

DECLARATION OF TRUST

Sterling Bank PhilEquity Feeder Fund

An Equity Feeder Unit Investment Trust Fund

KNOW ALL MEN BY THESE PRESENTS:

Sterling Bank of Asia Inc. (A Savings Bank), a corporation duly organized and existing under and by the virtue of the laws of the Republic of the Philippines, with principal office at Sterling Bank Corporate Center, Ortigas Avenue, Greenhills, San Juan City, with authority to perform trust and other fiduciary functions, acting herein through its TRUST GROUP (herein referred to as the "Trustee");

WITNESSETH:

Article I

CREATION OF THE TRUST

For the purpose of providing investment opportunities to its trust clients for higher investment yields and a diversified portfolio on 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 Fund – The pooled fund shall be known as Sterling Bank PhilEquity Feeder Fund (herein referred to as the "Fund").

Sec. 2 Nature of the Fund – The Fund is a feeder fund established in accordance with and shall be operated subject to the stipulations of this declaration and any amendments which may be introduced from time to time in accordance with the regulations issued by the Bangko Sentral ng Pilipinas (the "BSP") and to existing laws.

A feeder fund is a unit investment trust fund structure that mandates the fund to invest at least ninety percent (90%) of its assets in a single collective investment scheme. 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.

Fund Classification – Feeder Fund. A Feeder fund shall refer to a UITF structure that mandates the fund to invest at least ninety percent (90%) of its assets in a single collective investment scheme.

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 features of the balanced fund shall be described in **Appendix I** hereto.

Sec. 3 Investment Objectives and Policy – The Fund seeks long-term capital appreciation and shall invest all or substantially all of its investible assets in the target fund. The investment objectives are further explained in **Appendix I** hereto.

The Trustee shall make available to all Participants for review 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**.

The details of the target fund are discussed in **Appendix III** hereto. In the event of switching of target fund, the relevant policies and procedure are expounded in

Appendix IV, while the procedure for handling material and non-material changes in the target fund structure is illustrated in Appendix V hereto.

Article III

PARTICIPATION: ADMISSION AND REDEMPTION

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

Participation in the Fund shall be open to all persons with legal capacity to contract subject to rules or procedures stipulated in **Appendix I** hereto and those other rules or procedures which may be established by the Trustee as it deems necessary and advantageous to the Fund.

Sec. 2 Participation Units – Participation in the Fund shall always be through units of participation in the 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 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 Fund shall be accounted for as a single account referred to as pooled-fund accounting method.

Sec. 2 Distribution – The Fund shall be distributed exclusively in distributions channels duly authorized by the Trustee.

Article V

VALUATION OF THE FUND AND PARTICIPATION UNITS

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

(a) The Trustee shall, on a daily basis, determine 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”)

(b) The NAV shall be the summation of the market value of each investment of the Fund less fees, taxes, and other qualified expenses as defined herein. The determination of 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, more specifically described in **Appendix I** hereof.

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 Fund by the total number of units outstanding as of Valuation Date.

(b) The NAVPU at the start of the Fund’s operation, or the 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 Fund

(a) Trustee’s Fees – The Trustee shall charge against the Fund regular trust fees in the amount indicated in **Appendix I** 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 collectible from the Fund, as and when the same becomes due, at such times as indicated in **Appendix I**. The trust fees shall uniformly applied to

all participants in the Fund. Said fees may be increased or decreased in the future as may be warranted by the circumstances then existing, subject to the requirements of Subsection of Plan Rules under Section 414, Unit Investment Trust Funds of the Manual of Regulations for Banks (MOB). In the event the trust fees are changed, such change shall be charged prospectively.

- (b) Expenses – The Trustee may charge the Fund for special expenses if the same is 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 specified in **Appendix II** hereto.

Article VI

TRUSTEES POWERS AND LIABILITIES

- Sec. 1 Management of the Fund – The Trustee shall have the exclusive management, administration, operation and control of the Fund, and the sole right and discretion to select the target fund.

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/s or manager/s of a portion of the Fund; provided that the said arrangement shall be covered by a written agreement or contract and such third party/ies is/are disclosed in quarterly reports to the participants of the Fund.

- 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, with 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 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 to Article II, Section 3 hereto and in such investments it may deem sound and appropriate, subject only to the limitations regarding the investment objectives and policies of the Fund stated in Article II, 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 of exposure Limits under Section 414, Unit Investments Trust Funds of the MORB;
- (e) To register or cause to be registered any securities of the Fund in nominee or bearer form;
- (f) To appoint and retain services of qualified and reputable local investment advisor/s and/or fund manager/s; provided, however, that the Trustee shall retain ownership and control of the Fund, and provided further, that the investment advisors and/or fund managers 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 Fund;
- (g) To hire and compensate legal counsels, certified public accountants and other specialists in connection with the administration and management of the Fund and the protection or advancement of its interests;
- (h) 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;
- (i) To collect, receive and acknowledge receipt of income, dividends, interest, profits, increments and such other sums accruing or due to the Fund; and

- (j) 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.
- (k) To have discretionary powers to switch or change target funds after the prescribed thirty (30) calendar days client notification. The procedures for switching or changing of target funds is described in Appendix IV hereof. and
- (l) To suspend the trading of the Fund as necessary due to suspension of its target fund, which will mean the unavailability of an end-of-day NAVPu that is reflective of actual market movements.

Sec. 3 Liability of Trustee – Unless the Trustee has been proven to commit fraud, willful default, bad faith or gross negligence, the Trustee shall not be liable for any loss or depreciation in the value of the Fund or in the value of a Participant's participation in the Fund. The Trustee shall not be liable for acts or omissions where such actions or inactions, in the good faith judgment of the Trustee, were then necessary, reasonable or appropriate for the proper and advantageous administration and management of the Fund. As a feeder fund, the Trustee shall likewise not be liable for the unavailability of an end-of-day NAVPu that is reflective of actual market movements for reasons beyond the control of the Trustee such as the suspension of trading of the target fund.

Sec. 4 Non-Coverage by PDIC – Participation in this Fund is a trust arrangement and is not a deposit account. As such, the participation in the Fund is not covered by the Philippine Deposit Insurance Corporation (PDIC). Any income or losses on the Fund (whether realized or unrealized) will impact the NAVPu and shall be for the account and risk of the participant.

Sec 5 Exposure Limits – The combined exposure of the unit investment trust fund (UITF) to any entity and its related parties shall not exceed fifteen percent (15%) of the market value of the Fund. As the Fund is a feeder fund UITF, this fifteen percent (15%) maximum exposure to a single entity/issuer shall be applied to the target fund's underlying investments.

Furthermore, the total investment of the feeder fund on the target fund shall not exceed ten percent (10%) of the total net asset value of the target fund.

In case the limits prescribed are breached due to the marking-to-market of certain investments or any extraordinary circumstances, the trustee of an investor fund shall be given thirty (30) calendar days from date of receipt of the report indicating the net asset value of the Fund, to correct the same.

Sec 6 Holding Cash in Excess of Regulatory Limit – The Fund may temporarily hold cash levels in excess of the regulatory limit in the following instances;

- (a) Transitory period where the feeder fund switches target funds; and
- (b) Transitory period when the ten percent (10%) exposure limit to a target fund has been breached and the fund manager is in the process of divesting the excess exposure.

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 Fund or by his authorized representative. Upon request, a copy of the Declaration of Trust shall be furnished to such interested person.

Sec. 2 Disclosure of Investments – A list of existing and prospective investments of the Fund shall be made available to Participants. Such disclosure shall be substantially in the form as provided under Appendix 56 referred to in Subsection of Minimum Disclosure Requirements – Key Information and Investment Disclosure Statement (KIDS) under Section 414, Unit Investment Trust Funds of MORB. Upon request, Participants in the Fund shall be furnished a quarterly list of investments held by the 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 of Article IX 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 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 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 audited financial statement (AFS) for each UITF shall be PFRS/PAS-compliant in all respects. 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 AFS for each UITF shall be made available at the Trustee's place of business, posted on the Trustee's website, and upon the request of participants, transmitted to them in printed or electronic format.

Article IX
AMENDMENTS AND 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 the Trustee shall notify each of the UITF participants in writing, either in electronic or printed form, of any amendments to a fund. The participants shall be given at least thirty (30) calendar days prior to the implementation of any amendment to a UITF to withdraw their participations in the fund if they are not in conformity with the amendment: 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 BSP. 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 records 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 Participants accordingly.

Following the approval of the termination of the Plan, the Trustee shall provide notice of the termination of the Fund to the remaining Participants at least thirty (30) business days prior to the actual termination of the Fund. 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 for the Fund which shall be the basis for distribution of the remaining assets of the fund to the Participants.

Article X
OTHER TERMS AND CONDITIONS

This Declaration of Trust is further subject to the other terms and conditions that may be stipulated in **Appendix I** hereof.

IN WITNESS WHEREOF, STERLING BANK OF ASIA. INC. (A SAVINGS BANK) TRUST GROUP has caused this Declaration of Trust to be signed and its corporate seal affixed thereto on _____ 2024 at San Juan City.

STERLING BANK OF ASIA, INC. (A SAVINGS BANK)
TRUST GROUP

Trustee

By:

ANTONIO C. DANA O

Trust Officer

**Sterling Bank PhilEquity Feeder Fund
Fund Specifications**

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

The Sterling Bank PhilEquity Feeder Fund (the "Fund") seeks to provide its participants long-term capital appreciation by participating in the growth of share values of corporations listed on the Philippine Stock Exchange. It is ideal for investors with a long-term investment horizon of at least five years who want to have exposure in Philippine stocks and who understand the investment risks involved when investing in equity securities.

Return Objective. The Funds aims to match or exceed the return of the Philippine Stock Exchange Composite Index (PSEi)

The PSEi is the main index of the Philippine Stock Exchange (PSE). It is composed of a fixed basket of 30 companies, whose selection is based on a specific criteria. The PSEi provides a snapshot of the market's overall condition by gauging changes in the stock prices of select listed companies.

(<https://www.pse.com.ph/composite-sector-indices/>)

The above is indicative of the performance of the stock market in relation to stock price movements. This benchmark is the standard against which the performance of the fund is measured.

II. Investment Policy

- A.** Pursuant to the foregoing objectives, the Fund is structured as a feeder fund in compliance with Section 414, Unit Investment Trust Funds, of the Manual of Regulations for Banks (MORB) and shall invest at least ninety percent (90%) of its assets in PhilEquity Fund, Inc., the target fund, which is a mutual fund invested primarily in equity securities of listed Philippine corporations.
- B.** The uninvested portion of the Fund may be invested and reinvested in the following:
1. Securities issued by or guaranteed by the Philippine government or the Bangko Sentral ng Pilipinas;
 2. Marketable fixed-income securities issued or guaranteed by corporations and traded in an organized exchange;
 3. Tradable securities issued or guaranteed by any government of a foreign company or any political subdivision of a foreign country;
 4. Tradable securities issued or guaranteed by any supranatural entity;
 5. Loan traded in an organized market;
 6. Savings/checking accounts and time deposits in any bank of financial institution, including Sterling Bank of Asia provided that the principal of best execution shall be observed at all times and no bookings shall be made with related counterparties without considering at least two (2) competitive quotes from other sources as provided in Subsection of Counterparties under Section 414, Unit Investment Trust Funds of the MORB;
 7. Such other tradable investment outlets/categories as the BSP may allow.
- C.** The Fund may avail of financial derivative instruments from time to time solely for the purpose of hedging risk exposures of the existing investments of the Fund in accordance with the Trust's risk management and hedging policy duly approved by the Trust Committee.
- D.** Holding Cash in Excess of Regulatory Limit – The Fund may temporarily hold cash levels in excess of the regulatory limit in the following instances;
- a. Transitory period where the feeder fund switches target funds, and
 - b. Transitory period when the ten percent (10%) exposure limit to a target fund has been breached and the fund manager is in the process of divesting the excess exposure.

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

- A.** Participation in the Fund shall be open to all individuals of legal age and corporations that share the general investment objective of the Fund who want to have exposure in Philippine stocks and who understand the investment risks involved when investing in Philippine equities. Investment in the Fund shall be subject to a thirty (30) calendar day minimum holding period from the date of participation. ‘
- B.** Risk profile of participants suitable to invest in the Fund: Aggressive. Such client wants a portfolio which may provide appreciation of capital over time and client is willing to accept higher risks involving volatility of returns and even possible loss of investment in return for potential higher long-term results. However, it must be noted that the effect of participation in the Fund on an investor's total portfolio risk will vary greatly, depending on the percentage of the portfolio invested in the Fund, the nature and riskiness of the other components of the portfolio and the correlation of these other components to Philippine stocks. It is therefore not uncommon for investors who would not characterize themselves as Aggressive or have a high risk tolerance questionnaire score to invest a measured portion of their portfolio in the Fund whilst maintaining an overall conservative or moderate portfolio.

IV. Risk Factors

The value of the investment is based on the Net Asset Value per unit (NAVpu) of the Fund which uses a marked-to-market valuation and therefore may fluctuate daily. Investment in a UITF does not provide guaranteed returns and is not covered by the Philippine Deposit Insurance Corporation (PDIC). Principal and earnings from investment in the Fund can be lost in whole or in part when the NAVpu at the time of redemption is lower than the NAVpu at the time of participation.

The Fund which shall be substantively invested in a diversified portfolio of listed Philippine shares of stock is exposed to the following risks:

- **Business Risk.** Stockholders as fractional owners of corporations share in the fortunes of the business. The rise and fall of stock prices often reflect the market's perception of the prospects of corporations and their management to reward stockholders for taking risks unique to each business. Business risk can be reduced through diversification.
- **Country/Political Risk.** Securities can be affected by the political, economic and social structures within the countries of their issuers, such as internal and external conflicts, currency devaluations, foreign ownership limitations, trading costs and tax increases.
- **Market Risk.** Market risk is the risk that the value of the fund investment will be negatively affected by the fluctuations in the price level of its underlying instruments.
- **Inflation Risk.** Affecting all investments, inflation reduces the purchasing power of money.
- **Liquidity Risk.** Liquidity is a measure of how easy it is for a security to be converted into cash. A liquid security is widely held and is frequently traded by many buyers and sellers every day. This is minimized by investing in marketable securities.
- **Interest Rate Risk.** The value of fixed income investments such as notes and bonds generally fall when interest rates rise. The potential for loss is typically greater for securities that have a longer term to maturity, have a longer duration or have a lower yield or coupon rate.
- **Reinvestment Rate Risk.** This is the risk of reinvesting interest earnings at a rate lower than the original investment.
- **Credit Risk.** Bonds represent a loan made to the issuer of the bond. The credit worthiness of the bond issuer is the issuer's ability to pay interest and principal on time, which can change during the life of the bond. Issuers with a higher risk of defaulting pay the highest yields.
- **Risks specific to Feeder Funds:**

As Feeder Funds invest substantially all of their assets in shares of other collective investment schemes, unitholders are exposed to other unique risks of feeder funds.

 - The success of the Feeder Funds will be significantly dependent upon the Target Fund's portfolio managers and their expertise and ability to attract and retain suitable staff.
 - There is also the risk of loss due to intentional or inadvertent deviations from the portfolio managers' communicated investment strategy, including excessive concentration, directional investing outside pre-defined ranges, fraud, excessive risk taking or simply poor judgment. The portfolio managers may use proprietary investment strategies or complex models that are not fully disclosed to Sterling Bank. Redemptions and contributions may be delayed due to disruption or delay in transmission of data and funds between Feeder Funds and Target Funds

V. Admission and Redemption (Art. III)

A. Policies of Admission and Redemption

1. **Minimum Initial Participation** The minimum initial investment/participation in the Fund is Php 5,000.00 and succeeding investment/s is at least Php 1,000. There is a minimum maintaining balance of Php 1,000 for participants to maintain in the Fund. Any redemption to the participant's fund which triggers the balance to fall below the minimum maintaining balance of Php 1,000.00 shall be subject to the redemption policy stated below.
2. **Minimum Holding Period** The minimum holding period is thirty (30) calendar days from the date of participation. Any redemption made earlier than the required thirty (30) calendar day holding period shall be subject to an early redemption fee as stipulated herein.
3. **Admission and Redemption Cut-off Time** Admission and/or notice of redemption may be accepted on any banking day subject to an 11:30 a.m. cut-off time. The cut-off time may be amended by the Trustee, in accordance with Article IX Section 1 of the Declaration of Trust and subject to BSP Approval, upon which all branches distributing the said UITF shall be considered as transaction for the next applicable banking day
4. **Admission and Redemption Prices** Admission and redemption prices shall be based on the prevailing market value of underlying investments of the Fund at that time, in accordance with existing BSP rules and regulations on marking to market valuation of investment instruments.
5. **Admission and Redemption Conditions**
 - a) **Participation Conditions** Application to purchase are subject to confirmation as to the amount of units and applicable NAVpu. The Trustee reserves the right to accept or reduce the amount of units indicated in the Application Form at its sole discretion. When admitted, the Participating Trust Agreement shall be made available to the participant on the day of transaction (T+0) and/or the Confirmation of Participation (Appendix IV) shall be made available to the participant within three (3) banking days after the transaction date (T+3).
 - b) **Redemption Notice Period** When redeeming, the notice of redemption is also the transaction date (T+0). The participant in the Fund may redeem its participation on any banking day subject to the redemption cut-off procedure provided that notice of redemption, in any form acceptable to the Trustee, is acknowledged/received by the Trustee three (3) banking days prior to settlement date. Requests for redemption shall be dealt with by the Trustee in chronological order according to the day that notice is received. Such conditions are also applicable for partial redemption.
 - c) **Redemption Proceeds** Proceeds of full or partial redemption shall be paid out of the Fund on the redemption settlement date of three (3) banking days after transaction date (T+3). The NAVpu on the transaction date shall be used to compute the value of the redeemed units.
 - d) **Early Redemption** Redemptions made prior to the completion of the minimum thirty (30) calendar day holding period shall be subject to an early redemption fee.
 - e) **Early Redemption Fee** An early redemption fee equivalent to 0.50% of the redemption proceeds shall be charged to the concerned Participant in case of redemption prior to the completion of the minimum thirty (30) calendar day holding period.
 - f) **Policy for Partial Redemption** Partial redemption is allowed. A new Confirmation of Participation reflecting the NAVpu at the time of original contribution will be issued to the participant for the remaining unredeemed units. There is no need to compute for the NAVpu of the remaining unredeemed participation since it will not be affected by the partial redemption.
 - g) **Redemptions resulting to the account falling below the required maintaining balance of Php 1,000.00** The required maintaining

participation to stay in the Fund is Php 1,000.00. Any redemptions made by the participant that shall result in the account falling below the required maintaining balance of Php 1,000 shall trigger an automatic withdrawal of the entire account of the participant of the Fund. However, maintaining balance that fall below Php 1.000 which is caused by market movements or price fluctuations shall not trigger an automatic withdrawal by the system.

6. **Suspension of Admission and Redemption** The trustee of the Fund may temporarily suspend calculation of the NAV/NAVpu of the Fund as well as admission to and redemption from the Fund, due to suspension of the target fund, or 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.

B. Currency and Interest in the Fund

1. Participation in the Fund shall at all times be composed of units representing equal interest in the Fund, without interest priority of one over the other. The interest of each participant in the Fund shall be recorded by the Trustee in the Record of Participation.
2. The Fund's currency shall be in Philippine Pesos and will have an initial value for each unit of Php1 00000.
3. Upon receiving the contribution/investment in the Fund, the Trustee shall divide the principal by the prevailing NAVPu, which shall be up to five decimal places, on the date of participation.
4. Investments in the Fund shall be in minimum amount of **Five Thousand Pesos (Php5,000.00)**, the equivalent of which in terms of units will vary depending on the prevailing NAVPu at any given time. Any additional placements which shall also be the minimum maintaining participation in the Fund shall be any amount not less than **One Thousand Pesos (Php1,000.00)** or any amount as may be set by the Trustee from time to time, subject to the provisions of Subsection of Plan Rules under Section 414, Unit Investment Trust Funds of the MORB.

C. Evidence of Participation

A Participating Trust Agreement shall be issued to every Trustor/Participant to the Fund by the Trustee on account opening date. It shall be based on the standards prescribed by the BSP under Subsection of Minimum Disclosure Requirements – Evidence of Participation under Section 414, Unit Investment Trust Funds of the MORB.

A Confirmation of Participation (COP) shall be issued by the Trustee to the Trustor/Participant for any subscription made by the particular Trustor/Participant after the actual subscription has been settled. It shall be system generated and shall be based on the standards prescribed by the BSP under Subsection of Minimum Disclosure Requirements – Evidence of Participation under Section 414, Unit Investment Trust Funds of the MORB.

VI. Net Asset Value Per Unit (Art. V, Secs. 1 and 2)

- A. All assets of the Fund shall be marked to market daily in accordance with existing BSP Rules and regulations on marking to market valuation of investment instruments.
- B. Valuation Day shall mean any day in which banks are open for business in Metro Manila.
- C. The value of the NAVpu at the start of the Fund's operation shall be One Peso (Php1.00000).
- D. NAVpu The value of the NAVpu is computed by dividing the Net Asset Value (NAV) of the Fund by the number of outstanding units. The NAV is derived from the summation of the market value of the underlying securities of the Fund plus accrued interest income less liabilities and qualified expenses. Gains from investment is realized when the NAVpu at the time of redemption higher than the NAVpu at the time of participation.
- E. As a feeder fund invested substantially in the target fund. The end-of-day net asset value per share (NAVps) of the target fund shall be used in determining the marked-to-market

value of the feeder fund. The cut-off time for pricing the target fund is 3:30pm or the current closing time of trading hours of the Philippine Stock Exchange. The trustee shall calculate the NAVpu upon receipt of the target fund's NAVps which shall be made available to unitholders by 8:00pm. The feeder fund's NAVpu shall be made available to participants not later than 9:30am, the following business day (Declaration of Trust, Article V, Section 2.c.)

F. The NAVpu of the Fund may be viewed in the following websites:

www.sterlingbankasia.com
www.uitf.com.ph

VII. Trust Fee

A. The Trustee shall collect from the Fund a trust fee of one percent per annum (1.00% p.a.) based on the NAV of the Fund which shall be accrued daily and shall be collectible at the end of each month (Art. V, Sec 3).

The Trustee reserves its rights to amend its trust fee accordingly, in accordance with Article IX Section 1 of the Declaration of Trust, for reasons including but not limited to persistently adverse market conditions, or the need to attract investment to achieve a critical mass for optimum investing. At no time shall the trust fee exceed 1.00% without properly informing the investors within thirty (30) calendar days prior. An early redemption fee equivalent to 0.50% of the redemption proceeds shall be charged to the investor in cases of redemption prior to the completion of the minimum thirty (30) calendar day holding period.

B. Philequity Management, Inc. has a contingent management fee of 1.50% per annum based on the average net asset value of investment, computed on a daily basis, and deducted from the investment's gross value. Thus, the daily published net asset value per share (NAVps) of Philequity Fund is already net of the said management fee.

For this Feeder Fund Arrangement, the target fund is waiving the following customary fees:

1. front load fee ranging from 0.25% to 3.50% and is an outright deduction from capital investment
2. exit fee ranging from 1.50% to 2.0% of investment redemptions made within 2 years from the time of investment.

C. Summary of Fees

Table below contains a comparison of the fees charged to direct investors of Philequity Fund, Inc. and investors to the Sterling Bank Philequity Feeder Fund:

	Philequity Fund, Inc.	Sterling Bank Philequity Feeder Fund
Sales Load Fee	0.25% - 3.50%	Waived
Holding Period	2 years	30 calendar days
Early Redemption Fee	2.00% for investments < 1 year 1.50% for investments of 1-2 years	0.50% of the redeemed investment proceeds
Annual Management Fee	1.50% p.a.	None for the Feeder Fund; target fund, however, imposes the annual fee
Trust Fee	None	1.00% p.a.

The annual management fee charged by PEMI in Philequity Fund Inc. is borne by all investors of the fund, including the Sterling Bank Philequity Feeder Fund as it has been deducted in the NAVps computation. The Computation of the Annual Management Fee is discussed in detail in Section VII B of Appendix I.

VIII. Other Terms and Conditions

A. Third Party Custodian

Investment in target funds of a unit investment trust fund structured as an investor fund shall be held for safekeeping by an institution registered, authorized and approved by a relevant regulatory authority in its home jurisdiction to act as a third party custodian. Philippine Depository Trust Corporation is the third party custodian of the feeder fund.

The target fund's custodian bank is the Philippine Depository Trust Corporation while their transfer agent is BDO, Inc.

B. Consumer Protection Framework (BSP Circular 1048 Series of 2019)

The Trustee shall ensure to conduct ethical business practices and not engage in practices that may cause harm to the consumer as well as consider consumer outcomes in the conduct of the business, covering the following:

1. Disclosure & Transparency. The Trustee must ensure that consumers have a reasonable holistic understanding of the products and services which they may be acquiring or availing.
2. Protection of Client Information. Financial consumers have the right to expect that their financial transactions, as well as relevant personal information disclosed in the course of a transaction, are kept confidential and are secured.
3. Fair Treatment. This principle ensures that financial consumers are treated fairly, honestly, and professionally at all stages of its relationship with the Trustee.
4. Effective Recourse. Financial consumers should be provided with accessible, affordable, independent, fair, accountable, timely, and efficient means for resolving complaints with their financial transactions.
5. Financial Education and Awareness. Financial education initiatives give consumers the knowledge, skills, and confidence to understand and evaluate the information they receive and empower them to make informed financial decisions.