

EXPLANATORY MEMO

BPI PHILIPPINE HIGH DIVIDEND EQUITY FUND



The **BPI PHILIPPINE HIGH DIVIDEND EQUITY FUND** is an equity Unit Investment Trust Fund established under the authority of the Bangko Sentral ng Pilipinas ("BSP"). The following is a summary of the Fund's Plan Rules and Regulations ("Plan Rules") and the terms and conditions governing the investments in the Fund:

1 Trustee

BPI Asset Management and Trust Corporation (BPI AMTC)

2 Fund Features

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| Name of the Fund: | BPI Philippine High Dividend Equity Fund |
| Fund Classification: | Equity Fund |
| Base Currency: | Philippine Peso |
| Launch Date: | August 16, 2013 |
| Minimum Investment Amount: | PhP10,000 |
| Minimum Transaction Amount: | PhP1,000 |
| Trust Fee: | 1.50% p.a. |
| Dealing: | Daily up to 2:30 PM |
| Custodian Bank: | HSBC |
| External Auditor: | Isla Lipana & Co |

3 Investment policy

3.1. Investment Objective

The Fund intends to achieve for its participants total return through a combination of current income and long-term capital appreciation by investing in listed companies that have high dividend yields or have established a history of dividend payouts. The Fund aims to provide returns in excess of the return of the Philippine Stock Exchange Index.

3.2. Allowable Investments

BPI Philippine High Dividend Equity Fund may invest in the following:

- Shares of stock of selected corporations, including convertible preferred stocks, which are already listed or being offered publicly and soon to be listed in the Philippine stock market.
- Primarily short-term tradable fixed-income instruments, issued or guaranteed by the Philippine government or the BSP; marketable instruments that are traded in an organized exchange; investment outlets/ categories the BSP allow. Provided, that, a financial instrument is regarded as tradable if quoted two-way prices are readily available and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.
- Primarily short-term tradable fixed-income securities issued, underwritten, or otherwise dealt by BPI and/or any of its subsidiaries, affiliates, their successors-in-interest or assignees, their directors, officers, stockholders, and related interest, and any of their trust and fund managed accounts, under such terms and conditions as the Trustee may deem to be in the best interest of the Fund or any such instrument as may be allowed under BSP regulations.

Investment with related interests shall be in accordance with Subsection UX 410.12 (a) of the Manual of Regulations for Banks and Other Financial Institutions.

(d) Bank deposits or tradable debt instruments issued by the BSP.

(e) Such other investments allowed under regulations issued by the BSP.

3.3. The Fund shall be primarily invested in a diversified portfolio of equities listed at the Philippine Stock Exchange. The Fund may invest from 50% up to 100% of the portfolio in local equities depending on current market conditions and Fund Manager's outlook on the macroeconomy.

3.4. For all transactions with related parties or entities, the Trustee of the Fund shall be transparent at all times and maintain an audit trail. The Trustee shall observe the principle of best execution and no purchase/sale shall be made with related counterparties without considering at least two (2) competitive quotes from other sources.

3.5. The combined exposure of the UIT Fund to any entity and its related parties shall not exceed fifteen percent (15%) of the market value of the UIT Fund: provided, that, a UIT Fund invested, partially or substantially, in exchange traded equity securities shall be subject to the 15% exposure limit to a single entity/issuer: provided further, that, in the case of an exchange traded equity security which is included in an index and tracked by the UIT Fund, the exposure of the UIT Fund to a single entity shall be the actual benchmark weighting of the issuer or 15%, whichever is higher. This limitation shall not apply to non-risk assets as defined by the BSP.

3.6. A list of prospective and outstanding investment outlets which shall be updated quarterly. Such disclosure shall be substantially in the form as prescribed by the Bangko Sentral ng Pilipinas. Upon request, a copy of such list shall be furnished such interested Participant/s.

4 Disclosure on Profiling process

The objective of a Client Suitability Assessment (CSA) is to profile the risk-return orientation of the investor and the result is used as basis to recommend various classes of UITFs. The CSA shall be subject to review every three (3) years. Should there be any change in the investor/s' personal/financial circumstances or preferences prior to three years, he/she should immediately request the UITF Marketing person for a new profiling process and changes be made immediately to the investment in UITF, as applicable.

5 Qualified Participants

Participation in the Fund shall be open to all persons with legal capacity to enter into contracts. Acceptance of Participants shall be subject to the rules or procedures established by the Trustee which it deems advantageous or to the best interest of the Fund. The Fund is suitable for investors with an aggressive risk profile.

6 Subscription and Redemption of Units of Participation

Participation shall always be through participation units and each unit shall have uniform rights or privileges as any other unit. Admission or redemption of units of participation in the Fund, including fractions thereof, shall be based on the applicable NAVPU for the day. The NAVPU shall be based on

The BPI Philippine High Dividend Equity Fund ("Fund") is a Unit Investment Trust Fund, and is NOT a DEPOSIT product nor an obligation of, nor guaranteed, nor insured by BPI Asset Management and Trust Corporation and is not insured by the Philippine Deposit Insurance Corporation (PDIC). Due to the nature of the investments, yield and potential yields cannot be guaranteed. Any income or loss arising from market fluctuations and price volatility of the securities held by the Fund, even if invested in government securities, is for the account of the investor. As such, units of participation of the trustor in the Fund, when redeemed, may be worth more or be worth less than his/her initial participation/contribution. Historical performance, when presented, is purely for reference purposes and is not a guarantee of future results. The Trustee is not liable for losses, unless upon willful default, evident bad faith or gross negligence. Trustors are advised to read the Declaration of Trust for the Fund, which may be obtained from the office of the Trustee, before deciding to invest.

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the prevailing market value of underlying investments at any relevant time. Admission and/or notice of redemption received by the Trustee on or before the cut-off time 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 valuation day. Upon initial participation, the Participating Trust Agreement shall be made available to the Participant. A Confirmation of Participation or Transaction Advice shall be provided to the Participant for all transactions.

7 Settlement of Contributions and Redemption

Contributions received on or before the cut-off time are settled at the end of the trading day. Redemptions received on or before the cut-off time are settled on the 4th banking day from the trading day using the NAVPu of that trading day as the basis for redemption.

8 Suspension of Subscriptions and Redemptions

The Trustee 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.

9 Allocation and Distribution of Income

Participants shall be entitled to income, profits and losses with respect to its participation in the Fund on a pro rata and pari passu basis depending upon the number of units held by each Participant. The actual distribution or realization of income shall take place every time a redemption of units is made, to the extent of the number of units redeemed.

10 Valuation

The NAV shall be the summation of the market value of each investment of the Fund, less taxes, fees, and other qualified expenses as defined herein. The determination of the 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.

11 Amendments

The Plan Rules of the Fund may be amended from time to time by the resolution of the BPI AMTC Board of Directors. Participants 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.

12 Trust Fee, other expenses and Taxes

In consideration of the Trustee's services, trust fees shall be collected from the Fund in the amount indicated in the Fund Features which shall be accrued daily and shall be payable monthly in arrears.

The Trustee may charge special expenses if the same are necessary to preserve or enhance the value of the Fund. Such special expenses shall be payable to the pertinent third party/ies covered by separate contract/s, and disclosed to participants.

13 Annual External Audit

An external audit of the Fund shall be conducted annually after the close of each fiscal year by an independent auditor acceptable to BSP. A notice shall be sent to the Participants that the report is available, and upon request, a copy of such report shall be furnished such Participant/s, without charge.

14 Termination

The Fund may be terminated by resolution of the BPI AMTC Board of Directors. Following the approval of the termination of the Fund but at least 30 business days prior to the actual termination, the Trustee shall provide notice of the termination to the remaining participants.

15 Risk disclosure

Below are the primary risks that the Fund may be subject to. Some or all of these risks may adversely affect the Fund's NAVPU, return on investment, and/or its ability to meet its investment objectives:

- 15.1. Market Risk - the risk that movement in the financial markets will adversely affect the investments of the Fund. The markets will fluctuate based on many factors, such as the state of the economy, current events, corporate earnings, interest rate movements.
- 15.2. Liquidity Risk - the risk that the investments of the Fund cannot be sold or converted into cash within a reasonable time or in instances where sale or conversion is possible but not at a fair price.
- 15.3. Inflation Risk - the risk the return of your investments will not keep pace with the increase in consumer prices.

Investors may be exposed to other risks at a lesser extent. Investors are encouraged to read the Risk Disclosure Statement in its entirety to be aware of the different risks that are inherent in this investment product.

16 Risk Management and Hedging Policy

For the general and collective interest of the Fund's Participants, the Trustee is authorized to adopt an external or internal risk management and hedging strategy and a more definitive policy guideline based on generally accepted risk management principles, and duly approved by the BPI AMTC Board of Directors.

The Fund may avail itself of instruments solely for the purpose of hedging risk exposures of the existing investments of the Fund, provided, that, these are accounted for in accordance with existing BSP guidelines, as well as the Trustee's risk management and hedging policies duly approved by the BPI AMTC Board of Directors, and disclosed to the Participants.

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