



**BPI ASSET MANAGEMENT AND TRUST GROUP**  
**BPI BALANCED FUND**  
**KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT**  
As of December 29, 2016

**FUND FACTS**

<b>Classification:</b>	Balanced Fund	<b>Net Asset Value per Unit (NAVPU):</b>	Php163.48
<b>Launch Date:</b>	April 4, 2005	<b>Total Fund NAV (Mn):</b>	Php4,530.75
<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> 0.0143%	<b>External Auditor Fees:</b> 0.0045%	<b>Other Fees:</b> 0.00%
BPI Asset Management	HSBC	Isla Lipana	None

\* As a percentage of average 2016 daily NAV for the quarter valued at Php4,551.92 Million  
\*Billings received in 2015 divided by the average daily NAV  
\*Billings received in 2014 divided by the average daily 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.

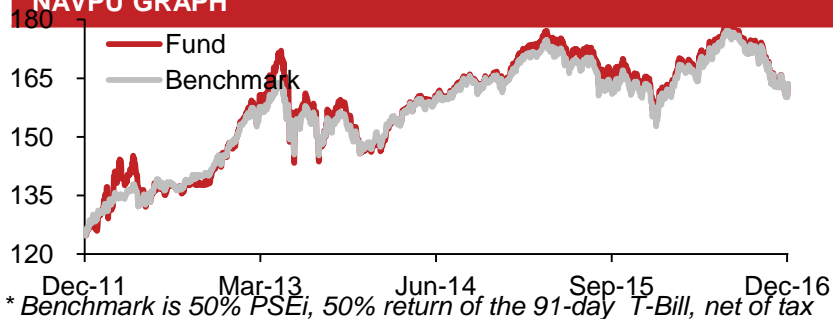
In accordance with the provisions in the Declaration of Trust, the Fund employs a risk management policy based on duration. The Fund may also use financial derivatives to hedge the portfolio against market and credit risks

**• 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 December 29, 2016

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

### NAVPU GRAPH



### NAVPU over the past 12 months

Highest	178.57
Lowest	154.40

### STATISTICS

Portfolio Beta	1.01
Volatility, Past 1 Year (%) <sup>3</sup>	9.44
Sharpe Ratio <sup>4</sup>	-0.24
Information Ratio <sup>5</sup>	-1.52
Current Number of Holdings	44

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

	1 mo	3 mos	6 mos	1 YR	3 YRS	S.I. <sup>2</sup>
<b>Fund</b>	<b>0.22</b>	<b>-5.72</b>	<b>-6.65</b>	<b>-0.89</b>	<b>11.33</b>	<b>138.25</b>
<b>Benchmark</b>	0.54	-5.05	-5.86	0.31	10.91	128.58

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

	1 YR	2 YRS	3 YRS	4 YRS	5 YRS	S.I. <sup>2</sup>
<b>Fund</b>	<b>-0.89</b>	<b>-0.52</b>	<b>3.64</b>	<b>3.07</b>	<b>5.55</b>	<b>7.67</b>
<b>Benchmark</b>	0.31	-0.29	3.51	3.02	5.55	7.29

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

	2016	2015	2014	2013	2012	2011
<b>Fund</b>	<b>-0.89</b>	<b>-0.15</b>	<b>12.50</b>	<b>1.37</b>	<b>16.08</b>	<b>-0.72</b>
<b>Benchmark</b>	0.31	-0.89	11.57	1.56	16.30	3.14

<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.

<sup>6</sup>Includes accrued income, investment securities purchased, accrued expenses, etc.

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

### PORTFOLIO COMPOSITION

Allocation	% of Fund
Equities	48.79
Fixed Income	0.00
Cash	0.15
Time Deposits and Money Market	51.11
Other Receivables – Net of Liabilities <sup>6</sup>	-0.05
Sector Holdings	
Holding Firms	18.12
Property	10.21
Industrial	7.53
Financials	7.13
Services	5.37
Mining and Oil	0.43

### TOP TEN HOLDINGS

Names	Maturity	%
Time Deposit		11.38
Time Deposit		8.83
Time Deposit		7.72
Time Deposit		6.62
Time Deposit		6.62
SM Investments Corporation		4.95
Ayala Land, Inc.		4.92
Time Deposit		4.41
Ayala Corporation		3.88
JG Summit Holdings, Inc.		3.28

### 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 217.53Mn, Ayala Land, Inc. — Php 233.00Mn, Bank of the Philippine Islands — Php 704.62Mn, Globe Telecom, Inc. — Php 58.80Mn, Manila Water Company, Inc. — Php 0.03Mn

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”) fell for the second consecutive year, losing 1.60% in 2016. After four straight months of negative returns, the Index finally ended green for the month of December. The Santa Clause rally, albeit happening after Christmas, helped the Index recover some of its losses to end December +0.88%. Low trading volumes, averaging only US\$131.50m per day (-13.22% MoM) led to a very volatile market. Local drivers for the market included lingering uncertainties over domestic policies such as the contractualization ban, tax reform packages, as well as political uncertainties following VP Robredo’s resignation from the Cabinet and the President’s comments on Martial Law. However, probably the biggest factor affecting the market is the Fed fund rate increase that finally happened in December with more expected in 2017, and the new US President-elect’s pro-American economic stance. The PSEi saw continued net foreign selling with foreigners divesting US\$191m in December. Since August, foreigners have sold US\$1.2b bringing full year net foreign inflow to only US\$83m from a US\$1.3b high. The Philippine currency saw a decline in value as well, losing 5.3% over the year. Political issues and policy risk together with the expected budget deficit as the new administration focuses on spending continue to weigh on the local currency, as well as the bullish outlook for the greenback due to strong recovery of the US economy leading to possibly more Fed fund rate increases.

Top index gainers for the month include SMC (+9.9%), GTCAP (+9.6%), TEL (+7.8%), MPI (+7.4%), and PCOR (+7.0%). Worst performing index names are JFC (-10.1%), LTG (-4.1%), URC (-3.8%), AEV (-3.3%), and MBT (-3.2%).

Key Economic Developments:

- Inflation rises to 2.5% in November as reported by the Philippine Statistics Authority (PSA), above the BSP’s 1.6%-2.4% target for the month.
- BSP meanwhile keeps rates unchanged, while raising inflation forecast to 3.3% (from 3.0%) in 2017 and 3% (from 2.9%) in 2018.
- OFW remittances decline 3% for the month of October to US\$2.10b mainly due to a decline in remittances from Europe (-18.4%) and the Middle East (-6.1%); while remittances from America (+12.5%) and Oceania (+0.9%) continue to grow.
- Government spending grew 33% in November, with a budget deficit at PHP19b being recorded.
- Bank lending also saw healthy growth at 17.8% in October, while vehicle sales growth continue to show strength with a 22% improvement being recorded for November.

**Fund Performance.** The fund rose by 0.22% in December, missing its benchmark by 32 basis points. It underperforms the benchmark on a year-to-date basis by 119 basis points with a return of -0.89%.

**Fund Strategy.** We will remain cautious in the weeks ahead given the expected volatility in global equity markets. Trump’s assumption of the US Presidential seat this January could lead to profit-taking in US markets. On the positive side, the weakness in US stocks could lead to a temporary re-allocation back towards bombed out Emerging Markets. Given the volatility of foreign flows, the Philippine market is expected to trade within a huge range of 6,400 to 8,000 for 2017. We still prefer being in defensive large cap companies for the meantime, as we expect a reversion rally to happen this month.

## 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.

BPI Asset Management is regulated by the Bangko Sentral ng Pilipinas (BSP). 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, 17F, BPI Building, Ayala Ave. cor. Paseo De Roxas, Makati City, 1226. You may also file your complaints at BSP Financial Consumer Department at (632) 708-7087 or [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).