

APPENDIX I

UnionBank PHP Fixed Income Fund

FUND SPECIFICATIONS

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

The Fund is a Peso-denominated fixed income fund with objectives of income generation and capital growth over a long-term horizon by investing in a diversified portfolio of high quality fixed income securities.

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

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

- i. Securities issued by or guaranteed by the Philippine government, or the Bangko Sentral ng Pilipinas;
- ii. Exchange-listed securities;
- iii. Marketable fixed income instruments that are traded in an organized exchange;
- iv. Loans traded in an organized market; and
- v. Savings/Checking accounts and/or time deposits in any bank or financial institution, including Union Bank of the Philippines;
- vi. Such other tradable investment outlets/categories as the BSP may allow.

Investments on the above-mentioned instruments shall be subject to existing BSP regulations on the exposure limit to single person/entity/issuer. Exposure to a single issue shall not exceed fifteen percent (15%) of the market value of the Fund. This limit shall not apply to non-risk assets as defined by BSP.

(b) Return Objective / Benchmark. The Fund aims to provide absolute returns in excess of the return of the Bloomberg Philippine Sovereign Bond Index AI ("BPHILR").

The Bloomberg Philippine Sovereign Bond Index AI is a rules-based market-value weighted index engineered to measure the fixed-rate local currency securities publicly issued by the Philippines, including retail securities. To be included in the index a security must have a minimum par amount of PHP 3 billion.

The BPHILR Index is a trademark or service mark Bloomberg Finance LP ("Bloomberg"). Bloomberg and its affiliates, including Bloomberg Index Services Limited, the administrator of the index, own all proprietary rights in the index. Bloomberg is independent of the Trustee and has no direct relationship to the Trustee. For additional information on the benchmark, investors may send an email to Bloomberg via indexhelp@bloomberg.net.

(c) Target Asset Allocation. 100% in short-, intermediate, and long-tenor government securities, time deposits and other money market instruments.

(d) Weighted Average Portfolio Life. The Weighted Average Portfolio Life of the fund should be more than one year. The Weighted Average Portfolio Life shall be computed by weighting the remaining term to maturity of each underlying asset by its market value.

(e) Modified Duration Policy. The maximum modified duration of the fund is 7.00

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

Participation in the Fund shall be open to all individuals of legal age and corporations with a medium to long-term investment horizon and a moderately conservative risk profile. Every participant shall be subjected to a Client Suitability Assessment for the purpose of profiling the risk-return orientation and suitability of the participant.

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

(a) Policies on Admission and Redemption.

- *Minimum Initial Participation.* The minimum amount of initial participation or contribution is ONE HUNDRED THOUSAND PESOS (PHP 100,000).
- *Minimum Maintaining Participation.* NONE
- *Minimum Additional Participation.* NONE
- *Minimum Holding Period.* The minimum holding period is ninety (90) calendar days from the date of participation.
- *Minimum Redemption Amount.* NONE

(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 2:00 pm shall be considered as a transaction for the day. However, admission/notice of redemption received after the cut-off time shall be considered as a transaction for the next applicable banking day. When admitted, the Participating Trust Agreement shall be made available to the Participant. Proceeds of redemptions shall be paid out of the Fund on transaction settlement date which is one (1) banking day after the notice of redemption was received. A Confirmation Notice shall be made available on transaction settlement date.

(c) Admission and Redemption Prices. Admission and redemption prices shall be determined by a corresponding net asset value per unit (NAVPu) of the Fund. The pricing valuation of the NAVPu shall be based on the prevailing market values of the underlying investments of the Fund at that time, 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:

There are no other participation requirements and conditions except for those stated in this Appendix and relevant applicable participation requirements and conditions as may be required by law.

(e) Redemption Requirements and Conditions. Redemption shall also be subject to the following requirements/conditions:

- *Redemption Notice Period.* A participant in the Fund may redeem his/her participation on any banking day provided that a prior notice of redemption, in any form acceptable to the Trustee, is acknowledged / received by the Trustee within the daily transaction cut-off time of 2:00 pm. Requests for redemptions shall be dealt with by the Trustee in chronological order according to the day that notice is received.
- *Early Redemption Fee.* An early redemption fee amounting to 0.25% of the redeemed amount or Php 500.00 whichever is higher shall be charged to the concerned Participant in case of redemption prior to the completion or lapse of the minimum holding period. Such fee shall form part of the Fund.
- *Policy for Partial Redemption.* Partial redemption of participation or redemption of unitholdings less than the outstanding units shall be allowed subject to other redemption requirements and conditions stated. The proceeds shall be computed using the NAVPu applicable at the transaction date. Partial redemption shall not require the surrender of the

original Confirmation Notice. The unredeemed units of participation shall remain outstanding. A new Confirmation Notice shall be made available on redemption settlement date and shall contain information about the partial redemption such as the amount of units redeemed, amount of proceeds in pesos, the NAVPu rate used in the computation, and the unit balances before and after the transaction. Should the balance result in less than a fraction of a unit of participation, the account will be maintained within 90 calendar days and thereafter will be tagged as dormant. Notification will be sent to the client to advise account status and will be given another 90 calendar days to activate by adding funds to the account. Otherwise, the account will be tagged as closed in the system.

- *Policy for Full Redemption.* Should there be a full redemption, the balance resulting to zero, the account will be tagged as closed in the system.
- *Other Requirements/Conditions.* NOT APPLICABLE

(f) Suspension of Admission and Redemptions. The Trustee of the Fund may temporarily suspend calculation of the total market asset value 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)

All assets of the Fund shall be marked to market daily in accordance with existing BSP rules and regulations on marking to market valuation of investment instruments. The pricing valuation methodology shall use the following price sources as bases for computing NAVPu.

- a) *Philippine Peso-Denominated Fixed Income Securities: based on closing rates quoted in the Philippine Dealing and Exchange Corporation (PDEX)*
- b) *Other instruments: Closing prices as prescribed by BSP regulations and market conventions*

Valuation Day shall mean any day in which banks are open for business in Manila.

The value of the NAVPu at the start of Fund's operation shall be: Php 100.00

The Admission and Redemption NAVPu of the fund shall be computed daily at the end of the banking day after markets close and shall be available to investors by 9:00 am of the next banking day.

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

(a) Trust Fees. The Trustee shall collect from the Fund trust fees in the amount of ONE PERCENT (1.00%) per annum based on the total market value of the Fund. The fees shall be accrued daily using the Fund's month-to-date average market value and shall be collectible from the Fund at the end of every calendar month.

For managed account investments in the Bank's own Fund, the Trustee shall collect trust fees based on the prescribed fees by the Fund. There will be no double-dipping of fees for managed accounts invested in the Fund

(b) Special Reimbursable Expenses. The Trustee shall charge the fund special expenses such as fund administration & custodianship fees, external audit fees, system fees, and such other fees as permitted under BSP regulations.

7. **Other Terms and Conditions** (Art. X)

(a) Investment in securities of the Fund shall be held for safekeeping by the Trustee's third party custodian, Citibank, N.A. or other BSP accredited third party custodian that may be assigned by the Trustee in the future.

- (b) Appointed third party custodian may perform independent marking-to-market of securities.
- (c) The Fund shall comply with all the pertinent rules and regulations regarding outsourcing third party services as may be required by the BSP.