVPU shall be borne by the investor. After the expiration of the Cooling-Off Period, the investor understands and acknowledges that the right to cancel the investment under the aforementioned BSP circulars shall also expire, and any termination shall be governed by the terms and conditions of the agreement on cancellation, including pre-termination fees and penalties, if any, shall apply.

**9. Redemption requirements and conditions:**

- a. Minimum redemption amount: PHP 5,000
- b. Redemption cut-off time: 11:00 am
- c. Redemption settlement date: Trade date + 3 banking day
- d. Redemption price: Applicable NAVPU on trade date
- e. Early redemption fee: 0.25%
- f. Other redemption requirements, conditions and details:
  - i. Redemption from the fund shall be made through a notice to the Trustee
  - ii. The participant in the Fund may redeem its participation on any banking day provided that prior notice of redemption, as signed in the provision provided for redemption purposes in the Confirmation of Participation or through submission of a Letter of Instruction based on existing form indicating the intention to redeem participation with minimum details such as but not limited to the following: date of redemption, name of Trustor, name of Fund, number of shares or amount to be redeemed, is acknowledged/received by the TRUSTEE within redemption cut-off time. Requests for redemption shall be dealt with by the TRUSTEE in chronological order according to the day that notice is received.
  - iii. Redemption shall be done during trading hours only at the office or branch where the UITF account was opened. Redemption orders received after the Redemption cut-off time shall be processed the following Banking Day and shall receive that day's NAVPU
  - iv. Redemption from the Fund shall result in the reduction of the Participant's proportionate interest in the Fund. If the value of the Participant's investment is less than PHP 5,000.00,

the minimum redemption amount shall be the total amount of the outstanding investment.

- v. An **early redemption fee of 0.25%** based on the current net asset value of the participation redeemed shall be charged to the concerned Participant in case of redemption prior to the completion or lapse of the minimum holding period. Such fee shall form part of the Fund.
- vi. No partial redemption is allowed.
- vii. **Reclassification from Class I to Class R:**  
In the event that redemption has been made and the remaining investments fall below the minimum required amount for Class I (PHP 20,000,000), the whole amount in class I shall be redeemed and the excess will be subscribed in class R.

#### **10. NAVPU calculation**

The assets of the Fund shall be marked-to-market daily, in accordance with the applicable rules and regulations of the BSP.

Latest available market prices/yields will be used to value the Fund's holdings for the day.

As applicable, the Fund's holdings or assets shall be valued as follows or shall be based on the valuation method that the BSP may prescribe:

##### **Asset Class Valuation:**

###### *Cash deposits.*

Cash deposits will be valued at cost plus accrued interest.

For equity securities listed in the Philippine Stock Exchange, in case of halt trading/suspension or holidays, the security will be valued using the latest available closing price.

###### *Other Valuation Guidelines*

In the absence of market price described above, the fair value which is the price that would be received in selling the financial instrument in an orderly transaction in the principal (or most advantageous) market under current market condition, shall be used as basis for the MTM. BSFIs shall ensure that such an observed price or the price estimated using another valuation technique, including inputs to valuation technique, are consistent with the provisions of PFRS 13.

#### **11. Suspension of NAVPU calculation**

The Trustee may temporarily suspend the calculation of the Fund's NAV and NAVPU in any of the following instances:

- a. when one or more exchanges or other regulated markets, functioning in a regular manner, recognized and open to the public, supplying listings for a significant portion of the assets of the Fund, is closed for periods other than regular holidays, or when transactions thereat are suspended or subject to restrictions;
- b. when the means of communications or calculation used to determine the value of a substantial portion of the assets of the Fund are suspended (e.g. no internet or phone service in Metro

- Manila), or when the value of a substantial portion of the investments of the Fund cannot be determined with the desirable speed and accuracy;
- c. when factors due, inter alia, to the political, economic, military or monetary climate, and force majeure, which are outside the control, liability and operational scope of the Trustee shall prevent the same from transacting assets on behalf of the Fund and from determining the NAV thereof in a normal and reasonable manner; or
  - d. when the market for a currency in which a significant portion of the assets of the Fund is invested shall be closed for periods other than normal holidays, or when transactions thereon are suspended or subject to restrictions.

Should the Trustee suspend the calculation of the NAV and NAVPU, it shall also suspend acceptance of subscription and redemption orders. Such suspension shall promptly be communicated to the Participants and potential investors, and in particular to Participants requesting redemption of their Units. The Trustee shall endeavor to provide a notice to the Fund's participants prior to the suspension of the NAVPU calculation and acceptance of subscriptions or redemptions as the situation may allow.

**12. NAVPU availability**

The NAVPU of the Fund shall be computed daily at about 6:00 pm or as soon as all trade transactions are recorded and end-of-day prices are available. The NAVPU of the Fund shall be published at 7:00pm in the Trustee's website ([www.pbcom.com.ph](http://www.pbcom.com.ph)) on each banking day or as close thereto as possible after all relevant information necessary for calculating the same shall have been collected.

It shall also be published on a weekly basis in a daily broadsheet of choice by the Trust Officers Association of the Philippines ("TOAP") through submission to the TOAP as required.

**13. Third Party Custodian**

Investment in securities of the Fund shall be held for safekeeping by a third party BSP accredited custodian. Should the said third party custodian be changed, only another BSP accredited third party custodian approved by the Board of Directors of PBCOM shall be engaged. The third-party custodian shall perform independent marking to market of such securities.



Appendix II  
**Risk Disclosure Statement**

**PBCOM Value Equity Fund**

Prior to making an investment in any of the PBCOM Trust and Wealth Management Group ((PBCOM TWMG) is hereby informing you of the nature of the Trust products and services and the risks involved in participating/investing therein. As participation/investments in Unit Investment Trust Funds (UITF), carry different degrees of risk, it is necessary that before you participate/invest in these trust products and services, you should have:

- ✓ Fully understood the nature of the investment in UITF and the extent of your exposure to risks;
- ✓ Read this Risk Disclosure Statement completely; and
- ✓ Independently determine that the participation/investment in the UITF is appropriate for you.

There are risks involved in participating/investing in the UITF because the value of your participation/investment is based on the present market value of the underlying investment and therefore may fluctuate daily.

Investment in the UITF does not provide guaranteed returns even if invested in government securities and high-grade prime investment outlets. Your principal and earnings from the investment can be lost in whole or in part when the market price at the time of withdrawal is lower than the market price at the time of account opening. Gains from investment is realized when the market price at the time of withdrawal is higher than the market price at the time of account opening.

Investment in any of the bank's UITFs exposes you to various types of risk enumerated hereunder:

**INTEREST RATE RISK.** This is the possibility for an investor to experience losses due to changes in interest rates. 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.

The underlying investments in UITF portfolio, being marked-to-market, are affected by changes in interest rates thereby affecting the value of fixed income investments such as bonds. Interest rate changes affect fixed income securities inversely, i.e. as interest rates rise, bond prices fall and when interest rates decline, bond prices rise. As the prices of bonds placed in UITF adjust to a rise in interest rates, the market price of the underlying investment may decline.

**MARKET/PRICE RISK.** This is the possibility for an investor to experience losses due to changes in market prices of securities (e.g., bonds and equities). It is the exposure to the uncertain market value of a portfolio due to price fluctuations.

It is the risk of the UITF to lose value due to a decline in securities prices, which may sometimes happen rapidly or unpredictably. The value of investments fluctuates over a given time period because of general market conditions, economic changes or other events that impact large portions of the market such as political events, natural calamities, etc. As a result, the net asset value may increase to make profit or decrease to incur loss.

**LIQUIDITY RISK.** This is the possibility for an investor to experience losses due to the inability to sell or convert assets into cash immediately or in instances where conversion to cash is possible but at a loss. These may be caused by different reasons such as trading in securities with small or few outstanding issues, absence of buyers, limited buy/sell activity or underdeveloped capital market.

Liquidity risk occurs when certain securities in the UITF portfolio may be difficult or impossible to sell at a particular time which may prevent the withdrawal of investment in UITF until its assets can be converted to cash. Even government securities which are the most liquid of fixed income securities may be subjected to liquidity risk particularly if a sizeable volume is involved.

**CREDIT RISK/DEFAULT RISK.** This is the possibility for an investor to experience losses due to a borrower's failure to pay principal and/or interest in a timely manner on instruments such as bonds, loans, or other forms of security which the borrower issued. This inability of the borrower to make good on its financial obligations may have resulted from adverse changes in its financial condition thus, lowering credit quality of the security, and consequently lowering the price (market/price risk) which contributes to the difficulty in selling such security. It also includes risk on a counterparty (a party the Fund Manager trades with) defaulting on a contract to deliver its obligation either in cash or securities.

This is the risk of losing value in the UITF portfolio in the event the borrower defaults on his obligation or in the case of a counterparty, when it fails to deliver on the agreed trade. This decline in the value of the UITF happens because the default/failure would make the price of the security go down and may make the security difficult to sell. As these happen, the net asset value of the portfolio will be affected by a decline in value.

**REINVESTMENT RISK.** This is the risk associated with the possibility of having lower returns or earnings when maturing funds or the interest earnings of funds are reinvested.

Investors in the UITF who redeem and realize their gains run the risk of reinvesting their funds in an alternative investment outlet with lower yields. Similarly, the Fund Manager is faced with the risk of not being able to find good or better alternative investment outlets as some of the securities in the fund mature.

In case of foreign-currency denominated UITF or a peso denominated UITF allowed to invest in securities denominated in currencies other than its base currency, the UITF is also exposed to the following risks:

**FOREIGN EXCHANGE RISK.** This is the possibility for an investor to experience losses due to fluctuations in foreign exchange rates. The exchange rates depend upon a variety of global and local factors, e.g., interest rates, economic performance, and political developments.

It is the risk of the UITF to currency fluctuations when the value of investments in securities denominated in currencies other than the base currency of the UITF depreciates. Conversely, it is the risk of the UITF to lose value when the base currency of the UITF appreciates. The net asset value of a peso-denominated UITF invested in foreign currency-denominated securities may decrease to incur loss when the peso appreciates.

**COUNTRY RISK.** This is the possibility for an investor to experience losses arising from investments in securities issued by/ in foreign countries due to the political, economic and social structures of such countries. There are risks in foreign investments due to the possible internal and external conflicts, currency devaluations, foreign ownership limitations and tax increases of the foreign country involved which are difficult to predict but must be taken into account in making such investments.

Likewise, brokerage commissions and other fees may be higher in foreign securities. Government supervision and regulation of foreign stock exchanges, currency markets, trading systems and brokers may be less than those in the Philippines. The procedures and rules governing foreign transactions and custody of securities may also involve delays in payment, delivery or recovery of investments.

**REGULATORY RISK.** Changes in laws and regulations that could adversely affect the value and return of the investment.

**OTHER RISK.** There may be other unforeseen risks inherent in investments as a result of a variety of changes in the market and the economy, including but not limited to changes in interest rates, inflation (actual and outlook) and a general decline in the market as a whole. Additionally, certain characteristics of the change may affect the sensitivity of the price of the Investment to these and other macro-economic changes. There may be other unforeseen risks inherent in investments that may be caused by other factors, including global events, political, legal, regulatory, or general economic changes, which may enhance the risks as stated above.

Your contribution in the UITF may be further exposed to the risk of any actual or potential conflicts of interest in the handling of in-house or related party transactions by PBCOM TWMG. These transactions may include own-bank deposits; purchase of own-institution or affiliate obligations (such as stocks, mortgages); purchase of assets from or sales to own institution, directors, officers, subsidiaries, affiliates or other related interests/parties; or purchases or sales between fiduciary/managed accounts.

**I/We have completely read and fully understood this risk disclosure statement and the same was clearly explained to me/us by a PBCOM TWMG group/branch trust marketing personnel before i/we affixed my/our signature/s herein. I/we hereby voluntarily and willingly agree to comply with any and all laws, regulations, the plan rules, terms and conditions governing my/our investment in the PBCOM TWMG UITF products.**

\_\_\_\_\_  
Client Signature over Printed Name

\_\_\_\_\_  
Date

For PBCOM TWMG use only:

I acknowledge that I have: (1) advised the Trustor(s) to read this Risk Disclosure Statement; (2) encouraged the Trustor(s) to ask questions on matters contained in this Risk Disclosure Statement; and (3) fully explained the same to the Trustor(s).

\_\_\_\_\_  
Signature over Printed Name of Certified UITF Sales Person

\_\_\_\_\_  
Date