



# BPI Asset Management and Trust Corporation

## BPI FIXED INCOME PORTFOLIO FUND-OF-FUNDS KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT As of MAY 31, 2017

### FUND FACTS

|                                |                              |                                 |                      |
|--------------------------------|------------------------------|---------------------------------|----------------------|
| <b>Classification:</b>         | Long Term Bond Fund-of-Funds | <b>NAVPU:</b>                   | Php 96.29            |
| <b>Launch Date:</b>            | September 1, 2016            | <b>Total Fund NAV (Mn):</b>     | Php 3.36             |
| <b>Minimum Investment:</b>     | Php 1,000,000.00             | <b>Dealing Day:</b>             | Daily up to 12:00 PM |
| <b>Additional Investment:</b>  | Php 10,000.00                | <b>Redemption Settlement:</b>   | T+3 5:00 PM          |
| <b>Minimum Holding Period:</b> | None                         | <b>Early Redemption Charge:</b> | None                 |

### FEES\*

|                               |                                    |                                       |                         |
|-------------------------------|------------------------------------|---------------------------------------|-------------------------|
| <b>Trustee Fees**:</b> Waived | <b>Custodianship Fees:</b> n.a.*** | <b>External Auditor Fees:</b> n.a.*** | <b>Other Fees:</b> none |
| BPI Asset Management          | HSBC                               | Isla Lipana                           |                         |

\*As a percentage of average daily NAV for the quarter valued at Php3.35Million

\*\*Trustee Fees are collected at the target fund level

\*To be determined based on billing received in 2016 divided by the daily NAV

\*\*\*To be determined upon receipt of 2016 billings

### INVESTMENT OBJECTIVE AND STRATEGY

The Fund, operating as a Fund-of-Funds, intends to achieve for its Participants principal protection by investing in a diversified portfolio of primarily domestic money market and bond collective investment schemes. The Fund aims to provide excess return over the BPI Philippine Government Bond Index.

### 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 BPI Fixed Income Portfolio Fund-of-Funds is suitable only for investors who:

- Are classified as aggressive based on their risk profile
- Have an investment horizon of more than five (5) 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:** The Fund invests in an long term portfolio of domestic government and corporate securities, exposing investors to the risk of loss arising from a rise in interest rates, which generally causes fixed income security prices to decline. Factors/ events that may lead to a rise interest rates include adverse market conditions, issuer-specific factors/ events and/ or negative developments in domestic political and economic conditions.

**Liquidity Risk:** Investors are exposed to the risk of loss due to the Fund's inability to convert security holdings to cash immediately or in instances where conversion to cash is possible but at a highly disadvantageous price due to limited buyers/ sellers in the market, low trading volumes or market disruptions, among other reasons/ factors.

**Credit/Default Risk:** Investors are exposed to the risk of loss due to the failure of the borrower/ debt issuer to make timely interest and/ or principal payments on its deposit liabilities, loans, bonds or other debt instruments due to a deterioration in the borrower's/ issuer's financial condition or external factors and events that may affect its ability to repay financial obligations such as negative developments in domestic political and economic conditions.

**Related Party Risk:** Investors are exposed to actual or potential conflicts of interest in the handling of related party transactions by the Trustee, specifically, time deposit placements with the Trustee's own bank and/ or its subsidiary, purchase of debt securities issued by related parties, as well as the execution of trade transactions with related counterparties.

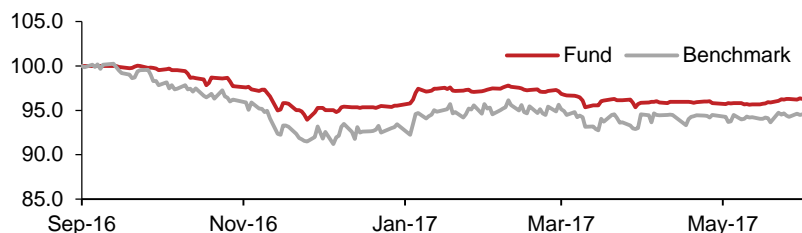
In accordance with the provisions in the Declaration of Trust, the Fund employs a risk management policy based on duration. The Fund may also use financial derivatives to hedge the portfolio against market and credit risks.

- **THE UIT FUND IS NOT A DEPOSIT AND IS NOT INSURED BY THE PHILIPPINE DEPOSIT INSURANCE CORP. (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.**

## FUND PERFORMANCE AND STATISTICS AS OF MAY 31, 2017

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

### NAVPU GRAPH



\* Benchmark is BPI Philippine Government Bond Index

### CUMULATIVE PERFORMANCE (%) <sup>1</sup>

|                  | 1 mo | 3 mos | 6 mos | S.I. <sup>2</sup> |
|------------------|------|-------|-------|-------------------|
| <b>Fund</b>      | 0.48 | -0.89 | 1.06  | -3.71             |
| <b>Benchmark</b> | 0.07 | -1.14 | 1.47  | -5.44             |

### ANNUALIZED PERFORMANCE (%) <sup>1</sup>

|                  | S.I. <sup>2</sup> |
|------------------|-------------------|
| <b>Fund</b>      | -4.95             |
| <b>Benchmark</b> | -7.24             |

### CALENDAR YEAR PERFORMANCE (%) <sup>1</sup>

|                  | YTD  | 2016  |
|------------------|------|-------|
| <b>Fund</b>      | 0.79 | -4.46 |
| <b>Benchmark</b> | 1.18 | -6.55 |

### PORTFOLIO COMPOSITION

| Allocation             | % of Fund |
|------------------------|-----------|
| Bond Funds             | 89.81     |
| Money Market Funds     | 10.19     |
| Cash                   | -         |
| Allocation by Sector   | % of Fund |
| Corporate Bonds        | -         |
| Government Debt        | 89.81     |
| Money Market           | 10.19     |
| Other Receivables, net | -         |
|                        |           |
|                        |           |
|                        |           |
|                        |           |

### NAVPU over the past 12 months

|         |        |
|---------|--------|
| Highest | 100.02 |
| Lowest  | 93.94  |

### STATISTICS

|  |      |
|--|------|
| Weighted Ave Duration (Yrs)              | 6.14 |
| Volatility, Past 1 Year (%) <sup>3</sup> | 3.58 |
| Sharpe Ratio <sup>4</sup>                | -    |
| Information Ratio <sup>5</sup>           | -    |
| Portfolio Weighted Yield to Maturity (%) | 3.33 |
| Current Number of Holdings               | 2    |

<sup>1</sup>Returns are net of fees.

<sup>2</sup>Since inception.

<sup>3</sup>Measures the degree to which the Fund fluctuates vis-à-vis its average return over a period of time.

<sup>4</sup>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.

<sup>5</sup>Measures reward-to-risk efficiency of the portfolio relative to the benchmark. The higher the number, the higher the reward per unit of risk.

\*Declaration of Trust is available upon request through branch of account.

### TOP TEN HOLDINGS

| Name                      | % of Fund |
|---------------------------|-----------|
| ABF Phil. Bond Index Fund | 89.81     |
| BPI Short Term Fund       | 10.19     |
|                           |           |
|                           |           |
|                           |           |
|                           |           |
|                           |           |
|                           |           |
|                           |           |

### RELATED PARTY TRANSACTIONS

The Fund has transactions and outstanding investments including deposits, investment in the share/s of stocks, and/or debt issuances of the following companies related to BPI Asset Management and Trust Corporation (BPI AMTC):

ABF Phil. Bond Index Fund, a fund managed by BPI Asset Management and Trust Group – PHP 3.02 Million

BPI Short Term Fund, a fund managed by BPI Asset Management and Trust Group – PHP 0.34 Million

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

\* Related party in accordance with BPI AMTC's internal policy.

## OUTLOOK AND STRATEGY

**Market Review.** The BPI Government Bond Index rose by 0.07% in May as yields fell by an average of 22 basis points across the curve, with most of the drop seen on the shorter tenors. Compared to the month of April, peso-denominated government bonds were more actively traded with an average daily volume of Php13.1 Bn. Trades were mostly seen on the liquid securities such as the 8.5-year FXTN 10-60, the recently issued 3-year RTB 3-8 and 15-year FXTN 20-17.

The Bureau of the Treasury's three FXTN auctions during the month saw mixed demand as investors remained wary of potentially rising global rates. The first was a new 10-year FXTN issuance (FXTN 10-61), which was awarded at a coupon rate of 4.75% and had an average yield of 4.759%. The government only accepted Php9.72 billion as compared to the Php15 billion initially offered so as to cap the rise in yields. On the other hand, the new issuance of the 20-year FXTN 20-21 showed a healthy turnout, being almost twice oversubscribed. The notes were fully awarded at a coupon rate of 5.25%, with an average yield of 5.104%. The final auction for the month was a new issuance of a 7-year FXTN (7-59) that saw tepid demand. Tenders only amounted to php12.85 billion out of the Php15 billion offer size, and the total accepted amount was just Php4.026 billion. The notes were awarded at a coupon of 4.5%, with an average yield of 4.519%. Yields across all FXTNs sold for the month were higher than previous issuances of the same tenors.

**Fund Performance.** The Fund lost 0.48% in May, outperforming the benchmark by 41 bps.

**Fund Strategy.** The Fund will continue to invest in ABF Philippines Bond Index Fund, which duration is closely aligned with the benchmark.

## LIST OF PROSPECTIVE INVESTMENTS

The following are among the Fund's approved investment outlets, wherein the Trustee intends to invest depending on strategy, availability, or other market-driven circumstances:

- a) Primarily in more than one collective investment schemes, that are approved/registered and supervised by the Bangko Sentral ng Pilipinas (the "BSP") or the Securities and Exchange Commission (the "SEC") and managed by the Trustee or by its related parties; provided further that such combined investment in collective investment schemes should not fall below ninety percent (90%) of the net asset value of the Fund.
- b) Short-term tradable fixed-income instruments issued or guaranteed by the Philippine government or the BSP; tradable securities issued by the government of a foreign country, any political subdivision/agency of a foreign country or any supranational entity; tradable fixed-income instruments issued by foreign or local financial institutions or private corporations; exchange-listed securities; marketable instruments that are traded in an organized exchange; loans traded in an organized market; and, such other tradable investments outlets/ categories as the BSP may allow. Provided, that, a financial instrument is regarded as tradable if two-way prices are quoted, readily available or 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.
- c) Short-term tradable fixed-income instruments 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; and, any such other instruments as may be allowed under BSP regulations. Investment with related interests shall be in accordance with Subsection X410.12 (a) of the Manual of Regulations for Banks.
- d) Bank deposits, BSP special deposit account or tradable debt instruments issued by the BSP.
- e) Such other investments allowed under regulations issued by the BSP.

BPI Asset Management and Trust Corporation (BPI AMTC) is a subsidiary of the Bank of the Philippine Islands. For any inquiries and complaints relating to our services and products you may call our hotline: 89-100, or send an email at [bpi\\_asset\\_management@bpi.com.ph](mailto:bpi_asset_management@bpi.com.ph) or write a letter addressed to BPI Asset Management – Consumer Protection, 17F, BPI Building, Ayala Ave. cor. Paseo De Roxas, Makati City, 1226. BPI AMTC as Trustee / Investment Manager is regulated by the Bangko Sentral ng Pilipinas (BSP) with telephone number (632) 708-7087 and email address: [consumeraffairs@bsp.gov.ph](mailto:consumeraffairs@bsp.gov.ph). To know your rights under BSP Circular No. 857 (Regulations on Financial Consumer Protection), please access a copy at our website: [www.bpiassetmanagement.com](http://www.bpiassetmanagement.com).

## INVESTMENT OBJECTIVES OF TARGET FUNDS

| NAME                               | REGULATOR                          | OBJECTIVE  |
|------------------------------------|------------------------------------|--|
| BPI Short Term Fund                | Bangko Sentral ng Pilipinas        | The Fund aims to generate liquidity and stable income by investing in a diversified portfolio of primarily short-term fixed income instruments. The Fund aims to provide excess return over the return of the 91-day Philippine Treasury Bill, net of tax.   |
| BPI Money Market Fund              | Bangko Sentral ng Pilipinas        | The Fund aims to achieve liquidity and stable income derived from a diversified portfolio of primarily short-term fixed income instruments. The Fund aims to provide excess return over the return of the 91-day Philippine Treasury Bill, net of tax.   |
| BPI Premium Bond Fund              | Bangko Sentral ng Pilipinas        | The Fund intends to achieve for its Participants capital appreciation and income derived from a diversified portfolio of primarily medium-term fixed income instruments. The Fund aims to provide absolute returns in excess of the return of the BPI Philippine Government Bond 1-3 Year Index.   |
| ABF Philippines Bond Index Fund    | Bangko Sentral ng Pilipinas        | The Fund aims to achieve investment returns that closely track the total return of the iBoxx ABF Philippines index, before fees and expenses, by investing in a diversified portfolio of peso-denominated sovereign, quasi-sovereign, and supranational bonds.   |
| Odyssey Peso Medium Term Bond Fund | Bangko Sentral ng Pilipinas        | The Fund aims to generate income by investing in a diversified portfolio of Peso denominated sovereign and corporate debt securities. The Fund aims to outperform its benchmark which is the BPI Philippine Government Bond 1-5 Year Index.  |
| Odyssey Peso Bond Fund             | Bangko Sentral ng Pilipinas        | The Fund aims to achieve capital appreciation and income growth in Philippine Peso terms over a period of time by investing in a diversified portfolio of Philippine Peso denominated fixed income instruments. The Fund aims to outperform its benchmark which is the BPI Philippine Government Bond Index.   |
| ALFM Peso Bond Fund                | Securities and Exchange Commission | The Fund aims to achieve a steady stream of income by investing in a diversified portfolio of Philippine Peso denominated high-grade fixed income instruments, such as, but not limited to, government securities, corporate notes and bonds, and fixed income funds. The Fund aims to outperform its composite benchmark, 75% of the 91-day Philippine Treasury Bill– net of tax and 25% of the BPI 1-5 Year Index. |

## SPECIFIC RISKS IN INVESTING IN A FUND-OF-FUNDS

The performance of the underlying Target Fund/s on an individual or collective basis impacts the performance of the BPI Fixed Income Portfolio Fund-of-Funds.

Trustee Fees are collected at the target fund level. Such fees are already included in the computation of the Net Asset Value per Unit (NAVPU), which is the price at which investors subscribe and redeem units of the Fund.

## Other Fund Facts

Fund Currency: Philippine Peso

Benchmark: BPI Philippine Government Bond Index