

DECLARATION OF TRUST

PSBank Peso Money Market Fund
A Unit Investment Trust Fund
Plan Rules and Regulations

KNOW ALL MEN BY THESE PRESENTS

This Declaration of Trust is made and executed by **PHILIPPINE SAVINGS BANK (PSBank)**, a banking corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, and duly licensed by the Bangko Sentral ng Pilipinas to operate as a thrift bank and to perform trust and other fiduciary functions, with principal address at PSBank Center, 777 Paseo de Roxas Avenue corner Sedeño Street, Makati City, acting through, and herein represented by its Trust Division (hereinafter referred to as the "Trustee");

WITNESS THAT:

In order to provide a vehicle for the Trustee and other fiduciary clients who are interested in diversifying their investment, Trustee hereby establishes and declares that it has created and shall administer a Peso Money Market Unit Investment Trust Fund, a trust product, for the collective investment of funds of its clients under the terms and conditions provided in this Plan Rules and Regulations (the "Plan").

Article I: CREATION OF THE TRUST

Sec. 1 For the purpose of providing investment opportunities to its trust clients for higher investment yields and a diversified portfolio of investments pursuant to investment objectives and policies herein stipulated, the Trustee hereby establishes and declares itself as Trustee of a unit investment trust fund for the collective investment of funds held by it in the capacity of trustee under the terms and conditions stipulated below.

Article II: DEFINITIONS

Sec. 1 In applying this Plan; the following shall have the meaning indicated below unless the context otherwise requires:

- a) "Bank" means the Philippine Savings Bank (Trust Division)
- b) "Banking Day" means such day (other than a Saturday or Sunday or holiday or any day when there is no clearing) on which banks are open for business. Transactions received by branches shall be processed the next banking day in the event that the head office is not accessible. Such case shall be disclosed to the client.
- c) "BSP" shall mean the Bangko Sentral ng Pilipinas.
- d) "Confirmation of Participation" means the instrument evidencing the extent of Participant's proportionate interest in the Fund in the tenor similar to Annex "A" hereof.
- e) "Confirmation of Redemption" means the instrument confirming the partial or full redemption of units held by the Participant and evidencing the reduction of the

Participant's proportionate interest in the Fund in the tenor similar to Annex "B" hereof.

- f) "Early Redemption Penalty" means that penalty imposed on all redemption from the Fund made within the Minimum Holding Period as indicated in Annex "C". The Early Redemption Penalty may be changed by resolution of the Trust Committee and approved by the Board of Directors subject to prior BSP approval.
- g) "Initial NAVPU" means the initial NAVPU of the Fund as indicated in Annex "C".
- h) "Investment Management Committee" means the investment policy-making body of the Trustee.
- i) "Board of Directors" means the Board of Directors of the Bank.
- j) "Minimum Additional Participation Amount" means the minimum amount of subsequent participation of a Participant or Trustor in the Fund as indicated in Annex "C". The Minimum Additional Participation Amount may be increased or decreased by resolution of the Trust Committee and approved by the Board of Directors subject to prior BSP approval.
- k) "Minimum Holding Period" means a minimum holding period for the Fund counted from the day when the initial participation is made as indicated in Annex "C". The Minimum Holding Period may be changed by resolution of the Trust Committee and approved by the Board of Directors subject to prior BSP approval.
- l) "Minimum Participation Amount" means the minimum amount of initial participation of a Participant or Trustor in the Fund as indicated in Annex "C". The Minimum Participation Amount may be increased or decreased by resolution of the Trust Committee and approved by the Board of Directors subject to prior BSP approval.
- m) "NAV" means Net Asset Value of the Fund.
- n) "NAVPU" means Net Asset Value Per Unit or the value of each Unit, as the case may be.
- o) "Participant" means a person who participates in the Fund under a Trust Agreement.
- p) "Redemption Cut-Off Time" means the cut-off time for receiving redemption orders as indicated in Annex "C". The Redemption Cut-Off Time may be changed by resolution of the Trust Committee and approved by the Board of Directors subject to prior BSP approval.
- q) "Redemption Settlement Period" means the required number of days of prior notice in a form acceptable to the Trustee for any redemption from the Fund as indicated in Annex "C". The Redemption Settlement Period may be changed by resolution of the Trust Committee and approved by the Board of Directors subject to prior BSP approval.
- r) "Subscription Cut-Off Time" means the cut-off time for receiving subscription orders as indicated in Annex "C". The Subscription Cut-Off Time may be changed by resolution of the Trust Committee and approved by the Board of Directors subject to prior BSP approval.
- s) "Trade Date" means a Banking Day when a redemption or subscription order is received before cut-off time.
- t) "Trust Agreement" means the Participating Trust Agreement substantially in the form herein attached as Annex "D".
- u) "Trust Committee" means the Trust Committee of the Bank.

- v) "Trust Fee" means the fee based on the NAV at day end payable by Participants to the Trustee for its services as indicated in Annex "C".
- w) "Trustor" means and is similarly known as "Participant"
- x) "Trustee" means the Bank, in its capacity as Trustee of the Fund.
- y) "Total Net Assets" means the summation of the market value of each investment less Trust Fee, taxes, and other qualified expenses.
- z) "Unit" means a unit of participation in the Fund.

Article III: **NATURE AND INVESTMENT OBJECTIVES**

Sec. 1 Title of the Fund – The pooled fund shall be known as PSBank Peso Money Market Fund (herein referred to as the "Fund").

Sec. 2 Nature of the Fund –The Fund is a unit investment trust fund established in accordance with, and shall be operated subject to the stipulations of this declaration and as the same may be amended from time to time in accordance with the regulations issued by the BGP and existing laws.

The Fund shall be treated as an entity separate and distinct from its constituent assets and from the contributions of the participants thereto and from other trust accounts administered by the Trustee.

Title to Assets of the Fund - All assets of the Fund shall, at all times, be considered as assets held by the Trustee vested solely in the Trustee.

Nature of Participant's Interest in the Fund - No participant shall have or be deemed to have any ownership or interest in any particular account, investment or asset of the Fund but shall have only its proportionate and undivided beneficial interest in the Fund as a whole.

Description of the Fund – The Fund shall be classified as an open-ended peso money market fund, with features more particularly described in Annex "C" hereto.

Sec. 3 Investment Objectives and Policy – The Fund shall be invested and reinvested in such investment outlets and held and disposed of in accordance with such investment objectives and policies which shall be specified in Annex C (Explanatory Memorandum).

Article IV: **MANNER OF OPERATION**

Sec. 1 The Bank, as Trustee, shall have exclusive management and control of the Fund.

Sec. 2 The Fund shall consist of cash contributions by Participants or Trustors, which contributions shall be made through participation to be delivered to the Trustee. Participation in the Fund shall be pooled and invested as one account.

Sec. 3 The Trustee shall designate clearly in its records the participation and extent of the interest of Participants in the Fund. The Trustee shall not negotiate or assign the Participant's beneficial interest in the Fund without prior written consent of the Participant.

- Sec. 4 The interest of each Participant shall be determined by the unitized NAVPU valuation methodology explained in Article X hereof. No participation shall be admitted to or redeemed from the Fund except on the basis of such valuation.
- Sec. 5 The Fund shall be distributed exclusively in distribution channels authorized by the Trustee.

Article V: PARTICIPATION /ADMISSION

- Sec. 1 At the inception of the operation of the Fund, Units shall be issued, as they are purchased by the Participants, at the Initial NAVPU.
- Sec. 2 Participation in the Fund shall be open to any eligible person or entity with legal capacity to contract on any Banking Day. Prior to acceptance by the Trustee of the Participant's initial participation in the Fund, the Trustee shall conduct a Client Suitability Assessment (CSA) for the purpose of profiling the risk-return orientation and suitability of the potential Participant.
- Sec. 3 Potential Participants shall be informed of the risks attendant to the Fund and a Participant shall acknowledge the disclosure by executing a Risk Disclosure Statement (Annex "F"), which forms part of the Participating Trust Agreement.
- Sec. 4 Investments in the Fund shall be made by purchasing Units at the prevailing NAVPU and shall not be less than the Minimum Participation Amount. Subsequent contributions by a Participant are subject to the Minimum Additional Participation Amount. Admission of participation shall commence upon execution by the Trustee and Participant of the Trust Agreement and the receipt by the Trustee of the cleared funds from the Participant.
- Sec. 5 The Trustee has sole discretion to accept a participation and expressly reserves its rights to reject or refuse the participation, investment, or contribution in the Fund by any person or entity for any reason whatsoever.
- Sec. 6 The participation of each Participant in the Fund shall be designated in terms of number of Units for which the corresponding Confirmation of Participation shall be issued indicating the amount of the participation and the equivalent number of participating units or proportionate interest at the prevailing NAVPU. Each Unit shall have uniform rights and privileges as any other units. Subscriptions received after the cut-off time shall be considered as transactions for the next applicable banking day.

Article VI: MINIMUM HOLDING PERIOD

- Sec. 1 The Fund shall be subject to the Minimum Holding Period. Any redemption made within the Minimum Holding Period will be subject to an Early Redemption Penalty which shall be charged to the Participant and credited to the Fund.

Article VII: REDEMPTION OF UNITS OF PARTICIPATION

- Sec. 1 All redemption from the Fund shall be done through a notice to the Trustee within the Redemption Settlement Period.
- Sec. 2 A Confirmation of Redemption shall be issued to the Participant for every redemption as evidence of the partial or full redemption of Units. Redemptions received after the cut-off time shall be considered as transactions for the next applicable banking day.

Article VIII: SUBSEQUENT PURCHASE/REDEMPTION

- Sec. 1 Subsequent purchases or redemption of Units will be based on the applicable NAVPU. Additional purchases of Units will expand the number of outstanding Units issued, while redemption of Units will contract the number of outstanding Units.

Article IX: JOINT ACCOUNTS

- Sec. 1 For Joint "AND" Accounts:
- a) The Fund or any balance thereof shall be withdrawn by the Trustors' joint signatures.
 - b) The available balance of the Fund at any time shall be subject to withdrawal or other disposal in whole or in part by all of the Trustors or the attorney(s)-in-fact duly authorized by all of the Trustors, all without inquiry or regard by the trustee with respect to the use or disposition which may be made of the funds so withdrawn or otherwise disbursed, and shall release and discharge the Trustee from such withdrawal/disposal. Proceeds shall be credited to the Trustors' designated PSBank savings/current account.
 - c) Should any or all of the Trustors die during the effectivity of the Trust, the Trustee shall be promptly notified in writing of such death, and the Fund at the time of such death shall be disposed in accordance with the laws on co-ownership. Unless a different sharing among the Trustors exist, each of the Trustor is presumed under the laws on co-ownership to own equal shares of the Fund and in case of the death of any of the Trustors, the deceased Trustor(s) shall be replaced by his/their estate(s). In this regard, the Trustors shall hold the Trustee free and harmless from all damages, costs and expenses to which the Trustee may be put in any suit or proceeding relating to the Fund, should the Trustee release the equal share to the estate of the deceased Trustor.
 - d) Should an administrator or executor of the estate or a legal representative of the deceased co-Trustor be appointed, the Trustee shall be informed accordingly and the Trustee shall be free to release any amount in the Fund upon the joint signatures of the surviving co-Trustor and the abovementioned administrator, executor or legal representative of deceased co-Trustor, and upon presentation to the Trustee of a certificate from the Commissioner of Internal Revenue that taxes have been paid on the share of the deceased Trustor and such other documents as the may require.

Sec. 2 For Solidary or Joint "OR" Accounts

- a) The Fund or any balance thereof may be withdrawn by any one of the Trustors as joint and several Trustor. In case of conflict among the Trustors, the Trustee is hereby authorized to hold/freeze the Fund until the Trustors have settled out of court their conflict in writing or until the Trustee receives a court order authorizing the Trustee to release the Fund to the Trustor or anyone among the Trustors. The Trustors, jointly and severally, shall hold the Trustee free and harmless from any and all damages, cost, expenses and attorney's fees that the Trustee may incur by virtue thereof.
- b) The available balance of the Fund at any time shall be subject to withdrawal or other disposal in whole or in part by any one of the Trustors or that of the attorney(s)-in-fact of any one of the Trustors, all without inquiry or regard by the Trustee with respect to the use or disposition which may be made of the funds so withdrawn or otherwise disbursed and shall release and discharge the Trustee from such withdrawal/disposal. Proceeds shall be credited to the Trustor's designated PSBank savings/current account.
- c) Upon death of any one of the Trustors, the Fund or balance thereof, shall belong to the surviving co-Trustor and can be withdrawn by the surviving co-Trustor without the necessity of obtaining the consent of the heirs of the deceased co-Trustor, and without prejudice to the application of the provisions of the National Internal Revenue Code insofar as to the taxability of the funds withdrawn by the surviving Trustor. In such case, the Trustee shall require from the surviving co-Trustor a certificate from the Commissioner of Internal Revenue that taxes have been paid.
- d) In case of death of the last surviving Trustor, the latter's estate shall be entitled to withdraw and collect from the Fund. In case of simultaneous death of all trustors, the Fund shall be governed by the laws on co-ownership and shall be withdrawn by the joint signatures of the executors, administrators, or legal representatives of all of Trustors upon presentation to the Trustee of a certificate from the Commissioner of Internal Revenue that taxes have been paid and after compliance with such requirements as the Trustee may impose.

Article X: **VALUATION OF THE FUND**

Sec. 1 The Trustee shall determine and calculate on every Banking Day the net asset value (herein referred to as the "NAV") of the Fund and the value of each unit of participation (herein referred to as the "NAVPU") in the manner provided in Article X Sections 3 and 4 and shall be made available to Participants and prospective Participants upon request.

Sec. 2 The Trustee shall cause the publication of the NAVPU, as well as the moving return on investments (ROI) of the Fund on a year-to-date and year-on-year basis, in at least one (1) newspaper of national circulation, either by itself or by way of a pooled weekly publication of such NAVPU through the initiative of industry practitioners.

Sec. 3 The NAV shall be computed using the pooled-fund accounting methodology, or more specifically based on the following formula:

Cash Deposits

- + Market Value of Investments
- + Accrued Interest on Cash Deposits

+ All other assets and receivables
GROSS ASSET VALUE

- Accrued Taxes Payable
- Accrued Trust Fee Payable
- Other Accrued Expenses

- Accounts Payable
- All other Liabilities
NAV

Sec. 4 The NAVPU shall be calculated by dividing the NAV by the number of Units outstanding as of the date of valuation. The NAVPU shall be computed up to six (6) decimal places as follows:

$$\text{NAVPU} = \frac{\text{Total Net Assets of the Fund}}{\text{Total Number of outstanding units in the Fund}}$$

- a) The NAVPU at the start of the Fund's operation, or the Fund's par value, shall be as indicated in Annex "C" hereto.
- b) The NAVPU shall be computed daily at the time specified in Annex "C" hereto.

Sec. 5 All authorized investments of the Fund shall be marked to market regularly in accordance with the applicable rules and regulations of the BSP. The determination of the market value of the investments of the Fund shall be in accordance with existing BSP rules and regulations on marking to market of investment securities, more specifically described in Annex "C" hereto.

Sec. 6 Fees and Expenses of the Fund

- a) Trustee's Fees - The Trustee shall charge against the Fund regular trust fees in the amount indicated in Annex "C" hereto on a per annum basis based on the NAV of the Fund as its compensation for the administration and management of the Fund. These fees shall accrue and shall be payable monthly or at such periodic intervals as the Trustee may determine. The trust fees shall be uniformly applied to all participants in the Fund. Said fee may be increased or decreased in the future as may be warranted by circumstances then existing, subject to the requirements of Subsection UX410.6/U4410Q.6 of the Manual of Regulations for Banks and the Manual of Regulations for Non-Bank Financial Institutions. In the event the trust fees are changed, such change shall be charged prospectively upon written notice to the Participants. Trust fee shall be accrued daily. Computation of the trust fee shall be based on NAV before trust fee.
- b) Expenses - The Trustee may charge the Fund for special expenses incurred by it in the management of the Fund, including but not limited to custody fees, external audit fees, and other similar expenses as allowed by the BSP, if the same expenses (a) be necessary to preserve or enhance the value of the Fund, (b) be payable to pertinent third party or parties covered by separate contract/s, and (c) disclosed to the Participants.

Article XI: SUSPENSION OF NAV CALCULATION

- Sec. 1 The Trustee may temporarily suspend calculation of the NAV due to fortuitous events or other events which affect the financial market resulting in the suspension of trading and consequently, the absence of available market prices of securities/instruments.
- Sec. 2 A suspension shall take effect immediately upon the declaration in writing to such effect by the Trustee and shall terminate on the day following the first Banking Day on which the condition giving rise to the suspension shall have ceased to exist and no other condition under which suspension is authorized under the Plan shall exist.
- Sec. 3 Payment for any Units of the Fund realized before the commencement of any suspension but for which payment has not been made before the commencement thereof may, if the Trustee so agree, be deferred until immediately after the end of the suspension.

Article XII: TAXATION

- Sec. 1 Taxation or tax exemption on income or other yield earned from the Fund shall be based on prevailing tax laws and regulations.
- Sec. 2 Taxes, including assessments for deficiencies, penalties, surcharges, claims or cost for defense or counsel in appropriate proceedings shall be for the account of the Fund only if not arising from the negligence of the Trustee. In case of any deficiency in the amount withheld, the Trustee may collect from the Trustor/Participant only the principal amount of the deficiency; provided that the Trustee shall not be precluded from collecting the entire amount of taxes and other charges from the Trustor/Participant if the deficiency arises from a new rule or interpretation of applicable law by the Bureau of Internal Revenue (BIR). The Trustee shall be released from any liability resulting from its interpretation of tax laws/rulings as may be applicable on this investment transaction.

Article XIII: TRUSTEES POWERS & LIMITATIONS

- Sec. 1 Management of the Fund - The Trustee shall have the exclusive and full discretionary management, administration, operation and control of the Fund, and shall be vested with full and exclusive power and authority to hold, manage, administer, sell, convert, assign, invest, reinvest, exchange, transfer, dispose or otherwise deal with the cash comprising the Fund, as well as with the assets of the Fund and additions thereto, and shall exercise every power with respect to each item in the property of the Fund to the same extent and effect as might legally be done by owners of like property. The Trustee shall have such additional powers and authority conferred by law or administrative regulation and such as may be necessary for the purpose of this Plan.

However, if the Trustee deems it proper and beneficial for the Fund, the Trustee may engage the services of third party/ies as investment advisor or manager of a portion of the Fund; provided that the said arrangement shall be covered by a written agreement/contract and such third party/ies is/are disclosed to the participants of the Fund in the quarterly report.

Sec. 2 Powers of Trustee – The Trustee shall have the following powers:

- a) To hold legal title over the assets comprising the Fund for the benefit of the Participants;
- b) To have exclusive management and control of the Fund, full discretion in respect of the Fund's investments, and the sole right, at any time to sell, convert, reinvest, exchange, transfer or otherwise change or dispose of the assets comprising the Fund;
- c) To hold, place, invest and reinvest the Fund with full discretionary powers, and without distinction, as to principal and income in investments stipulated in Article III, Section 3 hereto and in such investments it may deem sound and appropriate, subject only to the limitations of the investment objectives and policies of the Fund stated in Article III, Section 3 hereto;
- d) To deposit in any bank or financial institution, including its own bank, any portion of the Fund, subject to the requirement of Subsection UX410.8/ U4410Q.8 of the Manual of Regulations for Banks and the Manual of Regulations for Non-Bank Financial Institutions;
- e) To register or cause to be registered any securities of the Fund in nominee or bearer form;
- f) To hire and compensate legal counsel/s, certified public accountant and other specialist/s in connection with administration and management of the Fund and the protection or advancement of its legal and other interests;
- g) To make, execute, acknowledge and deliver any or all securities, agreements, contracts, deeds, documents and instruments necessary in the management and reinvestment of the Fund, or in connection with the exercise of the powers herein conferred or the performance of acts herein authorized;
- h) To collect, receive and receipt for income, dividends, interest, profits, increments and such other sums accruing or due to the Fund; and
- i) To pay out of the Fund all costs, expenses, and proper charges incurred in connection with the administration, preservation, maintenance and protection of the Fund.

The foregoing provisions on the powers and authority of the Trustee shall also apply to the income of the Fund or any additions thereto.

Sec. 3 The Trustee shall be subject to the following limitations:

- a) The Trustee shall not have any interest in such Fund other than in its capacity as Trustee thereof. However, the Trustee may invest in the Fund its other trust funds or investment management funds that it simultaneously administers provided that it is allowed under a policy approved by the Trust Committee.
- b) The Trustee shall maintain at all times the BSP prescribed percentage of the mark to market value of the Fund in liquid or readily marketable investments to cover any redemption.
- c) The Trustee shall adopt adequate transparency and maintain an audit trail for all investment transactions, particularly for transactions made with related parties of the Trustee. In this instance, the Trustee shall observe the principle of best execution. This procedure shall be verified by the Trust Operations Department of the Trust Division.
- d) To effect a purchase or sale of a transaction involving investments in the Fund, the

Trustee shall deal only with accredited counterparties in accordance with the policy duly approved by the Trust Committee.

Article XIV: RIGHTS OF PARTICIPANTS

- Sec. 1 Right to Inspect Declaration - A copy of this Declaration of Trust shall be available at the principal office of the Trustee for inspection by any person having an interest in the Fund or by his authorized representative. Upon request, a copy of the Declaration of Trust shall be furnished such interested person.
- Sec.2 Rights Upon Termination of Plan – In case of termination of the Plan, the Participants shall have (a) the right to be notified of such termination in accordance with Section 2 of Article XX hereof and, (b) upon demand, the right to inspect or be provided a copy of the financial statement used as the basis for the distribution of the Fund.
In respect of the Fund, the rights of the remaining Participants as against each other shall be *pari passu* and *pro-rata*.

Article XV: DISCLOSURE OF INVESTMENT OUTLETS AND ADMINISTRATION AND INVESTMENT OF THE FUND

- Sec. 1 The Fund may invest in the following financial instruments:
- a) Bank Deposits
 - a) Securities issued by or guaranteed by the Philippine government, or the BSP;
 - b) Exchange-listed debt securities;
 - c) Marketable debt instruments/loans that are traded in an organized exchange;
 - d) Loans arising from repo agreements which are transacted through an exchange recognized by the SEC, subject to the condition that the repo contracts may be pre-terminated lawfully by the trust institution (TI) administering the UITF and acting as lender, with due notice to its counterparty and the market operator; and
 - e) Such other tradable investment outlets/categories as Monetary Board may allow.
- Sec. 2 The Trust Committee may limit the type of investments that the Trustee may make with the Fund.
- Sec. 3 A list of prospective and outstanding investment outlets shall be made available by the Trustee for the review of all Participants. Such disclosure shall be substantially in the form provided under Annex "E". The list shall be updated quarterly.
- Sec. 4 Investment of the Fund in securities shall be held for safekeeping by a BSP accredited third party custodian. The third party custodian shall perform independent marking - to-market of such securities on a monthly/quarterly basis.
- Sec. 5 The maximum combined exposure of the Fund to any entity and its related parties shall not exceed fifteen percent (15%) of the market value of the Fund or the limit as prescribed by the BSP. This limitation shall not apply to investment in non-risk assets as defined by the BSP.
- Sec. 6 In cases where the limit is breached due to the marking to market of certain investment(s) or any such extraordinary circumstances e.g. abnormal redemption which

are beyond the control of the Trustee, the Trustee shall correct the breach within thirty (30) days or as prescribed by the BSP.

Sec. 7 The Fund's weighted average duration shall not exceed one (1) year.

Article XVI: LIABILITY CLAUSE OF THE TRUSTEE

Sec. 1 The Trustee shall administer and manage the Fund with the skill, care, and prudence required of it by law and shall not be liable for any loss, damage or diminution of the Fund or in the value of the Participant's Unit arising from any act done by the Trustee pursuant to the terms hereof, except when it is occasioned by the Trustee's gross and willful negligence or evident bad faith.

Sec. 2 The Trustee, including its authorized representatives, officers, directors, employees, and staff, shall be held free and harmless from any liability for any of its actions and omissions made in good faith, or for which the Trustee believed to be authorized or falling within its discretion, rights, or power conferred under this Plan, the Trust Agreement, and the law.

Sec. 3 Neither shall the Trustee be liable for refraining from doing any act when such inaction, in the judgment of the Trustee, is necessary and appropriate for the proper and advantageous administration and management of the Fund.

Sec. 4 The Trustee does not and shall not guarantee a fixed rate of return or income to the Participants. Losses, if any, shall be for the account and risk of the participants.

Sec. 5 The Fund and Participations therein are not deposits and, therefore, are not governed or insured by the Philippine Deposit Insurance Corporation (PDIC). Losses, if any, shall be for the account of the Participants.

Article XVII: ANNUAL AUDIT AND SETTLEMENT OF ACCOUNTS

Sec. 1 Aside from the regular audit requirement applicable to all trust accounts of the Trustee, an external audit of the Fund shall be conducted annually after the close of each fiscal year by an independent auditor acceptable to BSP. The external audit shall be conducted by the same external auditor engaged for the audit of the Trustee. The result of this audit shall be the basis of the Trustee's annual report which shall be made available to all the Participants. A copy of the report, or a notice that the report is available and that a copy thereof will be furnished upon request, without charge, shall be sent to each Participant.

Sec. 2 When an account is closed or a participation is withdrawn, the Trustee shall furnish the Participant with a Confirmation of Redemption showing the amount paid to the Participant, in full settlement of the participation and the accountability of the Trustee as far as the interest of the participant of the Fund is concerned.

Article XVIII: ACCOUNTING AND REPORTORIAL REQUIREMENTS

Sec. 1 The Trustee shall keep separate books of account and accounting records for the Fund. Such books of accounts and accounting records shall be maintained and kept separate and segregate from the records and books of accounts of other businesses.

The Trustee shall record the total assets and accountabilities of the Fund as a single account referred to as "pooled fund accounting method".

Sec. 2 The chart of accounts and booking of transactions shall conform with the BSP's Revised Manual of Accounts for Trust Operation, generally accepted accounting principles of practice, and the Rules and Regulations of Trust, Other Fiduciary Business and investment Management Activities of Financial institutions.

Sec. 3 The Trustee shall periodically prepare a financial report of the Fund, which shall be made available for inspection by the Participants during business hours on any Banking Day.

Article XIX: RISK DISCLOSURE

Sec. 1 Participants in the Fund should be aware of the risks that may be associated in such investment through a Risk Disclosure Statement. Before investing into the Fund, the investor should read the complete details of the Fund in the Plan Rules, make his/her own risk assessment, and when necessary, he/she must seek independent/professional opinion. The investor should consider, among other things the following points:

- a) **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 changes in interest rates.

Interest rate changes affect fixed income securities inversely, i.e. as interest rates rise, bond prices fall and when interest rates decline, bond prices rise. As the prices of your investment in bonds adjust to a rise in interest rates, the value of your investment may decline.

- b) **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 an investment due to price movements.

It is the risk that an investment will lose value due to a decline in securities prices, which may sometimes happen rapidly or unpredictably. The value of some investments increases or decreases over a given time period because of general market conditions, economic changes or other events that impact large portions of the market such as political events, natural calamities, etc. As a result, the value of your investment may increase and make profit or decrease and incur loss.

- c) **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. These may be caused by different

reasons such as trading in securities with small or few outstanding issues, absence of buyers, limited buy/sell activity or underdeveloped capital market.

Liquidity risk occurs when certain investments may be difficult or impossible to sell at a particular time which may prevent the withdrawal of the investment until it can be converted to cash. Even government securities which are the most liquid of fixed income securities may be subjected to liquidity risk particularly if a sizeable volume is involved.

- d) **Credit Risk/Default Risk.** This is the possibility for an investor to experience losses due to a borrower's failure to pay principal and/or interest in a timely manner on instruments such as bonds, loans, or other forms of security which the borrower issued. This inability of the borrower to make good on its financial obligations may have resulted from adverse changes in its financial condition thus, lowering credit quality of the security, and consequently lowering the price (market/price risk) which contributes to the difficulty in selling such security. It also includes risk on a counterparty (a party the Trust Division trades with) defaulting on a contract to deliver its obligation either in cash or securities.

This is the risk that the investment may lose value in the event the borrower defaults on his obligation or in the case of a counterparty, when it fails to deliver on the agreed trade. This decline in the value of the investment happens because the default/failure would make the price of the security go down and may make the security difficult to sell.

- e) **Reinvestment Risks.** This is the risk associated with the possibility of having lower returns or earnings when investments mature or the interest earnings of investments are reinvested.

Investors who realize their gains run the risk of reinvesting their funds in an alternative investment outlet with lower yields. Similarly, the Trust Division is faced with the risk of not being able to find good or better alternative investment outlets as some of your investments mature.

- f) **Regulatory Risk:** The operation of the Fund is subject to various regulations governing areas such as accounting and taxation. There is a risk that regulators may change the current rules or impose new ones, leading to a negative impact on the Fund's investments and returns. For example, the imposition of higher taxes would lower the Fund's returns.

In addition, participation in the Fund may also be further exposed to any actual or potential conflicts of interest in the handling of in-house or related party transactions by the Trustee. These transactions may include own-bank deposits; purchase of own institution or affiliate obligations (e.g. stocks, mortgages); purchase of assets from or sales to own-institution, directors, officers, subsidiaries, affiliates or other related interests/parties; or purchases of sales between fiduciary/managed accounts.

Article XX: AMENDMENTS & TERMINATION

Sec. 1 Amendments - This Plan may be amended from time to time by resolution of the Board of Directors of the Trustee: Provided, however, that participants in the Fund shall be immediately notified of such amendments and those who are not in conformity with the amendments made shall be allowed to withdraw their participations within (30) calendar days after the amendments are approved or such longer period as may be fixed by the Trustee: Provided further, That amendments to the Plan shall be submitted to the Bangko Sentral Ng Pilipinas within ten (10) business days from approval of the amendments by the Board of Directors of the Trustee. The amendments shall be deemed approved after thirty (30) business days from date of completion of requirements.

A copy of this Plan shall be made available at the principal office of the trustee during regular office hours on any Banking Day for inspection by any Participant, his authorized representative, or person having interest in the Fund that will be created under this Plan. Upon written request, a copy of this Plan shall be furnished to such Participant or their authorized representative.

Sec. 2 Termination - This Plan may be terminated by a resolution of the Board of Directors of the Trustee when, in the sole judgment of the Trustee, continued operation thereof is no longer viable or by reason of a change in the Trustee's business strategy. The resolution shall specify the effective date of such termination. A copy of the resolution shall be submitted to the appropriate department of the Bangko Sentral Ng Pilipinas. At the discretion of the Trustee's Board of Directors, it may engage the services of a reputable accounting firm to look into the books and record of the Fund maintained by the Trustee and to certify to the financial condition of the Fund. Upon approval of the termination of the Plan, the Trustee shall notify the Trustors accordingly.

Following the approval of the termination of the Plan but at least thirty (30) business days prior to the actual termination of the Fund, the Trustee shall provide notice of the termination of the Fund to the remaining participants. Such notice may be made by the Trustee by way of direct written notice to each participant or through the posting of notices in the premises of the Head office and branches of the Trustee. Upon termination; the Trustee shall prepare a financial statement of the Fund which shall be made the basis for distribution to the participating Trustors.

Even after the termination of this Plan, the Trustee shall continue to exercise its powers and rights until all the assets of the Fund have been liquidated and distributed to all Participants.

Article XXI: TRUST AGREEMENT AND CONFIRMATION OF PARTICIPATION

Sec. 1 The provisions of the Trust Agreement and Confirmation of Participation shall be in accordance with this Plan and shall include other provisions as may be required by the BSP rules and regulations or as may be deemed necessary under the circumstances, provided, that, any such additional provisions are not inconsistent with this Plan. The provisions of this Plan shall prevail over those of the Trust Agreement or the

Confirmation of Participation, in the event that there is an inconsistency between their provisions.

Sec. 2 The Confirmation of Participation, to be effective, need not be manually signed by Trustee or its authorized representative. It may be in the form of an electronic document which shall be governed by R.A. No. 8792, otherwise known as the Electronic Commerce Act, and its implementing rules and regulations.

Article XXII: APPROVAL OF THE PLAN

Sec. 1 This Plan was approved by the Trust Committee on _____ and by the Board of Directors on _____.

IN WITNESS WHEREOF, Philippine Savings Bank (Trust Division) has caused this Declaration of Trust to be signed by its authorized officer on the _____ day of _____ in Makati City, Philippines.

Philippine Savings Bank (Trust Division)
Trustee
By:


RUEL R. JAVIER
Trust Division Head

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the Fund. The Trustee has sole discretion to accept participations and expressly reserves its right to reject or refuse any participation, contribution, or investment in the Fund by any person or entity for any reason whatsoever.

Subsequent contributions of a Trustor/Participant in a Fund is subject to the Fund's Minimum Additional Participation Amount and shall result to the Trustor's/Participant's additional proportionate interest in the Fund.

- 7 **Subscription and Redemption Cut-off Times for the Fund** – Subscriptions and Redemptions must be received by the Operations Department of the Trustee by 1:30pm of each banking day. Subscriptions and Redemptions received on or before the cut-off time shall receive the NAVPU computed starting 4:30pm of the same banking day. However, subscriptions and redemptions after the cut-off shall be considered as transactions for the next applicable banking day.
- 8 **Redemption of Units of Participation in the Fund** – Redemption from the Fund shall be done through a notice to the Trustee within the redemption settlement period. Redemption of units of participation in the Fund will be based on the applicable NAVPU. Proceeds from redemption of units shall be remitted to the Trustor/Participant on the first banking day from trade date.

Redemptions from a Fund shall result in the reduction of the Trustor's/Participant's proportionate interest in the Fund. Such reductions shall be expressed in units of participation based on the NAVPU.
- 9 **Units of the Fund** - The total number of outstanding units of a Fund is expanded whenever a Trustor/Participant makes a new or additional purchase of units of participation in the Fund.

The Net Asset Value Per Unit (NAVPU) of a Fund shall be the total net asset value of the Fund divided by the total number of outstanding units of the Fund. In no case will a participation be admitted or redeemed from the Fund except on the basis of the foregoing valuation.
- 10 **Distribution of Income** - The Trustor/Participant shall be entitled to a pro-rata distribution of income, profits and losses with respect to its participation in the Fund upon the redemption of, and corresponding to, its units of participation.
- 11 **Valuation of the Fund** – The NAV shall be the summation of the market value of each investment of the Fund, less taxes, fees, and other qualified expenses as defined herein. The determination of the market value of the investments of the Fund shall be in accordance with existing BSP rules and regulations on marking to market valuation of investment instruments.
- 12 **Suspension of NAV calculation** – The Trustee may temporarily suspend calculation of the NAV of the Fund as well as subscriptions and redemptions in the following instances: (1) due to closure of exchanges or regulated markets for periods other than holidays; (2) when factors due to political, economic, military or monetary climate which are outside the control, liability and operational scope of the Trustee shall prevent the same from transacting assets and determining the net asset value thereof in a reasonable manner; and (3) for any period pursuant to an order or direction by the BSP.
- 13 **Amendments** – The Plan Rules of a Fund may be amended from time to time by the Trustee and the amendments shall be submitted to the BSP within the period prescribed by the applicable rules and regulations of the BSP. Trustor/Participants in the Fund shall be immediately notified and shall be allowed to withdraw their participations if they are not in conformity with the amendments made.

Upon investing in the Fund, the Trustor/Participant has read and understood the Fund's Plan Rules. A copy of the Fund's Plan Rules may be requested by the Trustor/Participant at the principal office of the Trustee during regular office hours on any Banking Day.
- 14 **Tax Considerations** – The income of the Fund has already been subjected to a final withholding tax, either withheld at source or by the Trustee as Fund Manager and withholding agent. Trustor should consult his/her own independent tax advisers. In case of any deficiency in the amount withheld, the Trustee may collect from the Trustor/Participant only the principal amount of the deficiency; provided that the Trustee shall not be precluded from collecting the entire amount of taxes and other charges from the Trustor/Participant if the deficiency arises from a new rule or interpretation of applicable law by the Bureau of Internal Revenue (BIR). The Trustee shall be released from any liability resulting from its interpretation of tax laws/rulings as may be applicable on this investment transaction.
- 15 **Trust Fee, Other Expenses and Taxes** – In consideration of the Trustee's services, trust fees shall be collected from the fund in the amount indicated in the Fund Features which shall be accrued daily and shall be payable monthly in arrears.

The Trustee may charge the Fund for special expenses incurred by it in the management of the Fund, custody fees, external audit fees, and other similar expenses as allowed by the BSP, if the same expenses are necessary to preserve or enhance the value of the Fund. Such special expenses shall be payable to the pertinent third party/ies, covered by a separate contract/s, and disclosed to Participants.
- 16 **Audit** - There shall be conducted an annual external audit of the Fund by an independent auditor acceptable to the BSP. The Trustee shall periodically prepare a financial report of the Fund, which shall be made available for inspection by the Participants during business hours on any Banking Day.
- 17 **Termination** – The Fund(s) may be terminated or discontinued upon resolution of the Trustee's Trust Committee. The Participants and the BSP shall be duly notified of such termination and its effectivity.
- 18 **Risk Disclosure** – Before investing in the Fund, the investor should read the complete details of the Fund in the Plan Rules, make his/her own risk assessment, and when necessary, he/she must seek independent/professional opinion. The investor should consider, among other things the following points:

The Unit Investment Trust Fund is a trust product, not a bank deposit or an obligation of, or guaranteed, nor insured by Philippine Savings Bank or its affiliates or subsidiaries and therefore not insured or governed by the Philippine Deposit Insurance Corporation (PDIC). Due to the nature of the investment, yields and potential yields cannot be guaranteed. Any income/loss arising from market fluctuations and price volatility of the securities held by the Fund, even if invested in government securities, is for the account of the Trustor/Participant. As such, the units of participation of the Trustor/Participant in the Fund, when redeemed, may be worth more or be worth less than his/her/its original contribution amount. Past performance of the Fund, when presented, is purely for reference purposes and is not a guarantee of similar future results. The Trustee is not liable for losses unless upon willful default, bad faith or gross negligence.

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- **Interest Rate Risk:** This is the potential 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 debt instrument changes inversely with prevailing interest rates.

Interest rate changes affect fixed income securities inversely, i.e. as interest rates rise, bond prices fall and when interest rates decline, bond prices rise. As the prices of your investment in bonds adjust to a rise in interest rates, the value of your investment may decline.

- **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 an investment due to price movements.

It is the risk that an investment will lose due to a decline in securities prices, which may sometimes happen rapidly or unpredictably. The value of some investments increases or decreases over a given time period because of general market conditions, economic changes or other events that impact large portions of the market such as political events, natural calamities, etc. As a result, the Net Asset Value per Unit (NAVPU) may increase and make profit or decrease and incur loss.

- **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. These may be caused by different reasons such as trading in securities with small or few outstanding issues, absence of buyers, limited buy/sell activity or underdeveloped capital market.

Liquidity risk occurs when certain investments may be difficult or impossible to sell at a particular time which may prevent the withdrawal of investment until it can be converted to cash. Even government securities which are the most liquid of fixed income securities may be subjected to liquidity risk particularly if a sizeable volume is involved.

- **Credit Risk/Default Risk:** This is the possibility for an investor to experience losses due to a borrower's failure to pay principal and/or interest in a timely manner on instruments such as bonds, loans, or other forms of security which borrower issued. This inability of the borrower to make good on its financial obligations may have resulted from adverse changes in its financial condition, thus, lowering credit quality of the security, and consequently lowering the price (market/price risk) which contributes to the difficulty in selling such security. It also includes risk on a counterparty (a party the Trust Division trades with), defaulting on a contract to deliver its obligation either in cash or securities.

This is the risk that the investment may lose value in the event the borrower defaults on his obligation or in the case of a counterparty, when it fails to deliver on the agreed date. This decline in the value of the investment happens because the default/failure would make the price of the security go down and may make the security difficult to sell.

- **Reinvestment Risk:** This is risk associated with the possibility of having lower returns or earnings when investments mature or the interest earnings of investments are reinvested.

Investors who realize their gains run the risk of reinvesting their funds in an alternative investment outlet with lower yields. Similarly, the Trust Division is faced with the risk of not being able to find good or better alternative investment outlets as some of the investments mature.

- **Regulatory Risk:** The operation of the Fund is subject to various regulations governing areas such as accounting and taxation. There is a risk that regulators may change the current rules or impose new ones, leading to a negative impact on the Fund's investments and returns. For example, the imposition of higher taxes would lower the Fund's returns.

- **Other Risks:** Your participation in the Fund may be further exposed to the risk of any actual or potential conflicts of interest in the handling of in-house or related party transactions by Philippine Savings Bank. These transactions may include own-bank deposits, purchase of own-institution or affiliate obligations (stock, mortgages); purchase of assets from or sales to own institution, directors, officers, subsidiaries, affiliates or other related interests/parties; or purchases or sales between fiduciary/managed accounts.

The Unit Investment Trust Fund is a trust product, not a bank deposit or an obligation of, or guaranteed, nor insured by Philippine Savings Bank or its affiliates or subsidiaries and therefore not insured or governed by the Philippine Deposit Insurance Corporation (PDIC). Due to the nature of the investment, yields and potential yields cannot be guaranteed. Any income/loss arising from market fluctuations and price volatility of the securities held by the Fund, even if invested in government securities, is for the account of the Trustor/Participant. As such, the units of participation of the Trustor/Participant in the Fund, when redeemed, may be worth more or be worth less than his/her/its original contribution amount. Past performance of the Fund, when presented, is purely for reference purposes and is not a guarantee of similar future results. The Trustee is not liable for losses unless upon willful default, bad faith or gross negligence.