

Prior to making an investment in any of Philippine National Bank (PNB) Unit Investment Trust Funds (UITFs), PNB is hereby informing you of the nature of the UITFs and the risks involved in investing therein. As investments in UITFs carry different degrees of risk, it is necessary that before you participate in these UITFs you should have:

1. Fully understood the nature of the investment in UITFs and the extent of your exposure to risks;

2. Read this General Risk Disclosure Statement completely; and

3. Independently determined that the investment in the different UITFs is appropriate for you.

When investing in UITFs, there are specific risks involved because the value of your 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. 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.

INVESTMENT IN THE UITF DOES NOT PROVIDE GUARANTEED RETURNS EVEN IF INVESTED IN GOVERNMENT SECURITIES AND HIGH-GRADE PRIME INVESTMENT OUTLETS. YOUR PRINCIPAL AND EARNINGS FROM INVESTMENT IN THE UITF MAY BE LOST IN WHOLE OR IN PART WHEN THE NAVpU OF THE UITF AT THE TIME OF REDEMPTION IS LOWER THAN THE NAVpU AT THE TIME OF PARTICIPATION. Gains from investment are realized when the NAVpU at the time of redemption is higher than the NAVpU at the time of participation.

Your investment in any of the PNB UITFs may expose you to the various types of risks enumerated and defined hereunder:

Type of Risk
INTEREST RATE RISK
The UITF portfolio, being marked-to-market, is affected by changes in interest rates thereby affecting value of fixed income investments such as bonds, among others. Interest rate changes may affect the prices of fixed income securities inversely, i.e., as interest rates rise, bond prices fall and when interest rates decline, bond prices rise. As the prices of bonds in a Fund adjust to a rise in interest rates, the Fund's unit price may decline.
MARKET/PRICE RISK
It is the risk of the UITF to lose value due to a decline in securities prices, which may sometimes happen rapidly or unpredictably. The value of investments fluctuates over a given time period because of general market conditions, economic changes or other events that impact large portions of the market such as political events, natural calamities, etc. As a result, the NAVpU may decrease and the UITF may incur losses.
LIQUIDITY RISK
Liquidity risk occurs when certain securities in the UITF portfolio may be difficult or impossible to sell at a particular time which may prevent the redemption of investments in UITF until its assets can be converted to cash. Even government securities which are the most liquid of fixed income securities may be subject to liquidity risk particularly if a sizeable volume is involved.
CREDIT/DEFAULT RISK
This is the risk of losing value in the UITF portfolio in the event the borrower/issuer defaults on his obligation or in the case of counterparty, when it fails to deliver on the agreed trade. This decline in the value of the UITF happens because the default/failure would make the price of the security go down or may totally lose value. As these happen, the NAVpU of the UITF will be affected by a decline in value.
REINVESTMENT RISK
This is the risk of having lower returns on earnings when maturing funds or the interest earnings of funds are reinvested. Participants of the UITF are exposed to the risk of the fund manager’s ability or lack thereof, to reinvest maturing proceeds in alternative investment outlets at equivalent, if not better yield rates.
FOREIGN EXCHANGE RISK
It is the risk of the UITF to currency fluctuations when the value of investments in securities denominated in currencies other than the base currency of the UITF depreciates. Conversely, it is the risk of the UITF to lose value when the base currency of the UITF appreciates. The NAVpU of a peso-denominated UITF invested in foreign currency-denominated securities may decrease thus incurring losses when the peso appreciates.
COUNTRY RISK
Country risk occurs when investors experience losses arising from investments in securities issued by/in foreign countries due to political, economic, and social structures of such countries.
OTHER RISKS
Your participation in the UITFs may be further exposed to the risk of any actual or potential conflict of interest in the handling of in-house or related party transactions by PHILIPPINE NATIONAL BANK. These transactions may include own-bank deposits; purchase of own-institution or affiliate obligations (stocks, mortgages), or purchases or sales between fiduciary/managed accounts.
Since risks vary depending on the underlying investments of the fund, it is recommended to diversify investments into different types of funds as a tool to mitigate the aforementioned risks.