



**BPI ASSET MANAGEMENT AND TRUST GROUP**  
**BPI BALANCED FUND**  
**KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT**  
As of September 30, 2015

**FUND FACTS**

<b>Classification:</b>	Balanced Fund	<b>Net Asset Value per Unit (NAVPU):</b>	Php165.33
<b>Launch Date:</b>	April 4, 2005	<b>Total Fund NAV (Mn):</b>	Php3,960.83
<b>Minimum Investment:</b>	Php10,000.00	<b>Dealing Day:</b>	Daily up to 2:30 PM
<b>Additional Investment:</b>	Php1,000.00	<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> 1.500%	<b>Custodianship Fees:</b> 0.0115%	<b>External Auditor Fees:</b> 0.005%	<b>Other Fees:</b> 0.00%
BPI Asset Management	HSBC	Isla Lipana	None

\* As a percentage of average daily NAV for the quarter valued at divided by the average daily NAV  
\*Billings received in 2014 divided by the average daily NAV  
\*Billings received in 2013 divided by the average daily NAV  
Php3,935.43 Million NAV

**INVESTMENT OBJECTIVE AND STRATEGY**

The Fund aims to achieve long-term capital growth by investing in a diversified portfolio of equity and fixed income securities. The Fund aims to provide excess return over the composite benchmark, 50% Philippine Stock Exchange index (PSEi) and 50% return of the 91-day Philippine Treasury Bill, net of tax

**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 Balanced Fund is suitable for investors who:

- Are at least classified as aggressive based on their risk profile
- Have an investment horizon at least 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.

<b>Interest Rate Risk:</b>	Investors are exposed to adverse changes in the prices of domestic fixed income securities due to 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.
<b>Equity Price Risk:</b>	Investors are exposed to adverse changes in the prices of stocks listed in the Philippine Stock Exchange, which may be brought about by adverse stock market conditions, unfavorable company earnings and valuations and/ or negative developments in domestic and global political and economic conditions.
<b>Liquidity Risk:</b>	Investors are exposed to the risk of loss due to the fund's inability to convert fixed income and equity 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.
<b>Related Party Risk:</b>	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 and equity securities issued by related parties, as well as the execution of trade transactions with related counterparties.
<b>Credit/ Default Risk:</b>	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.

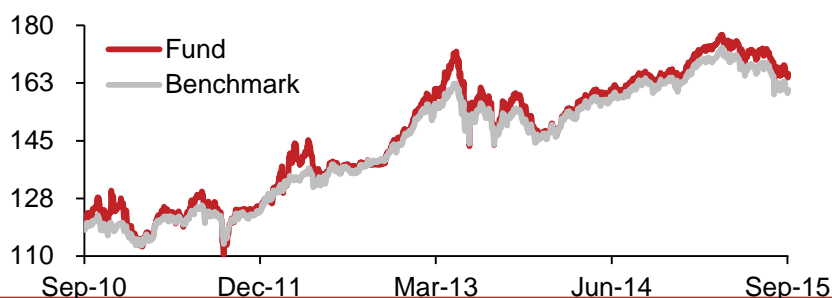
In accordance with the provisions in the Declaration of Trust, the Fund employs a risk management policy based on duration. The Fund may also use financial derivatives to hedge the portfolio against market and credit risks

**• 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 SEPTEMBER 30, 2015

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

### NAVPU GRAPH



### NAVPU over the past 12 months

Highest	177.13
Lowest	161.45

### STATISTICS

Portfolio Beta	1.01
Volatility, Past 1 Year (%) <sup>3</sup>	7.59
Sharpe Ratio <sup>4</sup>	-0.19
Information Ratio <sup>5</sup>	1.67
Current Number of Holdings	47

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

	1 mo	3 mos	6 mos	1 YR	3 YRS	S.I. <sup>2</sup>
<b>Fund</b>	<b>-1.17</b>	<b>-3.84</b>	<b>-5.63</b>	<b>0.12</b>	<b>19.77</b>	<b>140.94</b>
<b>Benchmark</b>	<b>-1.38</b>	<b>-4.25</b>	<b>-6.29</b>	<b>-1.72</b>	<b>16.39</b>	<b>122.38</b>

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

	1 YR	2 YRS	3 YRS	4 YRS	5 YRS	S.I. <sup>2</sup>
<b>Fund</b>	<b>0.12</b>	<b>4.08</b>	<b>6.20</b>	<b>9.02</b>	<b>6.98</b>	<b>8.74</b>
<b>Benchmark</b>	<b>-1.72</b>	<b>3.54</b>	<b>5.19</b>	<b>7.98</b>	<b>6.32</b>	<b>7.91</b>

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

	YTD	2014	2013	2012	2011	2010
<b>Fund</b>	<b>0.08</b>	<b>12.50</b>	<b>1.37</b>	<b>16.08</b>	<b>-0.72</b>	<b>37.39</b>
<b>Benchmark</b>	<b>-1.57</b>	<b>11.57</b>	<b>1.56</b>	<b>16.30</b>	<b>3.14</b>	<b>19.41</b>

### PORTFOLIO COMPOSITION

Allocation	% of Fund
Equities	52.43
Fixed Income	5.56
Cash and Other Receivables	42.02
Sector Holdings	
Holding Firms	18.18
Property	9.87
Industrial	8.86
Services	7.79
Financials	7.15
Mining and Oil	0.58

<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

Equity Names	%
SM Investments Corp.	5.13
Ayala Land, Inc.	4.87
Phil. Long Distance Telephone Co.	4.00
Universal Robina Corp.	3.69
Ayala Corporation	3.62
Fixed Income Names	%
Fixed Rate Treasury Notes 8/18/2018	2.72
Fixed Rate Treasury Notes 1/31/2018	1.55
Aboitiz Equity Ventures Inc 11/6/2020	1.29

### 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 the Bank of the Philippine Islands:

Ayala Corporation — Php 184.82Mn, Ayala Land, Inc. — Php 192.94Mn, Bank of the Philippine Islands — Php 375.48Mn, Globe Telecom, Inc. — Php 68.86Mn, Manila Electric Company — Php 45.87Mn, International Container Terminal Services, Inc. — Php 54.86Mn, DMCI Holdings, Inc. — Php 39.33Mn, Aboitiz Power Corporation — Php 51.63Mn, Jollibee Foods Corporation — Php 61.90Mn, Philippine Long Distance Telephone Company — Php 158.35Mn, Metro Pacific Investments Corporation — Php 21.11Mn, Robinsons Land Corporation — Php 60.18Mn, First Gen Corporation. — Php 19.21Mn, Petron Corp. — Php 4.14Mn

Investments in the said outlets were approved by the Trust Committee. 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's internal policy.

## OUTLOOK AND STRATEGY

**Market Review.** The Philippine Stock Exchange index (“PSEi” or the “Index”) ended the month of September below the 7,000 level after losing 2.9% or 205 points to close at 6,894. In the 9 months leading to 4Q15, the PSEi has given up 4.7% as the slowdown in global economic activities persists. The Index is also down 15% from its 2015 high of 8,137. Investor interest continues to drop as average daily turnover declined to US\$136M per day (excluding the LRI transaction) from US\$169M. Foreign funds were net sellers by US\$706M inflated by a sale of Lafarge Republic stocks to the tune of US\$515M. The 6 months between 2Q2015 and 3Q2015 have seen foreign funds exit around US\$2.0B versus the US\$8.5B net foreign inflow from 2008 to 1Q2015. Foreign funds have been net sellers since April 2015. The leading contributors for the month are DMC (+12.48%), SCC (+6.33%), SMPH (+5.90%), BDO (+5.08%), and AEV (+4.72%). Meanwhile, BLOOM was the top laggard again (-25.78% vs. -27.63% in August) followed by AGI (-22.63%), LTG (-22.46%), ICT (-19.26%), and EMP (-18.25%). All sectoral indices were down, with Services (-11.69%) losing the most, followed by Mining and Oil (-3.65%), Industrials (-2.97%), Properties (-1.70%), Banks (-1.32%), and Conglomerates (-0.69%).

Philippine macroeconomic developments in September 2015:

- Inflation growth for the month of August was recorded at 0.6%, the slowest pace in 20 years. Year-to-date (“YTD”) inflation is at 1.7%, lower than the government target of 2%-4% for 2015.
- The Banko Sentral ng Pilipinas (“BSP”) kept all policy tools unchanged due to lower than expected inflation.
- Overseas Filipino Worker (“OFW”) remittances grew 0.5% (in USD terms) year-on-year (“YoY”) in July 2015. According to the BSP, remittances from the US slowed (-8.4%) due to depreciation of local currencies against the greenback. Total remittances during the first 7 months of 2015 grew 4.8% YoY to Php 14.2B. The BSP full-year target for 2015 is Php 25.6B.
- Foreign investments in August 2015 recorded a net outflow of USD543M compared to an inflow of USD483M during the same period last year. Foreign direct investment (“FDI”) in the first 8 months of 2015 recorded net outflows of USD64M compared to net outflows of USD573M last year.
- Commercial banks experience a decline in loan growth in July to 13.5% from a growth rate of 14.5% in the previous month. Banks’ exposure to real estate was up 26% YoY in June 2015 to Php 1.17T. Real estate loans now comprise 20.5% of total loans.
- Philippine exports dropped by 2% MoM in July 2015. Aside from the surprise performance of electronics (+34.6% YoY), nearly all other commodities were down. Exports for the first 7 months of 2015 are down 4.1% YoY at US\$34.2B. Imports on the other hand rose 17% YoY in July driven mainly by electronics (+71.1%) to reach US\$37.2B in the first 7 months of the year. Import and export data during the period recorded a deficit of US\$2.8B.

Also in September, the Fed decided not to raise benchmark rates as the US economy added only 142,000 jobs for the month and the August report was revised downward to 136,000 from 173,000. The unemployment rate held steady at 5.1%.

**Fund Performance.** The fund fell by 1.17% in September, beating its benchmark by 21 basis points. It outperforms the benchmark on a year-to-date basis by 165 basis points with a return of 0.08%.

**Fund Strategy.** We will continue to adopt a defensive strategy in the coming weeks as global volatility continues to discourage conviction buying on equities. Value turnover will also taper off as foreign investors continue to re-assess asset allocation towards Emerging Markets. Expect huge market swings in the short term on global growth concerns, particularly the Chinese economic slowdown. On the domestic front, we will continue to pick up Philippine companies that have strong cash yields (telecoms and energy utilities) on any correction.

## 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) Shares of Stock of selected corporations which are already listed or being offered publicly and soon to be listed in major capital markets.
- (b) Primarily medium term tradable fixed-income instruments issued or guaranteed by the Philippine government or the BSP; tradable fixed-income instruments issued by 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 investment outlets/ categories as the BSP may allow.
- (c) Primarily medium 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.
- (d) Bank deposits and such other investments allowed under regulations issued by the BSP.