

**DECLARATION OF TRUST**

**METRO\$ CHINA EQUITY FEEDER FUND**  
A Unit Investment Trust Fund

KNOW ALL MEN BY THESE PRESENTS:

**Metropolitan Bank and Trust Company** a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, and authorized to perform trust and other fiduciary functions through its Trust Banking Group ("Metrobank - Trust Banking"), with principal office address at 16<sup>th</sup> Floor, Metrobank Center, 35<sup>th</sup> Street corner 7<sup>th</sup> Avenue, Bonifacio Global City, 1634 Taguig City, hereinafter referred to as the "**TRUSTEE**";

**WITNESSETH:**

Article I  
**CREATION OF THE TRUST**

That 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 herein-below set forth:

Article II  
**NATURE AND INVESTMENT OBJECTIVES**

- Sec. 1 Title of the Investor Fund – The pooled fund shall be known as **METRO\$ CHINA EQUITY FEEDER FUND** (herein referred to as the "Investor Fund").
- Sec. 2 Nature of the Investor Fund –The Investor Fund is a unit investment trust fund structured as a feeder fund and 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 Bangko Sentral Ng Pilipinas (the "BSP") and to existing laws.

Such underlying collective investment scheme is referred to as target fund and consistent with the provisions on investment objective and investment policy as specified in **Appendix I** hereto. An illustration of the Feeder Fund structure is found in **Appendix III** hereto.

The Fund shall have a base currency of US Dollar (USD).

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

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

Description of the Investor Fund - The features of **METROS CHINA EQUITY FEEDER FUND**, shall be described in **Appendix I** hereto.

- Sec. 3 Investment Objectives and Policy – The Investor Fund shall be invested and reinvested in such investment outlets and held and disposed of in accordance with such investment objectives and policies as specified in **Appendix I** hereto.

The Trustee shall make available to all Participants for review a list of prospective and outstanding investment outlets which shall be updated quarterly. Such disclosure shall be substantially in the form hereto attached as **Appendix II** hereto.

#### Article III

### **PARTICIPATION: ADMISSION & REDEMPTION**

- Sec. 1 Qualified Participants (Requirements and Restrictions) - Prior to acceptance of the initial participation in the Investor Fund, the Trustee shall perform a Client Suitability Assessment (CSA) for the purpose of profiling the risk return orientation of the client.

Participation in the Investor Fund shall be open to participants with legal capacity to contract subject to the rules or procedures stipulated in **Appendix I** hereto and those established by the Trustee to be advantageous or to the best interest of the Investor Fund.

- Sec. 2 Participation Units - Participation in the Investor Fund shall always be through participation in units of the Investor Fund and each unit shall have uniform rights or 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 defined herein. The admission or redemption of units of participation in the Investor Fund may be made only on the basis of such valuation and in such frequency as indicated in **Appendix I** hereto.

#### Article IV

### **MANNER OF OPERATION**

- Sec. 1 Pooled Fund Accounting - The total assets and accountabilities of the Investor Fund shall be accounted for as a single account referred to as pooled-fund accounting method.
- Sec. 2 Distribution - The Investor Fund shall be distributed exclusively in distribution channels duly authorized by the Trustee and offered by duly certified UITF marketing personnel.

#### Article V

### **VALUATION OF THE INVESTOR FUND AND PARTICIPATION UNITS**

- Sec. 1 Valuation of the Investor Fund – The valuation of the Investor Fund shall be subject to the following rules:

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- a. The Trustee shall, on a daily basis, determine the net asset value (herein referred to as the "NAV") of the Investor Fund and the value of each unit of participation (herein referred to as the "NAVpu")
- b. The NAV shall be the summation of the market value of each investment of the Investor Fund less fees, taxes, and other qualified expenses as defined herein. The determination of market value of the investments of the Investor Fund shall be in accordance with existing BSP rules and regulations on marking to market valuation of investment instruments more specifically described in **Appendix I** hereto.

Sec. 2 Valuation of Participation Units – The valuation of participation units shall be subject to the following rules:

- a. The NAVpu shall be determined by dividing the NAV of the Investor Fund by the total number of units outstanding as of Valuation Date.
- b. The NAVpu at the start of the Investor Fund's operation, or the Investor Fund's par value, shall be as indicated in **Appendix I** hereto.
- c. The NAVpu shall be computed daily at the time specified in **Appendix I** hereto.

Sec. 3 Fees and Expenses of the Investor Fund –

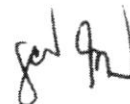
- a. Trustee's Fees - The Trustee shall charge against the Investor Fund regular trust fees in the amount indicated in **Appendix I** on a per annum basis based on the NAV of the Fund as its compensation for the administration and management of the Investor Fund. These fees shall accrue and shall be collectible from the Investor Fund, as and when the same becomes due, at such times as indicated in **Appendix I** hereto. The trust fees shall be uniformly applied to all participants in the Investor Fund. Said fee may be increased or decreased in the future as may be warranted by circumstances then existing, subject to the requirements of Section 414 of the Manual of Regulations for Banks. In the event the trust fees are changed, such change shall be charged prospectively.
- b. Expenses - The Trustee may charge the Investor Fund for special expenses if the same is necessary to preserve or enhance the value of the Investor Fund. Such special expenses shall be payable to pertinent third party or parties covered by separate contract/s, and disclosed to the Participants.

#### Article VI

### TRUSTEES POWERS & LIABILITIES

Sec. 1 Management of the Investor Fund - The Trustee shall have the exclusive management, administration, operation and control of the Investor Fund, and the sole right at any time to sell, convert, reinvest, exchange, transfer or otherwise change or dispose of the assets comprising the Investor Fund.

However, if the Trustee deems it proper and beneficial for the Investor Fund, the Trustee may engage the services of third party/ies as investment advisor or manager of a portion of the Investor Fund; provided that the said arrangement shall be covered by a written



agreement/contract and such third party/ies is/are disclosed in the quarterly reports to the participants of the Investor Fund.

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

- a. To hold legal title over the assets comprising the Investor Fund for the benefit of the Participants;
- b. To have exclusive management and control of the Investor Fund, full discretion in respect of investments, and the sole right, at any time to sell, convert, reinvest, exchange, transfer or otherwise change or dispose of the assets comprising the Trust Fund;
- c. To hold, place, invest and reinvest the Investor Fund with full discretionary powers, and without distinction, as to principal and income in investments stipulated in Section 3, Article II hereto and in such investments it may deem sound and appropriate, subject only to the limitations of the investment objectives and policies of the Investor Fund stated in Section 3, Article II hereto;
- d. To have full discretion in selecting a Target Fund and to switch to another Target Fund provided that the switching of the Target Fund due to a change in the Investor Fund objectives must be accompanied by an amendment to the DOT subject to the provisions on amendment stated in Section 1, Article IX hereto. The switching of Target Fund will be conducted with due diligence and the grounds for such switching of the Target Fund will be fully disclosed. The Trustee shall ensure that the switching of Target Fund will follow all internal investment guidelines and shall formulate an investment plan to implement the switching from one Target Fund to another based on the latest economic conditions.
- e. To have full discretion in switching to another target fund or revising the DOT in case of any material change affecting the management, investment strategy or handling of the Target Fund.

In case of switching of the Target Fund to another, the Trustee shall follow its defined internal process to ensure protection of investors' interest. This shall include processes and procedures relating to:

- i. Termination of Subscription to Target Fund or Agreement.
- ii. Temporary Holdings in Cash
- iii. Subscription to New Target Fund
- iv. Information and Public Announcement of Target Fund Switch

A Material Change is defined as a change, with all else being unchanged, which a reasonable investor would consider important in his investment decision to participate, redeem or hold units in the Investor Fund. Such changes may include but are not necessarily limited to the following:

- i. Change in the portfolio management team;
- ii. Change in the objective or investment style of the target fund;

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- iii. Change in the target fund's fees that will significantly affect the total expense ratio of the investor fund;
- iv. Regulatory change in the jurisdiction where the target fund is domiciled that would significantly affect the target fund's operations;
- v. Significant legal disputes;
- vi. Any other change that would necessitate a change in the investor fund's declaration of trust.

The Trustee shall disclose any changes to the target fund through a formal letter or electronic mail, which may be supplemented by either notification in sales premises of the Trustee or announcement in the Trustee's website. The participants shall be allowed to withdraw their participation within a reasonable period of time but in no case less than thirty (30) days.

The Trustee in the normal course of business may decide to switch target funds, without the need to amend the DOT, with similar investment objectives due to the following reasons:

- i. Performance vis-à-vis expectations;
- ii. Change in the objective, investment style or risk profile of the target fund;
- iii. Resignation of fund managers or portfolio management team;
- iv. Closure of target funds or its maximum AUM capacity has been reached;
- v. Prolonged suspension of subscription/redemption to/from the target fund;
- vi. Market conditions which in the reasonable opinion of the Investor Fund Trustee warrant a change in target fund.

Non-Material Changes to the Target Funds, or any information that, which to the Trustee's best judgment, will not reasonably affect the investor's decision to buy, hold, or sell its investment in the Investor Fund, shall be disclosed via the Trustee's website

- f. To deposit in any bank or financial institution, including its own bank, any portion of the Investor Fund, subject to the requirement of Section 414 of the Manual of Regulations for Banks;
- g. To register or cause to be registered any securities of the Investor Fund in nominee or bearer form;
- h. To appoint and retain the services of qualified and reputable local or foreign investment advisor and/or fund manager/s, and other third party service provider/s; provided, however, that the Trustee shall retain ownership and control of the Investor Fund, and provided further, that the investment advisor/s and/or fund manager/s shall work within the investment parameters or guidelines set by the Trustee from time to time and shall be directly responsible to the Trustee for any investment actions and decisions undertaken for the Investor Fund. Notwithstanding, the Trustee shall be responsible for the performance

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of the outsourced activity in the same manner and to the same extent as if it was performing directly the said activity. Further, to appoint and retain the services of qualified and reputable local or foreign broker/s, agent/s, counterparties, and in so doing, the Trustee shall use reasonable endeavors to assess the performance, reputation and credit worthiness of the same, provided however, that the Trustee shall neither be held liable in guaranteeing the performance or creditworthiness nor the possible default of the obligations of the said parties;

- i. To hire and compensate legal counsel/s, certified public accountant/s and other specialist/s in connection with administration and management of the Investor Fund and the protection or advancement of its legal and other interests;
- j. To make, execute, acknowledge and deliver any or all securities, agreements, contracts, deeds, documents and instruments necessary in the management and reinvestment of the Investor Fund, or in connection with the exercise of the powers herein conferred or the performance of acts herein authorized;
- k. To collect, receive and receipt for income, dividends, interest, profits, increments and such other sums accruing or due to the Investor Fund; and
- l. To pay out of the Investor Fund all costs, expenses, and proper charges incurred in connection with the administration, preservation, maintenance and protection of the Investor Fund.

Sec. 3 Other Powers and Authority of the Trustee. The Trustee shall also have the following additional powers and authority which it shall exercise according to its full discretion, supervision and control:

- a. To open an exclusive trust account for the Investor Fund and to maintain the same exclusively for the Investor Fund;
- b. To open and maintain for the Investor Fund savings/current accounts with any Metrobank depository branch and to deposit therein all the funds coming to its possession pending action for any investment, and to make payments or withdrawals against such savings/current accounts as may be necessary in connection with the management of the Investor Fund;
- c. To act as Attorney-in-fact with full power and authority to ask, demand, sue for, recover, collect, and receive any and all sums of money, debts, interests, and other things of value of whatever nature and kind as may now be or may hereafter become due, owing, payable, or belonging to the Investor Fund, and to have, sue, and take any and all lawful ways and means for the recovery thereof by suit, attachment, compromise, or otherwise;
- d. To deduct any applicable tax required by law to be withheld from the income of the Investor Fund and to remit the same to the appropriate taxing authority;

Sec. 4 Liability of Trustee – Save that attributable to the Trustee's fraud, willful default, bad faith or gross negligence, the Trustee shall not be liable for any loss or depreciation in the value of the Investor Fund or in the value of the Trustor's participation in the Investor Fund. The Trustee shall not be liable for act or omission where such action or inaction, in the good faith judgment of the Trustee, was then necessary, reasonable or appropriate for the proper and advantageous administration and management of the Investor Fund.

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- Sec. 5 Non-Coverage by PDIC – Participation in this Investor Fund is a trust arrangement and is not a deposit account. As such, the participation in the Investor Fund is not covered by the Philippine Deposit Insurance Corporation (PDIC). Any income or loss of the Investor Fund (whether realized or unrealized) will impact the NAVpu and shall be for the account and risk of the participant.

Article VII  
**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 Investor Fund or by his authorized representative. Upon request, a copy of the Declaration of Trust shall be furnished such interested person.
- Sec. 2 Disclosure of Investments - A list of existing and prospective investments of the Investor Fund shall be made available to participants. Such disclosure shall be substantially in the form as provided under Section 414 – Appendix 56 of the Manual of Regulations for Banks. Upon request, participants in the Investor Fund shall be furnished a quarterly list of investments held by the Investor Fund.
- Sec. 3 Disclosure of Risks - Participants shall be informed of the risks attendant to this type of fund through a 'Risk Disclosure Statement'.
- Sec. 4 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, Article IX hereto 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 Investor Fund.

In respect of the Investor Fund, the rights of the remaining Participants as against each other shall be pari passu and pro-rata.

- Sec. 5 Cooling – Off Period. Individual participants, who are natural person except corporations, partnership, associations and those specifically disqualified by law or regulations, shall have the right to cancel their subscriptions or contributions, without penalty, upon written notice to the Trustee within two (2) banking days immediately following the signing of agreement or contract evidencing their participation in the Fund. Further, the net amount of payment or delivery due the Participant shall be based on the transaction day's NAVpu when notice of redemption, termination or cancellation was received.

Article VIII  
**ANNUAL AUDIT AND REPORT**

- Sec. 1 Aside from the regular audit requirement applicable to all trust accounts of the Trustee, an external audit of the Investor 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.

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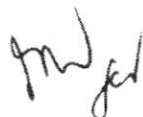
Article IX  
**AMENDMENTS & TERMINATION**

- 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 Investor Fund shall be immediately notified in writing, either in electronic or printed form, of such amendments and those who are not in conformity with the amendments made shall be allowed to withdraw their participations within thirty (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.
- 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 Investor Fund maintained by the Trustee and to certify to the financial condition of the Investor 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 Investor Fund, the Trustee shall provide notice of the termination of the Investor Fund to the remaining participants. Such notice may be made by the Trustee by way of direct written notice, either in electronic or printed form, 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 Investor Fund which shall be made the basis for distribution to the participating Trustors.

Article X  
**OTHER TERMS AND CONDITIONS**

- Sec. 1 Tax on Income. The income earned by the Investor Fund shall be subject to the applicable taxes under existing laws and regulations.
- Sec. 2 Discretion of the Trustee to be Absolute. Whenever in this Declaration of Trust it is provided that any power may be exercised or any act or thing done by the Trustee, involving the exercise of discretion, said discretion when exercised in good faith or with reasonable care under the circumstances then prevailing, shall be final and conclusive, and its determination when so made to act or refrain from acting to exercise such power or to refrain from so doing, shall be binding upon the Participant(s) and all persons having or claiming interest therein.
- Sec. 3 Advice of Counsel. The Trustee may consult or employ a qualified legal counsel, including its own legal counsel, for advice as to the meaning and construction of this Declaration of Trust or any provisions hereof, or concerning its power or obligations hereunder, and shall not be liable for any consequence of any action taken or omitted by it in good faith pursuant to the opinion of such counsel.





- Sec. 4 Representation by the Trustee in Judicial Proceedings. In any judicial proceeding affecting any property or security belonging to the Investor Fund, if the Trustee shall be a party to such proceeding and is duly represented before any court or tribunal with competent jurisdiction on which such proceeding shall be pending, each Participant and every person having or claiming to have any interest in or any Participation in the Investor Fund shall be deemed to be fully represented by the Trustee for said purpose.
- Sec. 5 Effect of Mistakes. No mistake made in good faith and in the exercise of due care in connection with the administration of the Investor Fund shall be deemed to be a violation of this Declaration of Trust or of any applicable laws or regulations if, within a reasonable time after the discovery of the mistake, the Trustee shall take whatever action may be practicable under the circumstances to remedy it.
- Sec. 6 Successors and Assignee. This Declaration of Trust and all provisions thereof shall be binding upon and shall inure to the benefit of the Participants as Trustors their successors-in-interest, its executors, administrators, distributors, and assignees, having or claiming to have any interest in any Participation in the Investor Fund.
- Sec. 7 Rules of Construction. Unless the context otherwise requires, words importing the singular number shall include the plural number and vice versa; and words importing the masculine gender shall include the feminine gender. The headings used herein are incorporated for convenience or reference only and shall not be conclusive as to the construction or interpretation of any provision.
- Sec. 8 Governing Law. The validity, effectivity and interpretation of any of the provisions hereof, its annexes, and all supplementary deeds hereto shall be governed by and construed in accordance with the laws of the Republic of the Philippines, Manual of Regulations for Banks (MORB) and the rules and regulations from time to time promulgated by the Bangko Sentral ng Pilipinas and any other competent authority. In case one or more provisions of this Plan is declared invalid, illegal or unenforceable in any respect under the law or regulation, the legality and enforceability of the other provisions not affected shall not in any way be impaired or affected thereby.
- This Agreement and the dispositions hereunder shall be construed and regulated and their validity and effect shall be determined by the laws of the Republic of the Philippines as such may laws may from time to time exist. Venue of suits arising under this Agreement shall be in the proper courts of Taguig City.
- Sec. 9 Resolution of Approval. This Declaration of Trust was duly approved by a Resolution of the Board of Directors of the Metropolitan Bank and Trust Company (Metrobank) as evidenced by the Certificate issued by the Corporate Secretary of Metrobank attached hereto and marked as Annex "A".

**IN WITNESS WHEREOF, METROBANK TRUST BANKING GROUP** has caused this Declaration of Trust to be signed and its corporate seal affixed thereto on \_\_\_\_\_, 2023 at \_\_\_\_\_ City.

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**METROBANK TRUST BANKING GROUP**

Trustee

By:



**LEANDRO ANTONIO G. SANTILLAN**

Trust Officer



**MARICAR R. MATEO**

OIC-Head, Retail Products Division

**ACKNOWLEDGMENT**

REPUBLIC OF THE PHILIPPINES)  
TAGUIG CITY ) S.S.

BEFORE ME, a Notary Public for and in the above jurisdiction, this 16 day of May 2023, personally appeared:

Name	CEI	Date/Place Issued/Expiry
Leandro Antonio G. Santillan	Passport No. P0449693C	June 8, 2032/ Manila
Maricar R. Mateo	UMID#0033-2096462-9	

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Book No. 112  
Series of 2023

  
**ATTY. JOAHN T. CO**

APPOINTMENT NO. 51 (2022-2023)  
NOTARY PUBLIC FOR TAGUIG CITY  
UNTIL DECEMBER 31, 2023  
16F Metrobank Center, 35<sup>th</sup> Street corner 7<sup>th</sup> Avenue,  
Bonifacio Global City, 1634, Taguig City  
Roll of Attorney No. 64427; 4-28-15  
PTR No. A-5675456; 01-03-2023; Taguig City  
IBP No. 253438; 12-26-2022; Isabela

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**METRO\$ CHINA EQUITY FEEDER FUND**  
**FUND SPECIFICATIONS**  
**(Amended)**

1. Investment Objective (Sec. 3, Art. II)

- a. The **Investor** Fund aims to provide market returns from a representative portfolio of stocks that comprise the China Equity Market by investing at least 90% of its assets in the **iShares MSCI China A UCITS ETF USD**.

The Investor Fund will have only one Target Fund at any given time. The Target Fund may be changed from time-to-time subject to regulations and the stipulations contained in this Declaration of Trust.

- b. **Return Objective. The Investor Fund aims to achieve for its participants investment returns that track the return of the Target Fund, which is the iShares MSCI China A UCITS ETF USD.**

- c. The Investor Fund is suitable for participants with an aggressive risk profile.

2. Investment Policy (Sec. 3, Art. II)

- a. Pursuant to the foregoing objectives, the Investor Fund may be invested and reinvested in the following instruments:

- i. US Dollar-denominated units/shares in collective investment schemes subject to the conditions enumerated under BSP Circular 767;
- ii. US Dollar-denominated deposits with local banks/branches of foreign banks operating in the Philippines;
- iii. US Dollar-denominated money market instruments that are traded in an organized exchange; or
- iv. Other US Dollar-denominated Investments allowed under regulations issued by the Bangko Sentral Ng Pilipinas; and
- v. Financial derivatives instruments solely for the purpose of hedging risk exposures of the existing investments of the Investor Fund, provided these are accounted for in accordance with existing BSP hedging guidelines and disclosed to participants.

- b. The Target Fund may be invested and reinvested in the following instruments:

- i. Global-denominated Investments allowed under regulations issued by the Bangko Sentral Ng Pilipinas;
- ii. Global-denominated Exchange-listed securities;
- iii. Global-denominated deposits with local banks/foreign banks

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iv. Financial derivative instruments for hedging purposes and efficient portfolio management.

- c. **Benchmark Information. The benchmark of the Metro\$ China Equity Feeder Fund is the iShares MSCI China A UCITS ETF USD, which is also the fund's Target Fund. The benchmark provides reference for acceptable returns on a representative portfolio of stocks that comprise the Chinese Equity Market.**

**Key Characteristics of the benchmark. The Investor Fund's benchmark tracks the performance of an index composed of companies from China.**

**Further details regarding the benchmark are available from Bloomberg and the website of Blackrock and iShares.**

- d. The Investor Fund may invest a minimum of 90% of its fund in the Target Fund and a maximum of 10% in cash, deposits and other money market instruments.
- e. The combined exposure of the Target Fund to any entity and its related parties shall not exceed fifteen percent (15%) of the market value of the Target Fund: Provided, that the Target Fund invested, partially or substantially, in exchange traded equity securities shall be subject to the 15% exposure limit to a single entity/issuer: Provided further, that, in the case of an exchange traded equity security which is included in an index and tracked by the Target Fund, the exposure of the Target Fund to a single entity shall be the actual benchmark weighting of the issuer or 15%, whichever is higher. The limitation shall not apply to non-risk assets as defined by the Bangko Sentral ng Pilipinas.

The fifteen percent (15%) single exposure limit shall be applied on the target fund's underlying investments. Notwithstanding said limit, if the target funds are allowed by their respective regulatory authority to invest in units/shares of other open-ended collective investment scheme, the exposure limit prescribed by said regulatory authority shall instead apply. Furthermore, the investments in the target fund shall not exceed ten percent (10%) of the total net asset value of the target fund.

In case the limits prescribed above are breached due to the marking-to-market of certain investment/s or any extraordinary circumstances, e.g., abnormal redemptions which are beyond the control of the Trustee, the Trustee shall be given thirty (30) days from the time the limit is breached, or in case of Investor Funds thirty (30) days from the date of receipt of report indicating the net asset value of the fund, to correct the same.

- f. The Investor Fund may temporarily hold cash and deposits for a maximum period of thirty (30) calendar days in excess of regulatory or defined cash allocation limits during the transitory period while the Investor Fund switches to another Target Fund.
- g. A Target Fund constituted in another jurisdiction shall be registered/authorized/approved, as the case may be, and is recognized as a collective investment scheme in its home jurisdiction by a regulatory authority that is a member of the International Organization of Securities Commissions (IOSCO); or any regulatory authority acceptable to the Bangko Sentral to supervise the collective investment scheme.

3. **Target Fund Description** The chosen Target Fund is the **iShares MSCI China A UCITS ETF USD** ("Fund"). The pertinent features of this Fund and the Target Fund are as follows:

- a. Domicile – Ireland
- b. Investment Objective, Strategy and Policy of the Fund – “The investment objective of the Fund is to provide investors with a total return, taking into account both capital and income returns, which reflects the return of the MSCI China A Inclusion Index.

In order to achieve its investment objective, the investment policy of the Fund is to invest in a portfolio of equity securities that as far as possible and practicable consist of the component securities of the MSCI China A Inclusion Index, this Fund’s Benchmark Index. The Fund intends to use optimisation techniques in order to achieve a similar return to the Benchmark Index and it is therefore not expected that the Fund will hold each and every underlying constituent of the Benchmark Index at all times or hold them in the same proportion as their weightings in the Benchmark Index. The Fund may hold some securities which are not underlying constituents of the Benchmark Index where such securities provide similar performance (with matching risk profile) to certain securities that make up the Benchmark Index. However, from time to time the Fund may hold all of the constituents of the Benchmark Index.

The Fund may trade China A Shares via Stock Connect, a collaboration between the SEHK, Shanghai Stock Exchange and Shenzhen Stock Exchange that allows international investors to trade securities in mainland China (which for these purposes excludes Hong Kong, Macau Special Administrative Regions and Taiwan) through the trading and clearing facilities of the SEHK. Under Stock Connect, the Fund’s trading of China A Shares listed on the Shanghai Stock Exchange or Shenzhen Stock Exchange is settled through its Hong Kong brokers.

Under current law issued from the PRC and subject to minor exceptions, investors based in certain jurisdictions outside the PRC may apply to the CSRC for status as a RQFII. Once an entity is licensed as a RQFII, it may invest directly in China A Shares.

The Investment Manager has been granted an RQFII Licence as at the date of this Prospectus which may be used across multiple funds under its management, including this Fund. Therefore, the Fund may also trade China A Shares via the Investment Manager’s RQFII Licence under the RQFII Regime.”<sup>1</sup>

- c. The investments of the Target Fund shall be reviewed by the Trustee to ensure that it complies with all regulatory requirement and investment restrictions for Target Funds.
- d. The Target Fund may be exposed to a certain risks such as, but not limited, to the following:

“Key Risks: Emerging markets are generally more sensitive to economic and political conditions than developed markets. Other factors include greater 'Liquidity Risk', restrictions on investment or transfer of assets and failed/delayed delivery of securities or payments to the Fund. Investment risk is concentrated in specific sectors, countries, currencies or companies. This means the Fund is more sensitive to any localised economic, market, political or regulatory events. Currency Risk: The Fund invests in other currencies. Changes in exchange rates will therefore affect the value of the investment. The value of equities and equity-related securities can be affected by daily stock market movements. Other influential factors include political, economic news, company earnings and significant corporate events. Should demand for the Fund exceed the quota granted to the investment manager for investment in onshore Chinese securities, the investment manager may be unable to obtain additional quota. This may result in

<sup>1</sup> Page 55 of the Prospectus of iShares IV Public Limited Company Swiss Extract Prospectus Dated 29 December 2022



subscriptions being suspended and the Shares of the Fund trading at a significant premium or discount to Net Asset Value on any stock exchange on which they are admitted to trading. Liquidity Risk: Lower liquidity means there are insufficient buyers or sellers to allow the Fund to sell or buy investments readily. The PRC/Ireland tax treaty provides for exemption from Chinese capital gains tax on sales of the Fund's investment in China A Shares. Although the Fund is expected to be exempt, there is a risk that the PRC tax authorities could consider the Fund not to be eligible for the PRC/Ireland tax treaty and seek to collect such tax on a retrospective basis, which would affect the value of the investment. Counterparty Risk: The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss."<sup>2</sup>

4. Qualified Participants : Requirements and Restrictions (Sec. 1, Art. III)

Participation in the Investor Fund shall be open to Filipino individuals, resident and non-resident aliens and domestic corporate accounts. However, persons from United States of America (USA) and Canada are not qualified to open an account.

5. Admission and Redemption (Art. III)

a. **Policies of Admission and Redemption.**

- i. Minimum Initial Participation. The minimum amount of initial participation is USD 500.00.
- ii. Minimum Maintaining Participation. The minimum maintaining participation is USD 500.00.
- iii. Minimum Additional Participation. The minimum additional participation is USD 100.00.
- iv. Minimum Holding Period – The minimum holding period of the participation is seven (7) calendar days from the date of participation.
- v. Minimum Redemption Amount. The minimum redemption amount is USD 100.00.

- b. **Admission and Redemption Cut-off Time.** Admission and/or notice of redemption received by the Trustee on or before the prescribed cut-off time shall be considered as transaction for the day. Admission/notice of redemption received after the cut-off time shall be considered as transaction for the next applicable business day. When admitted, the Participating Trust Agreement and/or Confirmation of Transaction (COT) shall be made available to the Participant.

Daily Cut-off for Electronic Channels	Daily Cut-off for Branch Channels
On or before 2:30 P.M.	On or before 12:00 N.N.

- c. **Admission and Redemption Prices.** Admission and redemption prices shall be based on the prevailing market value of underlying investments of the Investor Fund at that time, in accordance with existing BSP rules and regulations on marking to market valuation of investment instruments.

- d. **Participation Requirements and Conditions.** Participation shall also be subject to the following requirements/conditions:

<sup>2</sup> iShares MSCI China A UCITS ETD USD Factsheet as of January 31, 2023



- i. **Participation to the Investor Fund.** The moneys which may be invested (by way of Participation to the Investor Fund), may consist of any of the following: (1) moneys or cash denominated in US Dollars, (2) on-us checks, drafts, and other negotiable instruments (3) moneys transferred from other banks and financial institutions (4) moneys debited from trust or deposit accounts maintained with Metrobank.
  - ii. **Interest in the Investor Fund.** No participant in a UIT Fund shall have or be deemed to have any ownership or interest in any particular account or investment in the UIT Fund but shall have only its proportionate beneficial interest in the Investor Fund as a whole; and each unit shall have uniform rights or privileges as any other unit.
  - iii. **Re-Issuance of Confirmation of Transaction.** Every Confirmation of Transaction re-issued by the Trustee by virtue of defacement, mutilation, loss, theft, or destruction shall be in the name of the Participant as represented in the original Confirmation of Transaction.
  - iv. **Cancellation of Participation.** Trustor's participation shall be ipso facto void and automatically cancelled if medium of payment is dishonored for whatsoever reason.
  - v. **Confidentiality.** Participations made to the Investor Fund shall, in accordance with existing laws and regulations, be kept absolutely confidential.
- e. **Redemption Requirements and Conditions.** Redemption shall also be subject to the following requirements/conditions:
- i. **Redemption Notice Period.** The participant in the Investor Fund may redeem his participation on any business day provided that prior notice of redemption, in any form acceptable to the Trustee, is acknowledged/ received by the Trustee according to the Admission and Redemption Cut-off Time stipulated herein. Requests for redemption shall be dealt with by the Trustee in chronological order according to the day that notice is received. This applies to early, partial, or full redemption.
  - ii. **Early Redemption Fee.** An early redemption fee of 50% based on the total income earned from the redeemed amount shall be charged to the concerned Participant in case of redemption prior to the completion or lapse of the minimum holding period of seven (7) calendar days. Such fee shall form part of the Investor Fund.
  - iii. **Partial Redemption.** Partial Redemption shall be allowed. Average cost shall be used as cost basis for the remaining/unredeemed units of the Participant. A notice of partial redemption will be required from the Participant to facilitate the partial redemption transaction which shall be confirmed upon issuance of the Confirmation of Transaction containing the redemption details, the average NAVPu, and the remaining units of the holdings.
  - iv. **Redemption Settlement.** Proceeds of redemption shall be paid out of the Investor Fund on the redemption settlement date of not later than four (4) business days after transaction date and upon receipt of the notice of redemption for the units being redeemed. The amount of payment or delivery due the Participant shall be based on the transaction day's NAVPU when notice of redemption was received. This applies to early, partial, or full redemption.
- f. **Suspension and Limitation on Admission/Redemptions.** The Trustee of the Investor Fund may temporarily suspend calculation of the NAV/NAVPu of the Investor Fund, as well as admission to and redemption from the Investor Fund, if it is unable to determine the NAVPu of

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the Investor Fund due to 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 Trustee may also suspend such calculations due to the suspension of trading of its Target Fund. The suspension of the target fund 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.

6. NAVPU (Secs. 1 and 2, Art. V)

All assets of the Investor Fund shall be marked to market daily in accordance with existing BSP rules and regulations on marking to market valuation of investment instruments. The Target Fund shall be valued based on the End of Day NAVPU/NAVPS of the Target Fund.

Valuation Day shall mean any business day when the Net Asset Value per Unit shall be calculated by the Trustee which is daily at 6 P.M.

The value of the NAVPU at the start of Investor Fund's operation shall be: USD 1.00

The Fund's historical NAVPU shall be made available via Metrobank's website or the TOAP-administered website.

7. Fees and Expenses of the Investor Fund (Sec. 3 Art. V)

The Trustee shall collect from the Investor Fund trust fees in the amount equivalent to 0.75% per annum based on Net Asset Value (NAV) of the Investor Fund gross of trust fee for the day which shall be accrued daily and shall be collectible from the Investor Fund monthly in arrears.

The Trustee may charge the Investor Fund special expenses that are necessary to preserve or enhance the value of the Investor Fund which is payable to a third party covered by a separate contract, and disclosed to Participants. The Trustee shall secure prior BSP approval for outsourcing services provided under existing regulations (Sec. 1.j, BSP Cir. 593).

All rebates, waiver, and/or commissions collected by the Fund from the Target Fund/s shall redound back to the Fund.

In cases where the Investor Fund switches to another Target Fund, charges may be incurred when the investment in the Target Fund is redeemed prior to lapse of the Target Fund's holding period. This and all costs related to the switching of Target Fund shall be disclosed in the Key Information and Investment Disclosure Statement following the incurrence of such costs.

**By investing in the Investor Fund, the participant will be subjected to a layered investment structure which will subject them to higher fees.** To illustrate, if total Trust Fee charged by the Target Fund is 0.50% per annum, and the Investor Fund also charges a Trust Fee of 0.50% per annum, then the total effective Trust Fee charged will be 1% per annum. This applies for all fees and charges collected by both the Target and Investor Funds.

8. Other Terms & Conditions (Art. X)

- a. Investment in securities of the Investor Fund shall be held for safekeeping by BSP accredited third party custodians which shall perform independent marking-to-market of such securities.
- b. Investments in the Target Fund of the Investor Fund shall be held for safekeeping by an institution registered/authorized/approved by a relevant regulatory authority in its home jurisdiction to act as third party custodian.
- c. Dealings with Counterparties. Dealings by the Trustee with related interests/ bank proper/ holding company/ subsidiaries/ affiliates and related parties shall be transparent at all times and supported by records. The Trustee shall adhere to the best execution principle and no buy/sell transaction shall be made with related counterparties without considering a minimum of two (2) competitive quotes from other sources.

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