

## BDO PESO BALANCED FUND



## KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT

Month Ended November 29, 2018

## FUND FACTS

<b>Classification:</b> Balanced Fund	<b>Net Asset Value per Unit (NAVPU):</b> PHP3,174.0083
<b>Launch Date:</b> July 3, 2003	<b>Total Fund NAV:</b> PHP2.765 Billion
<b>Minimum Investment:</b> PHP10,000.00	<b>Dealing Period:</b> Up to 2:30pm of any banking day
<b>Minimum Additional Investment / Maintaining Participation:</b> PHP10,000.00	<b>Redemption Settlement:</b> Four (4) banking days after the notice of redemption is received
<b>Minimum Holding Period:</b> 30 calendar days	<b>Early Redemption Fee:</b> 0.50% of Original Participation Amount

## FEES\*

Trustee Fees: <u>0.0835%</u>	Custodianship Fees: <u>0.0029%</u>	External Auditor Fees: <u>0.0000%</u>	Other Fees: <u>0.0000%</u>
BDO Trust and Investments Group	Standard Chartered Bank, PDC	Punongbayan & Araullo	None

\*As a percentage of average daily NAV for the month valued at PHP 2.732 Billion.

## INVESTMENT OBJECTIVE AND STRATEGY

The Fund aims to achieve capital appreciation by investing in a portfolio of equity securities and short to long term fixed-income securities. The allocation for equity securities shall be between 40% to 60% of the portfolio or any allocation range that may be prescribed by the Trust Officers Association of the Philippines (TOAP) in consultation with the regulatory authority/ies. The Fund's benchmark is 50% Philippine Stock Exchange Composite Index (PSEi) and 50% Markit iBoxx ALBI Philippines 1-5 (Domestic) Index (IBXXPH15).

## 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 BDO Peso Balanced Fund is primarily suitable for individual and corporate investors with balanced risk appetite and who are aware of the opportunity for high yields that portfolios with stock market investments may provide but are also knowledgeable of the possibility of capital losses that such investments may entail.

♦Participants/trustors are recommended to stay invested in the Fund for more than three (3) 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.** This is the possibility for an investor to experience losses due to changes in interest rates. The purchase and sale of a debt instrument may result in profit or loss because the value of a debt instrument changes inversely with prevailing interest rates.

**Market/Price Risk.** This is the possibility for an investor to experience losses due to changes in market prices of securities. It is the exposure to the uncertain market value of a portfolio due to price fluctuations.

**Liquidity Risk.** This is the possibility for an investor to experience losses due to the inability to sell or convert assets into cash immediately or in instances where conversion to cash is possible but at a loss.

**Credit Risk/Default Risk.** This is the possibility for an investor to experience losses due to a borrower's failure to pay the principal and/or interest in a timely manner on instruments such as bonds, loans, or other forms of security, which the borrower issued.

**Reinvestment Risk.** This is the risk associated with the possibility of having lower returns or earnings when maturing funds or the interest earnings of funds are reinvested.

For the Fixed Income portfolio, the Fund employs a risk management policy based on modified duration. Modified duration measures the sensitivity of bond prices to interest rate movements. As interest rates rise, bond prices fall. The higher the duration, the more the NAVPU will fluctuate in relation to changes in interest rates. All the Fund's investment outlets undergo evaluation in accordance with the Trustee's Investment Policy Manual. Regulatory exposure limits are monitored on a regular basis. The Fund may also use financial derivative instruments solely for the purpose of hedging risk exposures.

♦THE UIT FUND IS NOT A DEPOSIT AND IS NOT INSURED BY THE PHILIPPINE DEPOSIT INSURANCE CORPORATION (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.

**BDO PESO BALANCED FUND**

**KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT (Page 2)**

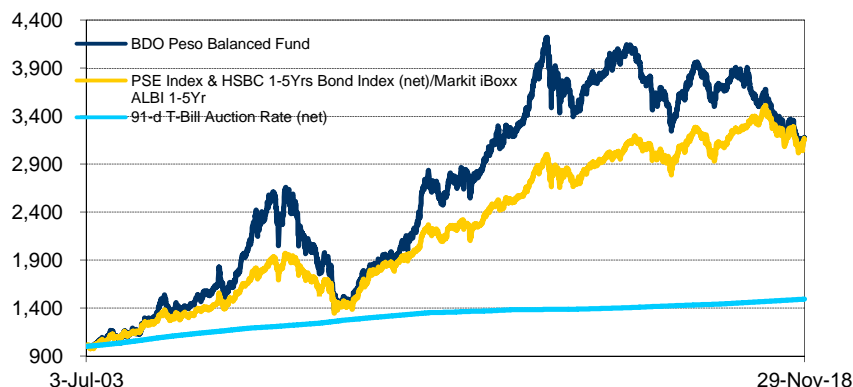
Month Ended November 29, 2018

**FUND PERFORMANCE AND STATISTICS**

As of November 29, 2018

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

**Fund's NAVPU vs Benchmark & Risk-Free Rate**



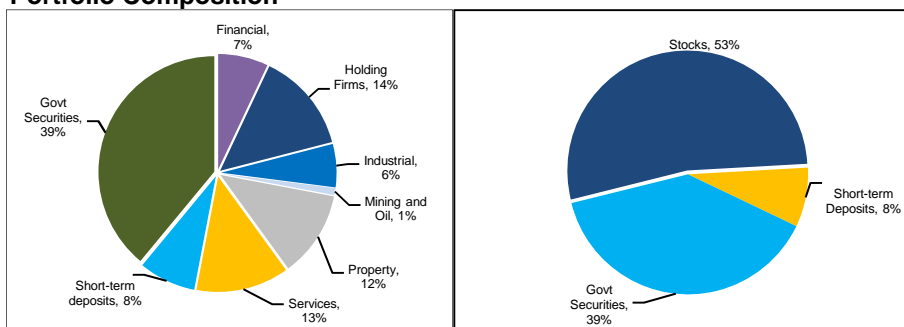
**Cumulative Performance (%)**

Period	1 mo	3 mos	6 mos	1 yr	3 yrs
BDO Peso Balanced Fund	0.91%	-5.41%	-4.25%	-10.22%	-12.33%
Benchmark <sup>1/2</sup>	2.18%	-3.88%	-1.40%	-5.43%	6.71%

<sup>1</sup> The Fund's benchmark is 50% PSEi and 50% HSBC Local Currency Bond Index (HSLI) 1-5Yrs (net).

<sup>2</sup> The Fund's benchmark is 50% PSEi and 50% Markit iBoxx ALBI Philippines 1-5 (Domestic) Index (IBXXPH15) commencing April 29, 2016.

**Portfolio Composition**



**NAVPU over the past 12 months**

Highest	PHP 3,677.2417
Lowest	PHP 3,079.6190

**Statistics**

Modified Duration (Fixed Income)	1.65
Volatility, Past 1 Year <sup>3</sup>	8.80%
Sharpe Ratio <sup>4</sup>	-1.38
Information Ratio <sup>5</sup>	-1.63
Weighted Ave. Yield (net) <sup>6</sup>	4.20%

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

<sup>4</sup> Sharpe Ratio is 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> Information Ratio 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> Net of taxes and trust fees

**Top Ten Holdings<sup>7</sup> (%)**

**Equities**

Company Name	% of Portfolio
SM Investments	7.15%
Ayala Land	5.76%
SM Prime	4.65%
Ayala Corp	3.99%

**Fixed Income**

Issue	% of Portfolio
FXTN 11/22/2019 3.875%	7.08%
FXTN 8/20/2020 3.375%	6.92%
RTB 12/4/2022 4.625%	4.41%
FXTN 3/20/2021 3.5%	4.10%
RTB 4/11/2020 4.25%	3.71%
FXTN 7/19/2019 4.75%	3.22%
Total	51.00%

<sup>7</sup> The complete list of portfolio holdings is available upon request.

**OTHER DISCLOSURES**

**RELATED PARTY TRANSACTIONS**

The Fund has investments and trade transactions with BDO Unibank, Inc., its subsidiaries and related parties, as follows:

	Transaction	Market Value (Mln)
<b>BDO Unibank, Inc.</b>	Time Deposit Placement	2.70
	Investment in Common Shares	73.12
<b>SM Group</b>	SM Investments Corp. Investment in Common Shares	197.66
	Premium Leisure Corp. Investment in Common Shares	75.31
	SM Prime Holdings Investment in Common Shares	128.54

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.

**OTHER DISCLOSURES****OUTLOOK AND STRATEGY**

The stock market shifted to high gear in November with more than a 200-point jump to end the month at 7,368. Market sentiment turned positive when the BSP raised its policy rate for the fifth time this year to 4.75%, and presidents Donald Trump and Xi Jinping were reported to have reached an entente (subsequently debunked by US officials) on trade during a dinner meeting during the G-20 talks in Argentina. Most of the bank stocks made a solid recovery on strong third quarter earnings. BPI (+18.2% m/m) and MBT (+15.7% m/m) were among the biggest gainers in the banking sector. However, telco stocks, GLO (-3.9%) and TEL (-14.5%) suffered a sell-off after the selection of the third telco player. The current direction of the stock market is seen to take its cue from global markets. The escalating trade tension between US and China and market talk of a global slowdown could see the Index trade between the range of 7,200 and 7,400. Meanwhile, bond yields finally slid as well on easing inflation expectations. The bond market reacted positively to the BSP's announcement of a much-lower 2019 inflation forecast from 4.3% to 3.5%. However, yields along the long end are seen to remain elevated on expectations of tighter liquidity next year on account of the huge funding requirements from both the public and private sectors.

**INVESTMENT POLICY / PROSPECTIVE INVESTMENTS**

The Fund may invest in exchange-listed equities and fixed income securities, deposits in the trustee's bank or in other banks, securities issued or guaranteed by the Philippine Government or the BSP and tradable securities issued by any supranational entity. Subject to BSP guidelines and the Trustee's Trust Committee approval, the Fund may also avail of financial derivative instruments solely for the purpose of hedging risk exposures, as well as invest in other tradable investment outlets/categories as may be deemed suitable for the Fund.

**OTHER BASIC FUND FACTS**

<b>Trust Fee:</b> 1.0% p.a.	<b>Bloomberg Ticker:</b> <BDOPBAL PM>
<b>Initial NAVPU:</b> PHP1,000.00	<b>NAVPU Availability:</b> Every trading day at 7:30 p.m.
<ul style="list-style-type: none"> <li>• Available via the Easy Investment Plan (EIP), an investment build-up plan that enables investors to attain their financial goals and financial wellness through the twin habits of regularly saving and investing via selected BDO UITFs; subject to a non-completion fee of 0.50% of original participation amount.</li> <li>• The availability via the Easy Redemption Plan (ERP), a redemption facility that allows participants to partially, automatically and regularly receive regular cash pay-outs from their investments in units of participation in the Fund, has not been implemented yet. Participants will be notified once this feature is available.</li> <li>• The availability of Fund's Switching Feature, a feature which allows an existing Participant to request that his UITF units of participation be redeemed and the proceeds thereof reinvested in the units of participation of one or several BDO UITF/s (up to a maximum of five UITFs) with the same or longer settlement period and the same currency without the need to wait for the usual settlement period for redemptions, has not been implemented yet. Participants will be notified once this feature is available.</li> <li>• The results of the latest annual audit are available to all participants upon request via email (investments@bdo.com.ph)</li> </ul>	
• <b>Distribution Channels:</b> Head Office, Invest Online and Local BDO Branches	

**OTHER PERFORMANCE INDICATORS**

Period	Fund	Benchmark	Risk-Free Rate <sup>8</sup>
Year to Date	-11.60%	-7.28%	1.78%
Five Years Ago	-11.47%	14.09%	7.66%
Since Inception	217.40%	215.75%	49.40%
CAGR <sup>9</sup> Since Inception	7.78%	7.74%	2.64%

<sup>8</sup> Refers to 91-day T-Bill rates

<sup>9</sup> Compounded Annual Growth Rate (CAGR) measures how fast an investment would have grown over time if it grew at a steady rate instead of actual varying rates.

**OTHER DISCLOSURES****Best Performance (Past Five Years)**

Inclusive Dates 01/21/2016 - 08/10/2016	Biggest Gain 22.26%	No. of Days to Achieve 202 days
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**Maximum Drawdown and Recovery in NAVPUs<sup>10</sup> (Past Five Years)**

Maximum Drawdown Period 02/04/2015 - 11/13/2018	Biggest Loss -25.66%	Recovery Period (days) not yet recovered
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<sup>10</sup> *Maximum Drawdown is the maximum percentage loss that a fund incurs over a time period.*

*Maximum Drawdown Period is the length of time the maximum drawdown occurs.*

*Recovery Period is the length of time taken by a fund to surmount its maximum drawdown.*

**RESIDENCY OF TARGET MARKET**

Filipino Citizens, Philippine residents, and domestic corporations with capacity to contract and who are not considered US Persons under the US securities and tax laws.

Prospective participants/clients should also consult their own tax advisors as to the specific Philippine tax consequences of acquiring, holding and redeeming of units of any Fund/investment outlet, as well as the consequences arising under the laws of any other taxing jurisdiction

BDO Unibank, Inc.-Trust and Investments Group is regulated by the Bangko Sentral ng Pilipinas (BSP). For any inquiries and complaints relating to our services and products you may 1) call 840-7000 locals 4265 / 4244 / 4035 / 7032; 2) send an email to [trust.complaints@bdo.com.ph](mailto:trust.complaints@bdo.com.ph) ; or 3) visit/call/email your assigned Trust Marketing Officer or the Branch Manager/Marketing Officer of your servicing branch. For more details on BDO's complaints handling process, please visit: [www.bdo.com.ph/consumer-assistance](http://www.bdo.com.ph/consumer-assistance). You may also file your complaints at BSP Financial Consumer Protection 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 the BSP website ([www.bsp.gov.ph](http://www.bsp.gov.ph) ).