

**DECLARATION OF TRUST**

**AB CAPITAL PESO SHORT TERM 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 Peso Short Term 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 – AB Capital Peso Short Term Fund is a Money Market Fund, its features 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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*Gerard A. Ahl*

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 at least "MODERATE" 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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General F. Ahl

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

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*Gene F. Cull*

- (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.

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.

MAKATI CITY

**AB Capital and Investment Corporation  
Trust and Investments Division  
Trustee**

By:  
  
**GERARD MARTIN F. ABAD**  
Trust Officer

  
**MICHAEL A.S. YUSON**  
Assistant Vice President

SIGNED IN THE PRESENCE OF

  
\_\_\_\_\_  
MARIA ADORA P. CAEG

  
\_\_\_\_\_  
DIANA M. TESTA

**ACKNOWLEDGMENT**

REPUBLIC OF THE PHILIPPINES)  
\_\_\_\_\_  
MAKATI CITY) S.S.

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. 772  
Page No. 68  
Book No. 98  
Series of 2021

  
**ATTY. GEORGE DAVID D. SITON**  
NOTARY PUBLIC FOR MAKATI CITY  
APPT. NO. 1382- UNTIL DEC. 31, 2021  
ROLL NO. 68402 / MCLE COMPLIANCE NO. VI-0021936/3-2 -2019  
IBP C.R. No. 2275859- LIFETIME MEMBER MAY. 8, 2017  
PTR No. 0533058- JAN 04, 2021- MAKATI CITY  
EXECUTIVE BLDG. CENTER MAKATI AVE., COR., JUPITER ST. MAKATI CITY

**AB CAPITAL PESO SHORT TERM FUND**  
**FUND SPECIFICATIONS**

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

(a) The Fund is a peso denominated money market fund. The Fund aims for capital preservation and income generation by investing in a diversified portfolio of fixed income instruments with a maximum portfolio duration of one (1) year.

(b) Return Objective

The Fund aims to surpass its benchmark (gross of fees) equivalent to 3M PHP BVAL Reference Rate.

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

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

1. Investments allowed under regulations issued by the BSP;
2. Deposits with local banks and branches of foreign banks operating in the Philippines;
3. Securities issued or guaranteed by the Philippine government or by the BSP;
4. Tradable securities issued by any supranational entity;
5. Exchange-listed fixed income securities;
6. Loans traded to an organized market;
7. Such other tradeable investments outlets/categories allowed for money market UITFs by the relevant regulations and determined by the Trustee's Trust Committee as suitable for the Fund.

(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 fixed income securities shall be subject to the fifteen percent (15%) exposure limit to 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 "Moderate" as determined thru the Client Suitability Assessment to be conducted on them and who are looking for investments with yields relatively higher than those of savings and time deposit accounts.

In order to minimize risks and maximize returns, the participants are recommended to stay invested in the Fund for at least one (1) year.

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
- (3) **Minimum Additional Participation.** The minimum additional contribution is Php1,000.00
- (4) **Minimum Holding Period.** There is no minimum holding period.
- (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 one (1) banking day 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 one (1) banking/business day 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) **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) the NAVpu as of the partial redemption date shall be the basis of valuation for the redeemed units, iv) 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, v) cut-off time for partial redemption shall be based on Sec 4(b) of this document, vi) 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.

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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) 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. The benchmark or reference rate shall be computed and published in accordance with prescribed guidelines on the computation of reference rates by a Calculation Agent which is recognized by the BAP: *Provided*, That both the Calculation Agent and its method of computation are acceptable to the BSP.

The benchmark or reference rate shall be based on the computed and published 3M PHP BVAL Reference Rate as of 4:15 p.m.

- (b) SDA, RRP and other deposit instruments with BSP shall be valued at principal plus accrued interest.
- (c) Bank time deposits shall be valued at principal plus accrued interest.
- (d) The NAVpu of the Fund shall be computed daily at 5:00 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.
- (e) Valuation Day shall mean any banking day.
- (f) 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 three-eight of a percent (0.375%) 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.

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.

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

**FUND FACTS**

Classification: Money Market Fund	Net Asset Value per unit (NAVpu): 1.1265
Launch Date: November 28, 2013	Total Fund NAV: P43,584,661.75
Minimum Investment: P5,000.00	Dealing: Daily up to 12:00 noon
Additional Investment: P1,000.00	Redemption Settlement: T + 1 day
Minimum Holding Period: None	Early Redemption Charge: None

**FEES\***

Trustee Fees:	Custodianship Fees:	External Auditor Fees:
0.095%	0.000%	0.113%
<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 P43,396,890.52.

**INVESTMENT OBJECTIVE AND STRATEGY**

Aims for capital preservation and income generation by investing in a diversified portfolio of fixed income instruments with a maximum portfolio duration of one (1) year. The Fund aims to surpass its benchmark (gross of fees) equivalent to 3M PHP BVAL Reference Rate.

**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 SHORT TERM FUND is suitable for individual and corporate investors who are at least classified as **Moderate** based on their risk profile and who are looking for investments with yields relatively higher than those of savings and time deposit accounts.

In order to minimize risks and maximize returns, the participants are recommended to stay invested in the Fund for at least one (1) year.

**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 debt securities (e.g., treasury bills and bonds). 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 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 or visit our website 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: 1.1265  
 Lowest: 1.1030

**Statistics**

Weighted Ave. Duration: 0.05  
 Volatility, Past 1 Year: \* 0.07%  
 Sharpe Ratio: \*\* -47.3003  
 Information Ratio: \*\*\* 4.4164

\*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.

**Cumulative Performance (%)**

Period	1 mo	3 mos	6 mos	1 yr	3 yrs
Fund	0.08	0.40	0.84	2.14	7.58
Benchmark	0.10	0.34	0.77	1.72	5.92

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**Portfolio Composition**

Time Deposits	73.19
Fixed Income Securities	25.62
Cash and other receivables(payables)	1.19
Total	100.00

**Top Ten Holdings (%)**

STERLING BANK OF ASIA PESO TIME DEPOSIT	15.06
METROBANK PESO TIME DEPOSIT	14.93
WEALTH BANK PESO TIME DEPOSIT	14.80
BANCO DE ORO PESO TIME DEPOSIT	14.78
T-BILLS 09.02.20	11.44
T-BILLS 07.22.20	10.77
PNB PESO TIME DEPOSIT	7.42
UNIONBANK PESO TIME DEPOSIT	6.20
T-BILLS 01.13.2021	3.41

**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 6,451,150.61

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****Fixed-Income Market**

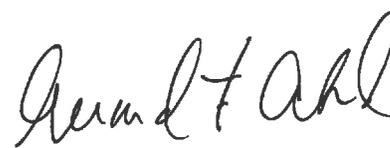
The Bangko Sentral ng Pilipinas (BSP) cut the benchmark policy rate by a total of 100 bps in the second quarter of 2020, bringing the cumulative policy rate reduction for the year by 175 bps to 2.25% in order to support the economy and provide ample liquidity to the financial system. The Reserve Requirement Ratio (RRR) remained at 12%, still with room for further reduction for the rest of the year. The BSP is also set to issue its own securities in the third quarter of 2020, which will provide the BSP an additional policy instrument at its disposal.

Inflation rate in June 2020 increased to 2.5% from 2.1% in May 2020 but lower than the 2.7% level recorded in June 2019. This was within the 1.9-2.7% forecast range for the month. The uptick in inflation in June 2020 was primarily due to transport, whose index increased at an annual rate of 2.3%. Annual increases in the indices of alcoholic beverages and tobacco at 18.5% and housing, water, electricity, gas, and other fuels at 0.4% also pushed up the June 2020 inflation.

The government plans to borrow P205 billion for July 2020, 21% higher than the P170 billion borrowing program from the previous month of June. P145 billion will be raised from the sale of Treasury Bills while P60 billion will be raised from the sale of Treasury bonds. For Treasury Bills, it will be comprised of 35-day, 91-day, 182-day and 364-day papers. For Treasury bonds, the offerings would include tenors of 7 and 10 years, with offer size of P30 billion per auction.

**Fund Performance**





The AB Capital Short Term Fund posted a return of 0.84% for the first half of 2020. The Net Asset Value Per Unit (NAVpu) increased to 1.1265 in June 2020 from 1.1171 in December 2019.

#### Fund Strategy

Bond yields may continue to move sideways with a downward bias as global central banks continue to provide liquidity and stability in the financial system. In addition, inflation expectations locally remain well-anchored due to low oil prices and as supply chain challenges are addressed. On monetary policy, BSP has guided that it will likely remain on hold in the short-term after it delivered a surprise 50 bps cut in June. However, the BSP also alluded to accommodative monetary policy over a period of 2 years as it acknowledges the headwinds the economy is facing. Further cuts in the policy rate and the Reserve Requirement Ratio may still be on the table if necessary. The government and the private sector are also expected to continue borrowing as the low interest rate environment is conducive for raising fresh funds and refinancing debt maturities. The Fund will continue to focus its investments on time deposit placements, treasury bills and shorty-term commercial papers.

#### LIST OF PROSPECTIVE INVESTMENTS

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

- a) Investments allowed under regulations issued by the BSP;
- b) Deposits with local banks and branches of foreign banks operating in the Philippines;
- c) Securities issued or guaranteed by the Philippine government or by the BSP;
- d) Tradeable securities issued by any supranational entity;
- e) Exchange-listed fixed income securities;
- f) Loans traded in an organized market;
- g) Such other tradeable investments outlets/categories allowed for money market UITFs by the relevant regulations and determined by the Trustee's Trust Committee as suitable for the Fund.

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 fixed income securities shall be subject to the fifteen percent (15%) exposure limit to single entity/issue. This limit, however, shall not apply to non-risk assets as defined by the BSP.