

EXPLANATORY MEMO

BPI GLOBAL BOND FUND-OF-FUNDS

The **BPI GLOBAL BOND FUND-OF-FUNDS** is a Unit Investment Trust Fund, operating as a fund-of-funds established under the authority of the Bangko Sentral ng Pilipinas ("BSP"). The following is a summary of the Fund's Plan Rules and Regulations ("Plan Rules") and the terms and conditions governing the investments in the Fund:

1 Trustee

BPI Asset Management and Trust Corporation (BPI AMTC)

2 Fund Features

Name of the Fund:	BPI Global Bond Fund-of-Funds
Fund Classification:	Bond Fund-of-Funds
Base Currency:	US Dollars
Launch Date:	November 2, 1998*
Minimum Investment Amount:	USD 500
Minimum Transaction Amount:	USD 200
Trust Fee:	0.75% p.a.
Dealing:	Daily up to 2:00PM
Custodian Bank:	HSBC
External Auditor:	Isla Lipana & Co

*Previously named as the "BPI International Fund Plus." It was approved for conversion to a fund-of-funds structure by the BSP last December 27, 2013.

3 Investment policy

3.1. Investment Objective

The Fund, operating as a Fund-of-Funds, intends to achieve for its Participants capital appreciation and income derived from a diversified portfolio of foreign currency-denominated fixed income collective investment schemes. The Fund aims to provide returns over the JP Morgan Global Aggregate Bond Index.

3.2. Allowable Investments

BPI Global Bond Fund-of-Funds may invest in the following:

- Primarily in more than one collective investment schemes, that are approved or registered and supervised by regulatory authorities that is a member of the International Organization of Securities Commissions (IOSCO) and managed by reputable fund manager/s the investment objectives and policies of which are generally consistent with those of the Fund; provided further that such combined investment in collective investment schemes should not fall below ninety percent (90%) of the net asset value of the Fund.
- Securities issued or guaranteed by the Philippine government or the BSP.
- Tradable securities issued by the government of a foreign country, any political subdivision of a foreign country or any supranational entity.
- Marketable fixed income instruments that are traded in an organized exchange.
- Loans and other fixed-income instruments issued by financial institutions or private corporations that are traded in an organized market; and such other tradable investment outlets/ categories as the BSP may allow. Provided, that a financial instrument is regarded as tradable if quoted two-way prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

- Tradable 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 or any such instrument as may be allowed under BSP regulations. Investment with related interests shall be in accordance with Subsection UX 410.12 (a) of the Manual of Regulations for Banks and Other Financial Institutions.
- The principal investments of the Fund will be in fixed income instruments denominated in, but are not limited to the following major currencies: U.S. Dollar, Euro, British Pound, Canadian Dollar, Australian Dollar, Swiss Franc, Danish Kroner and Japanese Yen.
- Bank deposits or tradable debt instruments issued by the BSP.
- Such other investments allowed under regulations issued by the BSP.

3.3. The Fund shall be primarily invested in more than one collective investment schemes, the investment objectives and policies of which are generally consistent with those of the Fund. The combined investment in such collective investment schemes should not fall below ninety percent (90%) of the net asset value of the Fund.

3.4. For all transactions with related parties or entities, the Trustee of the Fund shall be transparent at all times and maintain an audit trail. The Trustee shall observe the principle of best execution and no purchase/sale shall be made with related counterparties without considering at least two (2) competitive quotes from other sources.

3.5. The combined exposure of the UIT Fund to any entity and its related parties shall not exceed fifteen percent (15%) of the market value of the UIT Fund: provided, that, a UIT Fund invested, partially or substantially, in exchange traded securities shall be subject to the 15% exposure limit to a single entity/issuer: provided further, that, in the case of an exchange traded security which is included in an index and tracked by the UIT Fund, the exposure of the UIT Fund to a single entity shall be the actual benchmark weighting of the issuer or 15%, whichever is higher. This limitation shall not apply to non-risk assets as defined by the BSP.

In the case of Fund-of-Funds, the exposure limit shall be applied on the target fund's underlying investments. Furthermore, the investment in any one target fund shall not exceed ten percent (10%) of the total net asset value of the target fund.

3.6. A list of prospective and outstanding investment outlets which shall be updated quarterly. Such disclosure shall be substantially in the form as prescribed by the Bangko Sentral ng Pilipinas. Upon request, a copy of such list shall be furnished such interested Participant/s.

4 Disclosure on Profiling process

The objective of a Client Suitability Assessment (CSA) is to profile the risk-return orientation of the investor and the result is used as basis to recommend various classes of UITFs. The CSA shall be subject to review every three (3) years. Should there be any change in the investor/s' personal/financial circumstances or preferences prior to three years, he/she should immediately request the UITF Marketing person for a new profiling process and changes be made immediately to the investment in UITF, as applicable.

The BPI Global Bond Fund-of-Funds ("Fund") is a Unit Investment Trust Fund operating as a fund-of-funds, and is NOT a DEPOSIT product nor an obligation of, nor guaranteed, nor insured by BPI Asset Management and Trust Corporation and is not insured by the Philippine Deposit Insurance Corporation (PDIC). Due to the nature of the investments, yield and potential yields cannot be guaranteed. Any income or 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 investor. As such, units of participation of the trustor in the Fund, when redeemed, may be worth more or be worth less than his/her initial participation/contribution. Historical performance, when presented, is purely for reference purposes and is not a guarantee of future results. The Trustee is not liable for losses, unless upon willful default, evident bad faith or gross negligence. Trustors are advised to read the Declaration of Trust for the Fund, which may be obtained from the office of the Trustee, before deciding to invest.

5 Qualified Participants

Participation in the Fund shall be open to all persons with legal capacity to enter into contracts. Acceptance of Participants shall be subject to the rules or procedures established by the Trustee which it deems advantageous or to the best interest of the Fund. The Fund is suitable for investors with a moderately aggressive risk profile.

6 Subscription and Redemption of Units of Participation

Participation shall always be through participation units and each unit shall have uniform rights or privileges as any other unit. Admission or redemption of units of participation in the Fund, including fractions thereof, shall be based on the applicable NAVPU for the day. The NAVPU shall be based on the prevailing market value of underlying investments at any relevant time. Admission and/or notice of redemption received by the Trustee on or before the cut-off time shall be considered as transaction for the day. However, admission/notice of redemption received after the cut-off time shall be considered as transaction for the next applicable valuation day. Upon initial participation, the Participating Trust Agreement shall be made available to the Participant. A Confirmation of Participation or Transaction Advice shall be provided to the Participant for all transactions.

7 Settlement of Contributions and Redemption

Contributions received on or before the cut-off time are settled at the end of the next trading day following valuation day. Redemptions received on or before the cut-off time are settled on the 8th banking day from the trading day using the NAVPU of that trading day as the basis for redemption.

8 Suspension of Subscriptions and Redemptions

The Trustee may temporarily suspend calculation of the NAV/NAVPU of the Fund, as well as admission to and redemption from the Fund, if it is unable to determine the NAVPU of the Fund due to the suspension of trading of its target fund/s or any fortuitous event, such as fire, natural calamity, public disorder, or national emergency affecting the financial market resulting in the suspension of trading and consequently, the absence of available market prices of securities/instruments.

The suspension of any of the target funds will mean the unavailability of a real-time NAVPU that is reflective of actual market movements if previous day NAVPU of the target fund would be used.

9 Allocation and Distribution of Income

Participants shall be entitled to income, profits and losses with respect to its participation in the Fund on a pro rata and pari passu basis depending upon the number of units held by each Participant. The actual distribution or realization of income shall take place every time a redemption of units from the Fund is made, to the extent of the number of units redeemed.

10 Valuation

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.

11 Amendments

The Plan Rules of the Fund may be amended from time to time by the resolution of the BPI AMTC Board of Directors. Participants 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.

12 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. Target funds charge their own management fee and are already reflected in the target funds' prices.

The Trustee may charge special expenses if the same 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 separate contract/s, and disclosed to participants.

13 Annual External Audit

An external audit of the Fund shall be conducted annually after the close of each fiscal year by an independent auditor acceptable to BSP. A notice shall be sent to the Participants that the report is available, and upon request, a copy of such report shall be furnished such Participant/s, without charge.

14 Termination

The Fund may be terminated by resolution of the BPI AMTC Board of Directors. Following the approval of the termination of the Fund but at least 30 business days prior to the actual termination, the Trustee shall provide notice of the termination to the remaining participants.

15 Risk disclosure

Below are the primary risks that the Fund may be subject to. Some or all of these risks may adversely affect the Fund's NAVPU, return on investment, and/or its ability to meet its investment objectives:

15.1. Market Risk - the risk that movement in the financial markets will adversely affect the investments of the Fund. The markets will fluctuate based on many factors, such as the state of the economy, current events, corporate earnings, interest rate movements.

15.2. Interest Rate Risk – the risk that the value of the portfolio will decline as interest rates rise. Bond prices are inversely related to interest rates. As interest rates increase, bond prices decrease.

15.3. Liquidity Risk - the risk that the investments of the Fund cannot be sold or converted into cash within a reasonable time or in instances where sale or conversion is possible but not at a fair price.

15.4. Credit Risk – the risk that the bond issuer may not be able to pay its debt upon interest payments and maturity.

15.5. Inflation Risk - the risk the return of your investments will not keep pace with the increase in consumer prices.

15.6. Currency Risk – the risk that fluctuations in the exchange rate between the US Dollar and a foreign currency may decrease the value of the Fund's investment.

15.7. Country Risk - Investors are exposed to the risk of loss arising from negative developments in the political, economic and social conditions of the focus countries of the target fund which may adversely affect its value.

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Investors may be exposed to other risks at a lesser extent. Investors are encouraged to read the Risk Disclosure Statement in its entirety to be aware of the different risks that are inherent in this investment product.

16 Risk Management and Hedging Policy

For the general and collective interest of the Fund's Participants, the Trustee is authorized to adopt an external or internal risk management and hedging strategy and a more definitive policy guideline based on generally accepted risk management principles, and duly approved by the BPI AMTC Board of Directors.

The Fund may avail itself of instruments solely for the purpose of hedging risk exposures of the existing investments of the Fund, provided, that, these are accounted for in accordance with existing BSP guidelines, as well as the Trustee's risk management and hedging policies duly approved by the BPI AMTC Board of Directors, and disclosed to the Participants.

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