

DECLARATION OF TRUST

AB CAPITAL BALANCED FUND

A Unit Investment Trust Fund

KNOW ALL MEN BY THESE PRESENTS:

AB Capital & 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 Units 1210-1212, 12th floor, PSE Tower, 5th Avenue corner 28th 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 Balanced Fund (herein referred to as the "Fund").

Sec. 2 Nature of the Fund –The Fund is a Multi-Asset Fund. It 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 Balanced Fund is a Multi-Asset 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.

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 “BALANCED” 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.

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;
 - 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. It is a trust product and is not an obligation of the trustee, its affiliates and subsidiaries. The Trustor must read the UITF’s declaration of trust, make his/her own risk assessment and if needed, seek an independent/ professional opinion before making an investment.

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.

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.

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.**

IN WITNESS WHEREOF, AB Capital & Investment Corporation thru its Trust and Investments Division has caused this Declaration of Trust to be signed and its corporate seal affixed thereto on _____, 2023 at ____ City.

AB Capital & Investment Corporation
Trust and Investments Division
Trustee

By:

Trust Officer

Head- Account Management Department

SIGNED IN THE PRESENCE OF

AB CAPITAL BALANCED FUND
FUND SPECIFICATION

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

(a) The Fund is a Multi-Asset Fund. The Fund 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 listed in the Philippine Stock Exchange. The allocation for equity securities shall be between 40% to 60% of the portfolio or any other allocation range that may be prescribed by the Trust Association of the Philippines (TOAP) in consultation with the regulatory authorities. It is suitable for moderately aggressive investors who want the high growth potential of the equities market and the stability and income generating capability of fixed income instruments. These investors understand that capital growth can be achieved by taking on more risks on portions of their investible funds.

(b) Return Objective

The Fund aims to surpass its composite benchmark of 60% Bloomberg Philippine Sovereign Bond Index 1 to 5 Year (BPHIL15) and 40% Philippine Stock Exchange Index (PSEi).

BPHIL15 is a market value weighted index based on PHP government bond issuances of the Bureau of Treasury. Its qualified constituents are securities with at least one year of maturity, but not longer than five years. For additional information on benchmark construction, please contact Bloomberg.

The PSEI is the main index of the Philippine Stock Exchange. It is used to measure the performance of equity securities that represent the Philippine stock market. The Bloomberg and the PSE Website provide additional information on the benchmarks.

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, bonds, exchange-traded fixed income securities, and other marketable securities that are traded in an organized exchange or market; and
3. Other investments allowed under regulations issued by the BSP which are applicable to 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/issuer. This limit, however, shall not apply to non-risk assets as defined by the Bangko Sentral.

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 "BALANCED" as determined thru the client suitability assessment to be conducted on them 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.

4. Admission and Redemption (Sec 1, Art. III)

a) Policies of Admission and Redemption.

1. Minimum Initial Participation. The minimum amount of initial participation/contribution is Php25,000.00.
2. Minimum Maintaining Participation. The minimum maintaining participation is Php25,000.00.
3. Minimum Additional Participation. The minimum additional contribution is Php10,000.00.
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 P25,000.00, 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 two (2) 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:

Investment in the Fund shall be expressed in units. On opening date, each unit shall be sold at P1.00. Thereafter, each unit shall be sold at its net asset value (NAVPU). Minimum investment per investor should be at least Php25,000.00. Any additional investment shall be not less than Php10,000.00.

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. Request 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 the Minimum Holding Period of thirty (30) calendar days. 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 the holding period 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 Php25,000.00.

If as a result of partial redemption, the remaining investment will be less than Php25,000.00, 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. NAV Pu (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 halt trading/suspension or holidays, the last available closing price.

b) Peso-Denominated Government Securities 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 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 Bangko Sentral ng Pilipinas.

(c) 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 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.

(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.

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.

Consumer Protection Policy – AB Capital Peso Balanced Fund is subject to the AB Capital & Investment Corporation's Consumer Protection Policy, which is compliant with BSP Circular 1160 (Regulations on Financial Consumer Protection). The Plan shall likewise conform to the requirements of the Financial Consumer Framework under Sec. 1002Q.

The Trustee shall publish on its website the (i) updated Declaration of Trust, (ii) latest KIIDS, (iii) historical NAVPU, (iv) moving return on investment for each on a year-to-date and year-on-year basis, and (v) latest annual report of the Fund.