

The Chinabank Philippine Equity Index Tracker Fund (hereinafter, the “Fund”) is a Unit Investment Trust Fund established under the authority of the Bangko Sentral ng Pilipinas (“BSP”). The following is a summary of the Fund’s Declaration of Trust (hereinafter, “DOT”) and the terms and conditions governing the investment in the Fund:

|                                            |                                                                                                                                                                                                            |
|--------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>1. Trustee</b>                          | : China Banking Corporation – Trust and Asset Management Group                                                                                                                                             |
| <b>2. Fund Classification</b>              | : Equity Fund                                                                                                                                                                                              |
| <b>3. Fund Structure</b>                   | : Regular UITF                                                                                                                                                                                             |
| <b>4. Risk Profile of Target Investors</b> | : Aggressive                                                                                                                                                                                               |
| <b>5. Recommended Investment Horizon</b>   | : At least five (5) years                                                                                                                                                                                  |
| <b>6. Fund Features</b>                    |                                                                                                                                                                                                            |
| Title of the Fund                          | : Chinabank Philippine Equity Index Tracker Fund                                                                                                                                                           |
| Investment Objective                       | : To achieve for its participants capital appreciation by investing in a diversified portfolio of equities representative of the Philippine Stock Exchange Index composition and its corresponding weights |
| Return Objective/Benchmark                 | : To track the performance of its benchmark which is the Philippine Stock Exchange Index PSEi Total Return Index (PSEi TRI)                                                                                |
| Target Asset Allocation                    | : Up to 100% in equities                                                                                                                                                                                   |
| Minimum Initial Subscription               | : Php 5,000.00                                                                                                                                                                                             |
| Minimum Maintaining Amount                 | : Php 5,000.00                                                                                                                                                                                             |
| Minimum Additional Subscription            | : Php 1,000.00                                                                                                                                                                                             |
| Subscription/Redemption Cut-Off Time       | : For subscriptions/redemptions through the Head Office, Branches, Chinabank digital platforms or “My CBC”: 12 noon of any banking day                                                                     |
| Currency                                   | : Philippine Pesos                                                                                                                                                                                         |
| Minimum Holding Period                     | : Fifteen (15) calendar days                                                                                                                                                                               |
| Minimum Redemption Amount                  | : None. Partial redemptions shall be allowed provided that the amount redeemed will not result to a balance below the minimum maintaining amount.                                                          |
| Redemption Settlement Date                 | : Three (3) banking days following the date of the notice of redemption (T+3)                                                                                                                              |
| Early Redemption Fee                       | : 1.00% of the proceeds                                                                                                                                                                                    |
| Trust Fee                                  | : 1.00% p.a.                                                                                                                                                                                               |
| Custodian                                  | : Philippine Depository & Trust Corp.                                                                                                                                                                      |
| External Auditor                           | : SGV & Co.                                                                                                                                                                                                |
| Valuation Methodology                      | : Daily marking-to-market                                                                                                                                                                                  |
| Initial NAVPu                              | : Php 1.00                                                                                                                                                                                                 |
| Launch Date                                | : March 1, 2021                                                                                                                                                                                            |

## 7. Investment Policies

The Fund may be invested and reinvested in:

- (a) Equities listed in the PSE;
- (b) Deposits and tradable money market instruments issued by local banks, including those of the Trustee’s own bank, and foreign banks or their Philippine branches or any financial institution in any foreign country; and
- (c) Such other tradable investment outlets/categories as the BSP may allow.

**Exposure Limits.** The exposure of the Fund shall be the actual benchmark weighting of the index component issuer, which may exceed twenty percent (20%). This limitation shall not apply to non-risk assets as defined by the BSP under Section 344 of the Manual of Regulations for Banks (MORB).

The Trustee shall be cognizant of the aggregate investments of the fund in any entity and its related parties, and shall have adequate tools and controls in place to effectively manage the overall risk exposure.

Should the limits prescribed above be breached for any reason, the Trustee must notify the appropriate supervising department of the Bangko Sentral (i.e. Capital Markets and Trust Supervision Department) of such non-compliance on the banking day immediately following the occurrence of the breach. The notice shall be signed by the trust officer, or an officer of equivalent rank, and shall contain the following minimum information: (a) the date the breach occurred; (b) the reason/s for or factor/s leading to the breach; and (c) the action/s the trustee has taken and/or will take to achieve full compliance with the exposure limit. Breaches arising solely from mark-to-market movements of investments or any extraordinary circumstances (e.g. abnormal redemptions which are beyond the control of the Trustee) shall be corrected within thirty (30) days from the time the limit is breached. All other breaches shall be acted upon immediately. Once full compliance is achieved, the Trustee shall submit a notice to the Bangko Sentral stating that the breach has been corrected.

**Target Asset Allocation** – The Fund shall be invested up to 100% in equities.

## 8. Admission to and Redemption from the Fund

### • Qualified Participants

A prospective participant shall undergo a Client Suitability Assessment (CSA), to be conducted by the Trustee’s Certified UITF Sales Personnel (CUSP), for the purpose of profiling the risk-return orientation and suitability of the client to invest in the Fund. Participation in the Fund shall be open to any person, partnership, association or corporate entity who/which has the legal capacity to contract, including funds owned by the Trustee’s clients which are held under trust or investment management arrangement.

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

# EXPLANATORY MEMORANDUM

## CHINABANK PHILIPPINE EQUITY INDEX TRACKER FUND

any person or entity for any reason that it may deem appropriate for the proper and advantageous administration and management of the Fund.

- **Participation Units**

Participation in the Fund shall always be through participation in units of the Fund and each unit shall have uniform rights and privileges as any other unit. The beneficial interest of each participation unit shall be determined under the net asset value per unit (NAVPu) valuation methodology. Subscription to or redemption of participation units in the Fund may be made only on the basis of the prevailing NAVPu at the end of each Valuation Day.

- **Subscription and Redemption Requirements and Conditions**

- a. *Evidence of Subscription*

Participation in the Fund shall be evidenced by the Omnibus Participating Trust Agreement (OPTA). The proportionate interest of the participant in the Fund shall be acknowledged through a system-generated advice/Confirmation of Participation (COP) in the form issued by the Trustee (i.e. Subscription Advice). The OPTA and/or the system-generated advice/COP shall be made available to the participant, either in printed or electronic form, the next banking day after the Trustee's receipt of the amount to be invested in the Fund.

- b. *Systematic Investment Plan*

The Fund shall also be available through the Trustee's Systematic Investment Plan (SIP). The SIP provides existing participants of the Fund the opportunity to make additional subscriptions regularly by purchasing units on a scheduled basis. The features, terms and conditions of the SIP are found in the SIP Enrollment/Amendment Form which is available in the Head Office, branches and website of the Trustee.

- c. *Confirmation of Redemption*

A system-generated advice/Confirmation of Redemption in the form issued by the Trustee (i.e. Redemption Advice) shall be made available to the participant, either in printed or electronic form, as evidence of the redemption transaction.

### 9. Valuation of the Fund and Participation Units

- **Valuation of the Fund**

The Trustee shall determine the Net Asset Value (NAV) of the Fund on each Valuation Day. The NAV shall be the summation of the market value of each investment of the Fund less fees, taxes and other qualified expenses.

- **Valuation of Participation Units**

- a. The NAVPu shall be determined by dividing the NAV of the Fund by the total number of units outstanding as of valuation date.

- b. The NAVPu shall be computed at the end of each Valuation Day after all transactions relating to the Fund have been processed and all relevant information necessary for calculating the same have been collected. The NAVPu shall be made available to investors the next banking day.

- c. The Trustee shall cause the publication of the NAVPu at least weekly in one (1) or more newspaper of national circulation or through the Trust Officers Association of the Philippines (TOAP)-administered website, [www.uitf.com.ph](http://www.uitf.com.ph).

- d. The Trustee shall also make available the historical NAVPu of the Fund in the Trustee's website.

- **Fees and Expenses of the Fund**

- a. *Trustee's Fees*

The Trustee shall collect from the Fund trust fees in the amount equivalent to one percent (1.00%) per annum based on NAV of the Fund, which shall be accrued daily and collected monthly in arrears. Said fee shall cover the Fund's fair and equitable share of the routine administrative expenses of the Trustee such as salaries and wages, stationery and supplies, credit investigation, collateral appraisal, security, messengerial and janitorial services, EDP expenses, BSP supervision fees and internal audit fees. Sale, distribution, marketing and/or other promotional related expenses shall be for the account of the Trustee and presumed to be covered by the trust fee.

- b. *Special Expenses*

The Trustee may charge the Fund for special expenses if the same are necessary to preserve or enhance the value of the Fund. Such special expenses shall be payable to pertinent third party or parties covered by separate contract/s, and disclosed to the participants. In case when outsourcing services will have to be obtained, the Trustee shall secure prior BSP approval.

### 10. Rights of Participants

- **Availability of the DOT**

A copy of the Fund's DOT shall be available at the principal office and on the website of the Trustee for inspection by existing or prospective investors or their authorized representative, which may also be furnished to the said parties upon request.

- **Disclosure of Investments**

A list of outstanding and prospective investments of the Fund shall be prepared at least monthly and made publicly available not later than forty-five (45) calendar days from the reference period. Such document shall be substantially in the form of the Key Information and Investment Disclosure Statement (KIIDS). The participants in the Fund may also be furnished with the said document upon request.

- **Disclosure of Risks**

The participants shall be informed of the risks attendant to this type of Fund through a Risk Disclosure Statement.

- **Cooling-off Period**

A participant who is an individual or an entity classified as a micro or small enterprise shall be entitled to a period of two (2) banking days from the date of signing of the OPTA within which to terminate the same and consequently redeem his/her/its UITF investments, subject, however, to the payment of the early redemption fee. The early redemption fee shall be charged by the Trustee and withheld from any refund due to the participant. The participant understands that such redemption may result in a gain or loss depending on the prevailing NAVPu, which shall be for the exclusive account of the participant.

### 11. Audit of the Fund

An external audit of the financial statements of the Fund shall be conducted annually by the external auditor engaged for the financial audit of the Trustee. The audited financial statements for the Fund shall be made available at the Trustee's place of business, posted on the Trustee's website, and upon request of the participants, transmitted to them in printed or electronic format.

### 12. Amendment and Termination of the Fund

- **Amendment**

The Fund's DOT may be amended by a resolution of the Board of Directors of the Trustee and the submission of a written notification to BSP, as applicable, within the prescribed period. The participants in the Fund shall be notified in writing (either in electronic or printed form), through the posting of notices in the premises of the Head Office and branches of the Trustee, or

**EXPLANATORY MEMORANDUM**  
**CHINABANK PHILIPPINE EQUITY INDEX TRACKER FUND**

through the publication of announcement in the Trustee’s website, and shall be given at least thirty (30) calendar days prior to the implementation to withdraw their participations if they are not in conformity with the amendments.

• **Termination**

The Fund may be terminated by a resolution of the Board of Directors of the Trustee when continued operation thereof is no longer viable or by reason of a change in the Trustee’s business strategy. The participants in the Fund shall be notified in writing (either in electronic or printed form), through the posting of notices in the premises of the Head Office and branches of the Trustee or through the publication of announcement in the Trustee’s website at least thirty (30) banking days prior to the actual termination of the Fund. Upon termination, the Trustee shall prepare a financial statement of the Fund which shall be the basis for distribution to the participants. Within a reasonable time after the termination of the Fund, the Trustee shall distribute to the participants each participant’s proportionate interest in the net assets of the Fund after deducting all accrued taxes, expenses, and trust fee chargeable against the Fund.

China Banking Corporation (Chinabank) may receive customer complaints, inquiries or any concern about its products and services through Customer Contact Center 24/7 Hotline: (+632) 8885-5888 or email: [customercare@chinabank.ph](mailto:customercare@chinabank.ph). Chinabank is regulated by the BSP with contact number (+632) 8708-7087 and email address: [consumeraffairs@bsp.gov.ph](mailto:consumeraffairs@bsp.gov.ph).

| DISCLOSURES                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <div>1. THE UITF IS A TRUST PRODUCT AND NOT A DEPOSIT ACCOUNT, AND IS NOT INSURED NOR GOVERNED BY THE PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC).</div> <div>2. THE UITF IS NOT AN OBLIGATION OF, NOR GUARANTEED, NOR INSURED BY THE TRUST ENTITY OR ITS AFFILIATES OR SUBSIDIARIES.</div> <div>3. DUE TO THE NATURE OF THE INVESTMENTS OF A UITF, THE RETURNS/YIELDS CANNOT BE GUARANTEED. HISTORICAL PERFORMANCE, WHEN PRESENTED, IS PURELY FOR REFERENCE PURPOSES AND IS NOT A GUARANTEE OF SIMILAR FUTURE PERFORMANCE.</div> <div>4. ANY LOSSES AND INCOME ARISING FROM MARKET FLUCTUATIONS AND PRICE VOLATILITY OF THE SECURITIES HELD BY THE UITF, EVEN IF INVESTED IN GOVERNMENT SECURITIES, ARE FOR THE ACCOUNT OF THE CLIENT. AS SUCH, THE UNITS OF PARTICIPATION OF THE CLIENT IN THE UITF, WHEN REDEEMED, MAY BE WORTH MORE OR WORTH LESS THAN HIS/HER INITIAL INVESTMENT/CONTRIBUTION.</div> <div>5. THE TRUSTEE IS NOT LIABLE FOR LOSSES UNLESS UPON WILLFUL DEFAULT, BAD FAITH OR GROSS NEGLIGENCE.</div> <div>6. THE INVESTOR MUST READ THE COMPLETE DETAILS OF THE FUND IN THE UITF’S PLAN, MAKE HIS/HER OWN RISK ASSESSMENT, AND WHEN NECESSARY, SEEK AN INDEPENDENT/PROFESSIONAL OPINION BEFORE MAKING AN INVESTMENT.</div> |