

**AB CAPITAL AND INVESTMENT CORPORATION**  
**AB CAPITAL BALANCED FUND**  
**KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT**  
**As Of June 30, 2023**

**FUND FACTS**

<b>Classification:</b>	Balanced Fund	<b>Net Asset Value per Unit (NAVPU):</b>	1.0985
<b>Launch Date:</b>	March 20, 2013	<b>Total Fund NAV:</b>	280,435,990.54
<b>Min. Investment:</b>	Php 25,000	<b>Dealing:</b>	Daily up to 12:00 noon
<b>Add'l Investment:</b>	Php 10,000	<b>Redemption Settlement:</b>	T + 3 days
<b>Min. Holding Period:</b>	30 days	<b>Early Redemption Charge:</b>	1.00% of principal

**FEES\***

Trustee Fees: 0.315% AB Capital - Trust and Investments Division	Custodianship Fees: 0.001% Phil. Depository & Trust Corp.	External Auditors Fees: 0.005% SGV & Co.
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\*As a percentage of average daily NAV for the quarter valued at Php 257,864,204.54.

**INVESTMENT OBJECTIVE AND STRATEGY**

Intends to achieve for its participants long-term capital growth and income by investing in a diversified portfolio of high-grade marketable securities allocated in fixed income and equity securities (up to 50% of the portfolio). The Fund aims to surpass its benchmark (gross of fees) which is the combination of 60% 1 yr T-Bill rate and 40% 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 AB CAPITAL BALANCED FUND is suitable for individual and corporate investors who are at least classified as balanced based on their risk profile and who are aware of the opportunity for high yields that portfolios with stock market investments may provide but are also knowledgeable of the possibility of capital losses that such investments may entail.
- In order to minimize risks and maximize returns, the participants are recommended to stay invested in the Fund for more than three (3) years.

**KEY RISKS AND RISK MANAGEMENT**

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

<b>Interest Rate Risk</b>	Possibility for an investor to experience losses due to the changes in interest rate. 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.
<b>Market/Price Risk</b>	This is the possibility for an investor to experience losses due to the 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 fluctuate 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 per Unit (NAVPU) may increase to make profit or decrease to incur loss.
<b>Liquidity Risk</b>	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 redemption of investment in UITF until assets can be converted to cash.
<b>Credit/Default Risk</b>	Possibility for an investor to experience losses due to 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. 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 UITF 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 UITF's NAVPU will be affected by a decline in value.

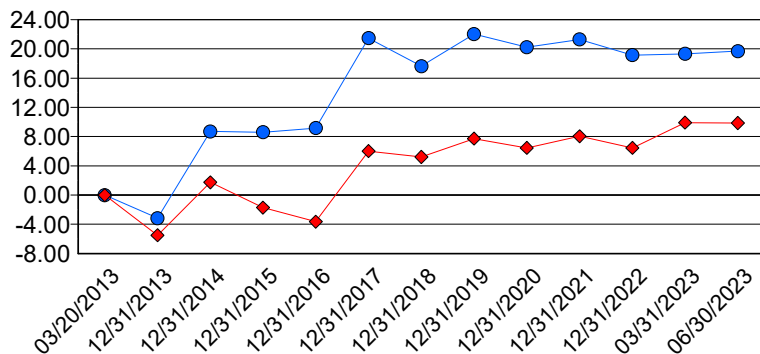
**\* THE UIT FUND IS NOT A DEPOSIT AND IS NOT INSURED BY THE PHILIPPINE DEPOSIT INSURANCE CORP. (PDIC).**  
**\* RETURNS CANNOT BE GUARANTEED AND HISTORICAL NAVPU IS FOR ILLUSTRATION OF NAVPU MOVEMENTS/ FLUCTUATIONS ONLY.**  
**\* WHEN REDEEMING, THE PROCEEDS MAY BE WORTH LESS THAN THE ORIGINAL INVESTMENT 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.**

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For more information, contact us at 898-7555/7550/7535/7551. Email us at [trust@abcapitalonline.com](mailto:trust@abcapitalonline.com) or visit our website [www.abcapitalsecurities.com.ph](http://www.abcapitalsecurities.com.ph)

**FUND PERFORMANCE AND STATISTICS AS OF June 30, 2023**

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

**NAVPU GRAPH****Balanced Fund vs Benchmark<sup>2</sup>**

◆ Balanced Fund YTD Return<sup>1</sup>    ● Benchmark YTD Return

Source: Bloomberg and AB Capital and Investment Corp.

**NAVPU over the past 12 months**

Highest	1.1178
Lowest	1.0348

**STATISTICS**

Volatility, Past 1 Year (%) <sup>3</sup>	5.31
Sharpe Ratio <sup>4</sup>	0.1178
Information Ratio <sup>5</sup>	-0.1849
Weighted Ave. Duration	3.94

<sup>1</sup> Returns are net of fees<sup>2</sup> Since Inception<sup>3</sup> Measures the degree to which the Fund fluctuates vis-a-vis its average return over a period of time<sup>4</sup> 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.<sup>5</sup> Measures reward-to-risk efficiency of the portfolio relative to the benchmark. The higher the number, the higher the reward per unit of risk.**CUMULATIVE PERFORMANCE**

	1 mo	3 mos	6 mos	1 yr	3 yrs
<b>Fund</b>	-0.48	-0.06	3.20	3.14	14.22
<b>Benchmark</b>	0.12	0.31	0.46	4.04	5.84

**PORTFOLIO COMPOSITION**

Allocation	% Of Fund
Fixed Income Securities	63.07
Equities	36.30
Cash and Other Receivables (Payables)	0.63
SECTOR HOLDING	
SERVICES	3.57
PROPERTY	3.02
INDUSTRIAL	2.82

**TOP TEN HOLDINGS (%)**

FXTN 10-69	13.76
RTB 05-12	12.60
FXTN 10-63	9.76
FXTN 20-22	5.56
FXTN 07-67	5.49
FXTN 25-07	5.30
GLOBE TELECOM, INC.	3.57
FXTN 07-69	3.29
SM PRIME HOLDINGS, INC.	3.02
MANILA WATER CO., INC.	2.82

**RELATED PARTY TRANSACTIONS**

----- NO RELATED PARTY TRANSACTION -----

## OUTLOOK AND STRATEGY

### Stock Market

Philippine equities ended the second quarter of 2023 marginally lower by 0.49% with the index remaining below the 6,500 level at the end of the period. The PSEi traded within a wide range of 6,400 to 6,700 as the index attempted to rally on the back of strong first quarter earnings results and indications of easing inflation in the Philippines.

Banks had robust earnings growth for the first quarter amid sustained loan growth and an expansion of net interest margins. Consumer companies continued to report strong sales growth as price hikes implemented over the past few months take effect and provide some mitigation against higher input costs. Power and utility firms also reported strong earnings as power generation segments continue to reap the benefits of a tight energy market. Meanwhile, the property sector has reported sustained growth in mall and hotel segments but still only a modest recovery for residential reservation sales as high interest rates continue to weigh on demand for investment properties.

However, the market's upward momentum lost steam as investors opted to sell-on-strength as global headwinds persisted. During the quarter, concerns on a potential hard-landing in the US, excessive monetary policy tightening, and a short-lived US debt ceiling impasse overpowered the positive developments in corporate earnings and inflation for the Philippines.

### Fixed-Income Market

Yields continued to grind lower over Q2 of 2023 as participants remained optimistic about the local inflation outlook for the Philippines. Long-term bonds outperformed, ending the quarter 30 to 45 basis points (bps) lower.

More on inflation, PH CPI ended the quarter at 5.4% from 7.6%. The trend was primarily attributable to the continued correction in food, transportation, and electricity prices.

On the monetary front, the BSP policy rate stayed steady at a rate of 6.25%. Going into the third quarter, the BSP hopes to maintain its pause on monetary policy as inflation grinds back towards its target range of 2 to 4%.

### AB Capital Balanced Fund Performance

The AB Capital Balanced Fund posted a slight decrease of 0.06% in the second quarter of 2023. The Net Asset Value Per Unit (NAVPU) declined to 1.0985 as of June 30, 2023 from 1.0991 as of March 31, 2023.

### Balanced Fund Strategy

The portfolio increased its weight in equities as the Philippine Stock Index continued to trend lower. On the fixed-income side, the long-term bond holdings continued to generate modest gains, offsetting short-term losses on the equity portfolio.

As inflation continues to trend down, we remain bullish on fixed income. Given the correction in bond yields towards the end of Q2, there is still more room for the market to grind to new highs. The portfolio remains overweight on fixed income and underweight on equities.

## LIST OF PROSPECTIVE INVESTMENTS

Pursuant to the foregoing objectives, the Fund may be invested and reinvested in:

- a) Listed and soon to be listed (Initial Public Offering) common stocks, preferred stocks, and securities convertible into or exchangeable to common stocks;
- b) Fixed-income securities issued by the government and corporations such as but not limited to commercial papers, promissory notes, bonds, non-convertible preferred shares and other marketable securities that are traded in an organized exchange or market;
- c) Other investments allowed under regulations issued by the BSP.

The combined exposure of the Fund to any entity and its related parties shall not exceed fifteen percent (15%) of the market value of the Fund. Provided, that Fund investments, partially or substantially, in exchange traded equity securities shall be subject to the fifteen percent (15%) exposure limit.

AB Capital is regulated by the Bangko Sentral ng Pilipinas (BSP). For any inquiries and complaints relating to our services and products you may call our hotline: 898-7555, or send an email at [trust@abcapitalonline.com](mailto:trust@abcapitalonline.com) or write a letter addressed to AB Capital—TID, Units 1210-1212, 12th Floor, PSE Tower, 5th Ave., cor. 28th St., Bonifacio Global City, Taguig City, Philippines 1634. You may also file your complaints at BSP Financial Consumer Department at (632)708-7087 or [consumeraffairs@bsp.gov.ph](mailto:consumeraffairs@bsp.gov.ph). To know your rights under BSP Circular No.857 and as revised by Circular 1048 (regulations on Financial Consumer Protection), please access a copy at the BSP website([www.bsp.gov.ph](http://www.bsp.gov.ph)).