

## DECLARATION OF TRUST

### AB CAPITAL EQUITY FUND

A Unit Investment Trust Fund

KNOW ALL MEN BY THESE PRESENTS:

AB Capital and Investment Corporation, a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at Unit 1210-1212, 12<sup>th</sup> Floor, PSE Tower, 5<sup>th</sup> Avenue corner 28<sup>th</sup> St., Bonifacio Global City, 1634 Taguig City with authority to perform trust and other fiduciary functions, acting herein through its Trust and Investments Division (herein referred to as the "Trustee");

### **WITNESSETH:**

#### **Article I CREATION OF THE TRUST**

That for the purpose of providing investment opportunities to its trust clients for higher investment yields and 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 AB Capital Equity Fund (herein referred to as the "Fund").

Sec. 2 Nature of the Fund – The Fund is a unit investment trust fund established in accordance with and shall be operated subject to the stipulations of this declaration 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 to existing laws.

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

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.

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.

Description of the Fund - The features of the Equity Fund shall be described in Appendix I hereto.

Sec. 3 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 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 substantially in the form hereto attached as Appendix II.

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**Article III**  
**PARTICIPATION: ADMISSION & REDEMPTION**

Sec. 1 **Qualified Participants (Requirements and Restrictions)** - Prior to acceptance of the initial participation in the Fund, the Trustee shall perform a Client Suitability Assessment (CSA) for the purpose of profiling the risk return orientation of the client. Qualified participants/investors in the Fund are those with risk profiles of "AGGRESSIVE" as determined thru the Client Suitability Assessment to be conducted on them.

Participation in the Fund shall be open to participants with legal capacity to contract subject to the rules or procedures stipulated in **Appendix I** hereto and those established by the Trustee to be advantageous or to the best interest of the Fund.

Sec. 2 **Participation Units** - Participation in the Fund shall always be through participation in units of the Fund and each unit shall have uniform rights or privileges as any other unit. The beneficial interest of each participation unit shall be determined under the net asset value per unit (NAVpu) valuation methodology defined herein. The admission or redemption of units of participation in the Fund may be made only on the basis of such valuation and in such frequency as indicated in **Appendix I** hereto.

**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 referred to as pooled-fund accounting method.

Sec 2 **Distribution** - The Fund shall be distributed exclusively in distribution channels duly authorized by the Trustee.

**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 (herein referred to as the "NAV") of the Fund and the value of each unit of participation (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 herein. The determination of market value of the investments of the Fund shall be in accordance with existing BSP rules and regulations on marking to market valuation of investment instruments more specifically described in **Appendix I** hereof.

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.
- (b) The NAVpu at the start of the Fund's operation, or the Fund's par value, shall be as indicated in **Appendix I** hereto.
- (c) The NAVpu shall be computed daily at the time specified in **Appendix I** hereto.

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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 **Appendix I** hereto on a per annum basis based on the NAV of the Fund as its compensation for the administration and management of the Fund. These fees shall accrue and shall be collectible from the Fund, as and when the same becomes due, at such times as indicated in **Appendix I**. 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 Subsection 4410Q.6 of the Manual of Regulations for Non-Bank Financial Institutions. In the event the trust fees are changed, such change shall be charged prospectively.
- (b) **Expenses** - The Trustee may charge the Fund for special expenses if the same is 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.

**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 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 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 investments, and the sole right, at any time to sell, convert, reinvest, exchange, transfer or otherwise change or dispose of the assets comprising the Trust 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 Article II, Section 3 hereto and in such investments it may deem sound and appropriate, subject only to the limitations the investment objectives and policies of the Fund stated in Article II, Section 3 hereto;
- (d) To deposit in any bank or financial institution, any portion of the Fund, subject to the requirement of Subsection 4410Q.8 of the Manual of Regulations for Non-Bank Financial Institutions;
- (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 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

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responsible to the Trustee for any investment actions and decisions undertaken for the Fund;

- (g) To hire and compensate legal counsel/s, certified public accountant and other specialist/s 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 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;
- (i) To collect, receive and receipt for income, dividends, interest, profits, increments and such other sums accruing or due to the Fund; and
- (j) To pay out of the Fund all costs, expenses, and proper charges incurred in connection with the administration, preservation, maintenance and protection of the Fund.

**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 in the value of the Fund or in the value of the Trustor's participation in the Fund. The Trustee shall not be liable for act or omission where such action or inaction, in the good faith judgment of the Trustee, was then necessary, reasonable or appropriate for the proper and advantageous administration and management of the Fund.

**Sec. 4 Non-Coverage By PDIC** – Participation in this Fund is a trust arrangement and is 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 the NAVpu and shall be for the account and risk of the participant.

**Sec. 5. No Guarantee of Yield**

The Trustee does not guarantee a yield, return or income of the Fund. Historical performance, when presented, is purely for reference purposes and is not a guarantee of similar future results.

**Article VII**  
**RIGHTS OF PARTICIPANTS**

**Sec. 1 Right to Inspect Declaration** - A copy of this Declaration of Trust 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. Upon request, a copy of the Declaration of Trust 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 as provided under Appendix Q-34 of Subsection 4410Q.7 of the Manual of Regulations for Non-Bank Financial Institutions. Upon request, participants in the Fund shall be furnished a quarterly list of investments held by the Fund.

**Sec. 3 Disclosure of Risks** - Participants shall be informed of the risks attendant to this type of Fund through a 'Risk Disclosure Statement'.

**Sec. 4 Rights Upon Termination of Plan** – In case of termination of the Plan, the Participants shall have (a) the right to be notified of such termination in accordance with Section 2 of Article IX hereof 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.

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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**

Sec. 1 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. 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.

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

Sec. 1 Amendments - This Plan 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 those who are not in conformity with the amendments made shall be allowed to withdraw their participations within (30) calendar days after the amendments are approved or such longer period as may be fixed by the Trustee: *Provided further,* That amendments to the Plan shall be submitted to the Bangko Sentral Ng Pilipinas within ten (10) business days from approval of the amendments by the Board of Directors of the Trustee. The amendments shall be deemed approved after thirty (30) business days from date of completion of requirements.

Sec. 2 Termination - This Plan 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 business 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 Bangko Sentral Ng Pilipinas. 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 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 Plan, the Trustee shall notify the Trustors accordingly.

Following the approval of the termination of the Plan but at least thirty (30) business days prior to the actual termination of the Fund, the Trustee shall provide notice of the termination of the Fund to the remaining 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. Upon termination, the Trustee shall prepare a financial statement of the Fund which shall be made the basis for distribution to the participating Trustors.

**Article X**  
**OTHER TERMS AND CONDITIONS**

Safekeeping of securities of the Fund by third party custodians are specified in **Appendix I.**

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IN WITNESS WHEREOF, AB Capital and Investment Corporation thru its Trust and Investments Division has caused this Declaration of Trust to be signed and its corporate seal affixed thereto on APR 16 2021, 2021 at Taguig City, Metro Manila.

AB Capital and Investment Corporation  
Trust and Investments Division  
Trustee

  
By:  
GERARD MARTIN F. ABAD  
Trust Officer

MAKATI CITY

  
MICHAEL A.S. YUSON  
Assistant Vice President

SIGNED IN THE PRESENCE OF

  
MARIA ADORA P. CAEG

  
DIANA M. TESTA

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)

S.S.

MAKATI CITY

BEFORE ME, a Notary Public for and in the above jurisdiction, on this day of APR 16 2021 at MAKATI CITY, personally appeared the following, exhibiting to me the following described Competence Evidence of Identity (CEI) in accordance with the 2004 Rules on Notarial Practice:

Name	CEI/CTC
AB Capital and Investment Corporation	
By:	
Gerard Martin F. Abad	Passport No. P0222499B/expires 12 Jan 2029
Michael A.S. Yuson	Passport No. P0436079A/expires 27 Sep 2021

Known to me and by me known to be the same persons who executed the foregoing Declaration of Trust consisting of \_\_\_\_\_ pages including its annex documents and this page wherein this acknowledgment is written and who acknowledged to me that the same is their free and voluntary act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed on every page hereof my notarial seal at the place and on the date first above written.

Doc. No. 793  
Page No. ce  
Book No. 95  
Series of 2021

ATTY. GEORGE DAVID D. SITON

NOTARY PUBLIC FOR MAKATI CITY

APBT. NO. M-393- UNTIL DEC. 31, 2021

ROLL NO. 63-02/ MCLE COMPLIANCE NO. VI-0021936/3-2 -2019

IBP C.R. No.2273859-NFETIME MEMBER MAY. 8, 2017

PTR No.853305P-JAN 01, 2021- MAKATI CITY

EXECUTIVE BLDG. CENTER MAKATI AVE., COR., JUPITER ST. MAKATI CITY

**AB CAPITAL EQUITY FUND**  
**FUND SPECIFICATIONS**

**1. Investment Objective (Sec. 3, Art. II)**

(a) The Fund intends to achieve for its participants long-term capital growth via investments primarily in Philippine equities listed in the Philippine Stock Exchange (up to 95% of the portfolio).

(b) **Return Objective**

The Fund aims to surpass its benchmark (gross of fees) which is Philippine Stock Exchange Index (PSEi).

**2. Investment Policy (Sec. 3, Art. II)**

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

- (1) Listed and soon to be listed in the Philippine Stock Exchange Initial Public Offerings (IPO), common stocks, preferred stocks, and securities convertible into or exchangeable to common stocks;
- (2) Fixed-income securities issued by the government and corporations such as but not limited to, commercial papers, promissory notes, bonds, exchange traded fixed income securities, and other marketable securities that are traded in an organized exchange or market;
- (3) Other investments allowed under regulations issued by the BSP.

(b) 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 the Fund investments, partially or substantially, in exchange traded equity securities shall be subject to the fifteen percent (15%) exposure limit to a single entity/issuer. This limit, however, shall not apply to non-risk assets as defined by the BSP.

**3. Qualified Participants: Requirements and Restrictions (Sec. 1, Art. III)**

Participation in the Fund shall be open to any individual, corporation or institution. Qualified participants/investors in the Fund are those with risk profiles of at least "AGGRESSIVE" as determined thru the client suitability assessment to be conducted on them and who seek potentially higher returns through stock market investments but are also aware 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.

**4. Admission and Redemption (Art. III)**

(a) **Policies of Admission and Redemption.**

- (1) **Minimum Initial Participation.** The minimum amount of initial participation/contribution is Php5,000.00.
- (2) **Minimum Maintaining Participation.** The minimum maintaining participation is Php5,000.00.

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(3) Minimum Additional Participation. The minimum additional contribution is Php1,000.00.

(4) Minimum Holding Period.

There is a minimum holding period of thirty (30) calendar days. If investment is sold within the holding period from admission date, the investor shall be charged a redemption fee of one percent (1%) of the principal amount investment. If as a result of redemption, the remaining investment will be less than Php5,000.00, the remaining investment shall be included in the redemption.

- (b) Admission and Redemption Cut-off Time. Admission and/or notice of redemption received by the Trustee on or before the cut-off time of 12:00 noon 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. When admitted, the Participating Trust Agreement and/or Confirmation of Participation shall be made available to the Participant. Proceeds of redemption shall be paid out of the Fund on the redemption settlement date of three (3) banking/business days after transaction date.
- (c) Admission and Redemption Prices. Admission and redemption prices shall be based on the prevailing market value of underlying investments of the Fund at the cut-off time of that day in accordance with existing BSP rules and regulations on marking to market valuation of investment instruments.
- (d) Participation Requirements and Condition. Participation shall also be subject to the following requirements/conditions:
  - (1) Investment in the Fund shall be expressed in units. On opening date, each unit shall be sold at Php1.00. Thereafter, each unit shall be sold at its net asset value (NAVpu). Minimum investment per investor should be at least Php5,000.00. Any additional investment shall be not less than Php1,000.00.
  - (2) Prior to admission of client's initial participation in the Fund, the Trustee shall conduct a client suitability assessment to profile the risk-return orientation and suitability of the client.
- (e) Redemption Requirements and Conditions. Redemption shall also be subject to the following requirements/conditions:
  - (1) Redemption Notice Period. The participant in the Fund may redeem its participation on any banking day provided that prior notice of redemption, in any form acceptable to the Trustee, is acknowledged/received by the Trustee within three (3) banking/business days prior to redemption. Requests for redemption shall be dealt with by the Trustee in chronological order according to the day that notice is received.
  - (2) Early Redemption Fee (if applicable). An early redemption fee of 1.00% based on the principal amount of investment shall be charged to the concerned Participant if investment is sold within thirty (30) calendar days from admission date. Such fee shall form part of the Fund.
  - (3) Policy for Partial Redemption. Partial redemption by the participant is allowed provided i) prior redemption notice is received/acknowledged by the Trustee as provided herein ii) participant will endorse and surrender to the Trustee the Confirmation of Participation iii) partial redemption within thirty (30) calendar days

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from admission date shall be charged with 1% redemption fee iv) the NAVpu as of the partial redemption date shall be the basis of valuation for the redeemed units v) the NAVpu on the original date of participation, as indicated on the Confirmation of Participation shall be the basis for valuation of the unredeemed units and Trustee will issue a new Confirmation of Participation on the remaining unredeemed units based on the same NAVpu vi) cut-off time for partial redemption shall be based on Sec 4(b) of this document vii) no minimum amount of investment is required for partial redemption as long as the remaining investment will not fall below the Minimum Maintaining Participation of Php5,000.00.

If as a result of partial redemption, the remaining investment will be less than Php5,000.00, the remaining investment shall be included in the redemption.

(f) Suspension of Admission and Redemptions. 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 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.

#### 5. NAVpu (Secs. 1 and 2, Art. V)

- (a) Equity assets of the Fund shall be marked to market daily based on the closing price quoted at the Philippine Stock Exchange. In case of a halt/trading suspension or holidays, the last available closing price will be used.
- (b) Peso-Denominated Government Securities (T-bills, FXTNs) and Private Debt Securities of the Fund shall be marked to market daily using the benchmark or reference prices based on the weighted average of done or executed deals in a trading market registered with the Securities and Exchange Commission (SEC). In the absence of done deals, the simple average of all firm bids per benchmark tenor shall be used in calculating the benchmark; *Provided*, That the simple average of all firm offer per benchmark tenor shall likewise be included as soon as permissible under securities laws and regulations.
- (c) SDA, RRP and other deposit instruments with BSP shall be valued at principal plus accrued interest.
- (d) Bank time deposits shall be valued at principal plus accrued interest.
- (e) The NAVpu of the Fund shall be computed daily at 4:00 p.m. on each banking day or as close thereto as possible after all relevant information necessary for calculating the same shall have been collected.
- (f) Valuation Day shall mean any banking day.
- (g) The value of the NAVpu at the start of Fund's operation shall be: Php1.00

#### 6. Fees (Sec. 3 Art. V)

The Trustee shall collect from the Fund trust fees in the amount equivalent to one and a quarter percent (1.25%) per annum based on the NAV of the Fund which shall be accrued daily and payable monthly in arrears. This serves as the Trustee's compensation for the administration of the Fund.

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7. Other Terms Conditions (Art. X)

Investment in securities of the Fund shall be held for safekeeping by the Philippine Depository and Trust Corporation (PDTC), or other BSP accredited third party custodian that may be assigned by the Trustee in the future. The third-party custodian shall perform independent marking-to-market of such securities.

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**AB CAPITAL AND INVESTMENT CORPORATION**  
**AB CAPITAL EQUITY FUND**  
**KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT**  
**As of June 30, 2020**

**FUND FACTS**

Classification: **Equity Fund**  
 Launch Date: December 4, 2006  
 Minimum Investment: P5,000.00  
 Additional Investment: P1,000.00  
 Minimum Holding Period: 30 days

Net Asset Value per unit (NAVpu): 2.4283  
 Total Fund NAV: P18,253,155.69  
 Dealing: Daily up to 12:00 noon  
 Redemption Settlement: T + 3 days  
 Early Redemption Charge: 1.0% of principal

**FEES\***

Trustee Fees:	Custodianship Fees:	External Auditor Fees:
0.316%	0.019%	0.284%
<i>AB Capital Trust</i>	<i>Phil Depository &amp; Trust</i>	<i>SGV &amp; Co</i>

\* As a percentage of average daily NAV for the quarter valued at P17,215,528.70.

**INVESTMENT OBJECTIVE AND STRATEGY**

The Fund intends to achieve for its participants long-term capital growth via investments primarily in Philippine equities listed in the Philippine Stock Exchange (up to 95% of the portfolio). The Fund aims to surpass its benchmark (gross of fees) which is 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 EQUITY FUND is suitable for individual and corporate investors who are at least classified as **Aggressive** based on their risk profile and who seek potentially higher returns through stock market investments but are also aware 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.

**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.

**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

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the market such as political events, natural calamities, etc. As a result, the NAVpu 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 redemption 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 UITF 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 UITFs 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 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.**

(For more information, contact us at 8898-7555/7550/7535/7551. 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 30,2020**

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

##### **NAVpu Graph [Graph showing the NAVpu trend vis-à-vis the benchmark]**

##### **NAVpu over the past 12 months**

Highest: 3.4693

Lowest: 1.9193

##### **Statistics**

Volatility, Past 1 Year: \* 27.53%

Sharpe Ratio: \*\* -1.1780

Information Ratio: \*\*\* -1.1050

\*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.

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**Cumulative Performance (%)**

Period	1 mo	3 mos	6 mos	1 yr	3 yrs
Fund	4.71	12.23	-24.62	-26.94	-20.05
Benchmark	6.32	16.66	-20.57	-22.40	-20.85

**Portfolio Composition (%)**

Equities	83.82
Certificate of Time Deposits	15.90
Cash and other receivables(payables)	0.28
Total	100.00

**Sector Holding (%)**

Holding Firm	16.66
Property	15.23
Financials	10.16
Services	8.50

**Top Ten Holdings (%)**

SM Investments	10.28
Metrobank Time Deposits	9.30
SM Prime Holdings, Inc.	8.02
Ayala Land Inc.	7.21
Ayala Corp.	6.38
Sterling Bank of Asia Time Deposits	5.47
BDO Unibank, Inc.	5.20
Bank of the Philippine Islands	4.96
Puregold Price Club, Inc.	4.59
Robinsons Retail Holdings, Inc.	3.91

**RELATED PARTY TRANSACTIONS**

The Fund has transactions and outstanding investments including deposit, investments in the share/s of stock, and/or debt issuances of the following companies related to AB Capital and Investment Corporation - Trust and Investments Division:

**WEALTH BANK PESO TD (WEALTH) - Php 205,381.54**

Investments in the said outlets were approved by the Trust and Investments Committee. Likewise, all related party transactions are conducted on an arm's length and best execution basis and within established limits.

**OUTLOOK AND STRATEGY****Stock Market**

The Philippine Stock Exchange Index (PSEi) ended the first half of 2020 at 6,207.72, representing a 20.6% year to date decline. Quarter on quarter, however, the market showed some signs of strength, rising by 16.7% from end-March levels. Global stock market rallies helped fuel optimism for the local bourse as well as the easing of restrictions when President Duterte placed the National Capital Region under General Community Quarantine effective June 1. As the economy continues to grapple with the effects of the quarantine, the Development Budget Coordination Committee (DBCC) also updated its 2020 GDP forecast for the Philippines with a range of -3.4 to -2.0%. Foreign investors remained net sellers, bringing YTD net outflows to P68.44 billion as of end-June, a stark contrast from the P21.26 billion net inflows in the same period last year. Foreign investor participation stood at 51% of total market value. The Philippine Peso strengthened against the US Dollar by 1.59% in the first half, closing at a three-year high level of P49.83

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on the back of a generally weak US Dollar, narrowing trade deficit and strong macro fundamentals.

#### Fund Performance

The AB Capital Equity Fund posted a return of -24.62% for the first half of 2020. The Net Asset Value Per Unit (NAVpu) decreased to 2.4283 in June 2020 from 3.2215 in December 2019.

#### Fund Strategy

We still expect volatility ahead as investors continue to assess the economic impact of COVIT-19. The 2Q 2020 earnings reporting season will provide more details on the hit to corporate earnings but may also reveal some bright spots on the road to recovery. The continuing rise in COVID-19 cases will likely keep investors more circumspect, which may potentially lead to a range bound market in the short term. However, positive news on the much-awaited additional stimulus measures and progress on vaccine development may also inspire confidence back into the market. The economic recovery will be uneven and it is important to focus on sectors and companies that are resilient and likely to bounce back first. It would still be prudent to have some cash available to prepare for volatility while keeping in mind that opportunities may arise when valuations become more compelling.

### 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, exchange traded fixed income securities, 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 the Fund investments, partially or substantially, in exchange traded equity securities shall be subject to the fifteen percent (15%) exposure limit to a single entity/issuer. This limit, however, shall not apply to non-risk assets as defined by the BSP.

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