



BPI Asset Management and Trust Corporation

BPI BALANCED FUND

KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT

As of January 31, 2017

FUND FACTS

| | | | |
|--------------------------------|---------------|--|---------------------|
| Classification: | Balanced Fund | Net Asset Value per Unit (NAVPU): | Php168.10 |
| Launch Date: | April 4, 2005 | Total Fund NAV (Mn): | Php 4,690.96 |
| Minimum Investment: | Php10,000.00 | Dealing Day: | Daily up to 2:30 PM |
| Additional Investment: | Php1,000.00 | Redemption Settlement: | T+3 5:00 PM |
| Minimum Holding Period: | None | Early Redemption Charge: | None |

FEES*

| | | | |
|-----------------------------|------------------------------------|---------------------------------------|--------------------------|
| Trustee Fees: 1.500% | Custodianship Fees: 0.0143% | External Auditor Fees: 0.0045% | Other Fees: 0.00% |
| BPI Asset Management | HSBC | Isla Lipana | None |

* As a percentage of average 2016 daily NAV for the quarter valued at Php 4,573.75 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.

| | |
|------------------------------|---|
| Interest Rate Risk: | 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. |
| Equity Price Risk: | 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. |
| Liquidity Risk: | 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. |
| 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 and equity securities issued by related parties, as well as the execution of trade transactions with related counterparties. |
| 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. |

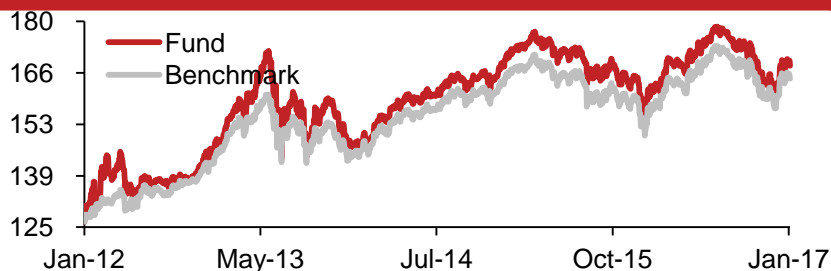
In accordance with the provisions in the Declaration of Trust, the Fund employs a risk management policy based on duration. The Fund may also use financial derivatives to hedge the portfolio against market and credit risks

**• 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 January 31, 2017

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

NAVPU GRAPH



* Benchmark is 50% PSEi, 50% return of the 91-day T-Bill, net of tax

NAVPU over the past 12 months

| | |
|---------|--------|
| Highest | 178.57 |
| Lowest | 159.76 |

STATISTICS

| | |
|--|-------|
| Portfolio Beta | 1.01 |
| Volatility, Past 1 Year (%) ³ | 8.58 |
| Sharpe Ratio ⁴ | 0.30 |
| Information Ratio ⁵ | -1.43 |
| Current Number of Holdings | 44 |

CUMULATIVE PERFORMANCE (%) ¹

| | 1 mo | 3 mos | 6 mos | 1 YR | 3 YRS | S.I. ² |
|------------------|-------------|--------------|--------------|-------------|--------------|-------------------|
| Fund | 2.83 | -1.40 | -4.97 | 3.95 | 13.27 | 144.98 |
| Benchmark | 2.91 | -0.88 | -4.20 | 5.06 | 12.64 | 135.24 |

ANNUALIZED PERFORMANCE (%) ¹

| | 1 YR | 2 YRS | 3 YRS | 4 YRS | 5 YRS | S.I. ² |
|------------------|-------------|--------------|-------------|-------------|-------------|-------------------|
| Fund | 3.95 | -0.96 | 4.24 | 2.69 | 5.85 | 7.86 |
| Benchmark | 5.06 | -0.44 | 4.05 | 2.84 | 5.42 | 7.50 |

CALENDAR YEAR PERFORMANCE(%) ¹

| | YTD | 2016 | 2015 | 2014 | 2013 | 2012 |
|------------------|-------------|--------------|--------------|--------------|-------------|--------------|
| Fund | 2.83 | -0.89 | -0.15 | 12.50 | 1.37 | 16.08 |
| Benchmark | 2.91 | 0.31 | -0.89 | 11.57 | 1.56 | 16.30 |

¹Returns are net of fees.

²Since Inception

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

⁴Used to characterize how well the return of a Fund compensates the investor for the level of risk taken. The higher the number, the better.

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

⁶Includes 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 | 50.71 |
| Fixed Income | 0.00 |
| Cash | 0.35 |
| Time Deposits and Money Market | 49.78 |
| Other Receivables – Net of Liabilities ⁶ | -0.84 |

Sector Holdings

| | |
|----------------|-------|
| Holding Firms | 18.53 |
| Property | 10.50 |
| Industrial | 7.76 |
| Financials | 7.54 |
| Services | 5.95 |
| Mining and Oil | 0.44 |

TOP TEN HOLDINGS

| Names | Maturity | % |
|----------------------------|----------|-------|
| Time Deposit | | 10.34 |
| Time Deposit | | 7.46 |
| Time Deposit | | 6.40 |
| Time Deposit | | 6.40 |
| Ayala Land, Inc. | | 5.21 |
| SM Investments Corporation | | 5.03 |
| Time Deposit | | 4.26 |
| Time Deposit | | 4.26 |
| Time Deposit | | 4.26 |
| Ayala Corporation | | 4.07 |

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 BPI Asset Management and Trust Corporation (BPI AMTC):

Ayala Corporation — Php 231.68Mn, Ayala Land, Inc. — Php 244.18Mn, Bank of the Philippine Islands — Php 775.05Mn, Globe Telecom, Inc. — Php 66.99Mn, Manila Water Company, Inc. — Php 0.03Mn

Investments in the said outlets were approved by the 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 Philippine Stock Exchange Index (PSEi) got off to a strong start in 2017, rising by 5.69% to 7,229.66 in January. There was significant bargain hunting by local players especially on the first week following last year's foreign selling domination towards the latter part of the year. The market however, consolidated during the last week of the month following Donald Trump's inauguration as the US President. Volumes were considerably lighter in January, registering Php5.971 billion, compared to Php6.07 billion in December.

On the domestic front, drivers for the market were the passage of the first tax package of tax proposals to lower house, PPP deal launching and GDP growth. The tax package featured lowered personal income tax rates, higher excise tax on oil but on a staggered basis and reduction of estate and donor's tax. Moreover, the Department of Transportation was able to unveil a PPP scheme featuring 5 airport projects with an aggregate worth of Php108.2 million. And for the fun part, the country's economy flexed once again with the gross domestic product (GDP) for the fourth quarter of 2016 registered at 6.6%. This pushed the full year 2016 to 6.8%. This was driven by consumption (+6.3%) and investments (15.0%). The local bourse bucked the trend of net foreign selling by finally registering a US\$5.8 million net foreign inflow in the month of January.

Top index gainers for the month include GLO (+14%), MBT (+12.26%), and SECB (+12.21%). Meanwhile, worst performing index names were PCOR (-6.63%), RLC (-3.46%), and DMC (-2.56%).

Key Economic Developments:

- 4Q16GDP rose by 6.6% that is in-line with consensus. Domestic demand was healthy driven by consumption and investments.
- OFW remittances grew 18.4% in November at US\$2.2 billion. This was brought about by increases in land-based remittances in US (+36.1% YoY) and Middle East (+23.7%).
- Inflation for the month of December recorded at 2.6%, a two-year high. This was above central bank's expectations of 2-2.3%. The increase was led by alcoholic beverages and tobacco (+6.28%) followed by food and non-alcoholic beverages (+3.58%) and utilities (+1.33%)

Fund Performance. The fund rose by 2.83% in January, missing its benchmark by 8 basis points. It underperforms the benchmark on a year-to-date basis by 8 basis points with a return of 2.83%.

Fund Strategy. Stay in defensive mode as the PSEi tries to base build above the 7,000 index support level. We favor stocks that offer little risk of missing earnings target during this period of 4th quarter income releases. Accumulate deep value stocks that will offer solace from dividend announcements in the coming weeks.

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 and Trust Corporation 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 or write a letter addressed to BPI Asset Management – Consumer Protection, 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. To know your rights under BSP Circular No. 857 (Regulations on Financial Consumer Protection), please access a copy at our website: www.bpiassetmanagement.com.