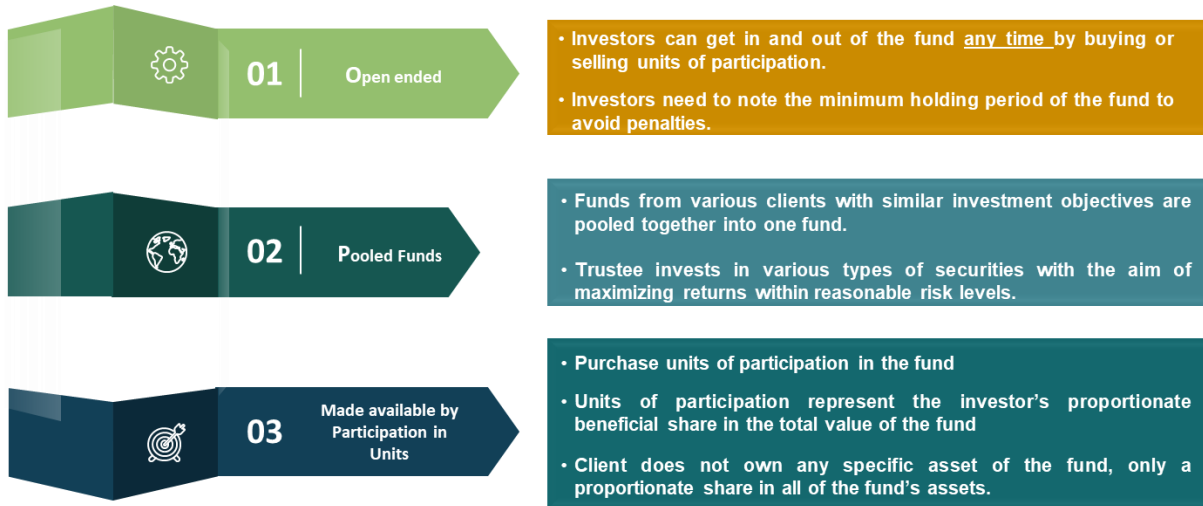


# Unit Investment Trust Funds (UITF) FAQs

## • What is a Unit Investment Trust Fund (UITF)?

It is an open-ended pooled trust fund in any acceptable currency, operated by a trust entity and made available by participation. It was created by virtue of BSP Circular No. 447 dated September 3, 2004, in order to align the operation of pooled funds under management by trust entities with international best practices and to ensure differentiation from bank deposits and other direct liabilities of the financial institution.



## • What is the difference between a UITF and a CTF (Common Trust Fund)?

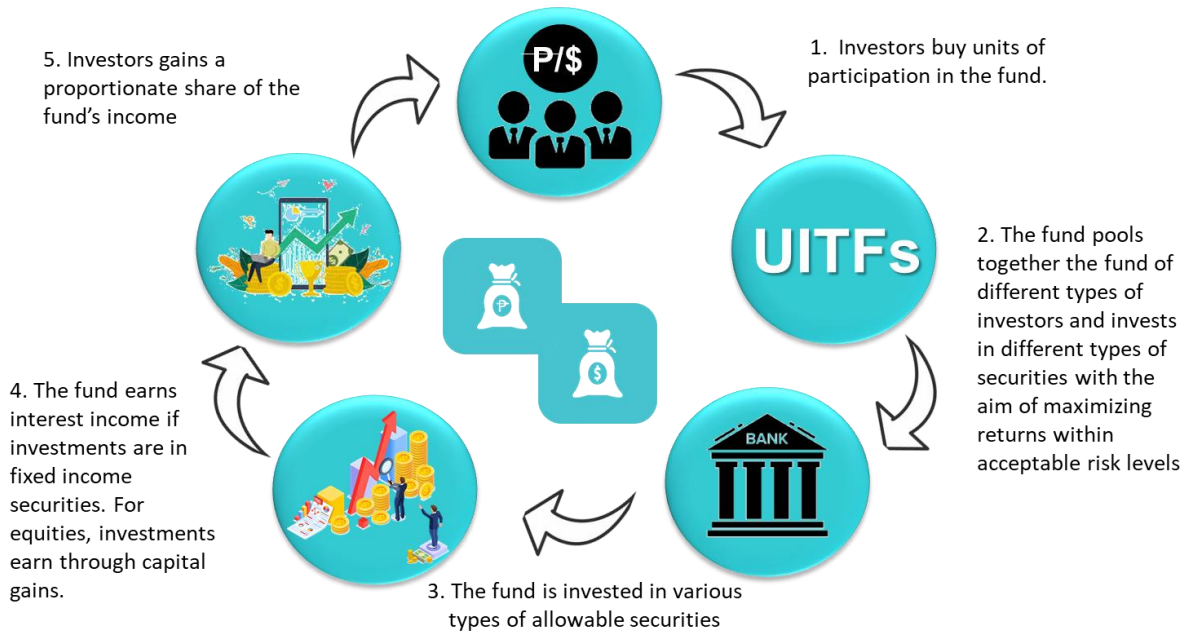
The most glaring difference between a UITF and its predecessor, the CTF, is the valuation methodology. CTF is valued based on the traditional way of accruing or adding interest on investments to the principal. This method generally results in a steadily increasing NAVPU. UITF is valued based on the market value of each investment in the Fund (i.e., marked-to-market valuation). It takes into account the accrued interest (and dividends where the fund is invested in equities) plus unrealized gains or losses of the investments given their prevailing market prices. As such, UITF NAVPU may fluctuate depending on the volatility of the prices of various assets held by the fund.

## • What is the Marked-to Market Valuation?

The marked-to-market valuation provides the investor with a more accurate and fair value of his investments at any given time. It ensures that no participant in the fund is put at a disadvantage as a consequence of new investors coming in or of existing investors getting out of the fund. The marked-to-market methodology is in accordance with international best practices.

It also allows the fund manager to take advantage of trading/market opportunities that may arise, thus enhancing potential returns for its investors.

• **How does a UITF Work?**



• **What are the allowable investment outlets for UITFs?**

 **Fixed Income**

 **Equities**

- Deposits
- Government Securities
- Corporate Bonds/Notes

- Common Shares
- Preferred Shares

• **What are the different UITF classifications?**



invests in bank deposits and fixed income securities with remaining terms to maturity of not more than three (3) years and has a weighted average portfolio life of one (1) year or less



invests in fixed income instruments and has a weighted average portfolio life of more than one (1) year.



invests in a diversified portfolio of fixed income securities, equities, and other allowable investments for UITFs.



has at least 80% of its net asset value in equities.

• **What are the different UITF structures?**



**Feeder Funds**

A UIT Fund structure that mandates the fund to invest at least 90% of its assets in a single collective investment scheme.



**Fund of Funds**

A UIT Fund structure that mandates the fund to invest at least 90% of its assets in more than one (1) collective investment scheme.



**Distributing Funds**

has an income distribution feature whereby the income of the distributed in the form of units called unit income.



**Multi-Class Fund**

A type of fund with more than one class of units which can be differentiated based on the level of trustee fees and expenses, minimum participation, minimum holding period, and target participants

• **Who can invest in a UITF?**

UITF's are available to both corporate and retail investors, who, for a small investment amount, can take advantage of investment privileges normally accessible to investors with sizable funds.

- **Can a client invest in more than one type of UITF?**

Yes. Clients may diversify their investments across various UITFs as long as the objectives and mechanics of the funds are suitable to their requirements.

- **How do I participate in a UITF? Subsequently, how do I redeem my investments?**

To be an investor, you must acquire units of participation in the UITF at the prevailing price for the day, called the Net Asset Value per unit (NAVpu).

On the other hand, should you decide to redeem your participation in the UITF, you may compute for your proceeds by multiplying the number of units to be redeemed by the prevailing NAVpu for the day. Sample computation is as follows:

Amount invested: P1,000,000  
 Date of subscription: June 1, 2022  
 NAVpu on the date of subscription: 1.251234  
 No. of units of participation = Amount invested/NAVpu  
 = Php100,000/1.251235  
 = 799,211.018882 units

A year after, on June 1, 2023, the client decided to redeem his investments in full. The NAVpu at the time of redemption was 1.305678

The proceeds of the client's investment is computed as follows

Redemption proceeds = No. of units x NAVpu at the time of redemption  
 = 799,211.018882 x 1.305678  
 = Php1,043,512.24

Net income of the client is as follows:

Net Income = Redemption Proceeds – Initial Investment Amount  
 = Php1,043,512.24– Php1,000,000.00  
 = Php43,512.24

The client's One year Return on Investment (ROI) is computed as follows:

Year-on-Year ROI = (Present Value of the Investment – Original Investment Amount)/Original Investment Amount  
 = (Php1,043,512.24– Php1,000,000.00)/Php1,000,000  
 = 4.35%

- How is the Net Asset Value (NAV) and NAVpu calculated?

The NAV is the summation of the market value of each investment less fees, taxes, and other qualified expenses as illustrated below:



ASSETS	
Cash/Deposits	1,000,000.00
Market Value of each investment	255,123,456.00
Accrued interest on deposits/ FI securities	106,301.44
All other assets and receivables	21,260.29
<b>Gross Asset Value</b>	<b>256,251,017.73</b>
LIABILITIES	
Accrued Taxes Payable	1,771.69
Accrued Trust Fees Payable	10,677.13
Other Accrued Expenses	4,000.00
Accounts Payable	12,000.00
All Other Liabilities	5,000.00
<b>Total Liabilities</b>	<b>33,448.82</b>

<b>Net Asset Value</b>	<b>256,217,568.91</b>
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The NAVpu is the current net market value of each unit of participation in the fund. It is calculated by dividing the Net Asset Value (NAV) by the fund’s total number of outstanding units.



<b>Net Asset Value</b>	<b>256,217,568.91</b>
<b>Outstanding Units*</b>	<b>255,111,345.125464</b>
<b>NAVPU</b>	<b>1.004336</b>

- **Where can investors track the NAVpu?**

The NAVpu shall be calculated everyday including holidays and will be declared on each business day in accordance with BSP rules and regulations. The NAVpu, as well as the Return on Investment (ROI) of the fund is available in the PNB website at [www.pnb.com.ph](http://www.pnb.com.ph).

- **Is there an indicative or guaranteed yield for UITFs?**

Since UITFs are subject to the marked-to-market valuation method, the NAVPU may fluctuate depending on the volatility of the market. As such, indicative rates cannot be quoted by the trustee. Yields are variable and cannot be guaranteed. Historical performance of the fund may provide an indication of how well the trustee is managing the fund, but this is not a guarantee of future performance.

- **Is the UITF covered by the Philippine Deposit Insurance Corporation (PDIC)?**

No. The PDIC only covers deposit accounts. However, a UITF is just as safe as a deposit account especially if invested through a reputable trust institution, like PNB, which has instituted elaborate safeguards in compliance with BSP rules and industry best practice to ensure that investments are managed in the best interest of the investor.

- **What is the evidence of investment in the Fund?**

Every investment will be issued a corresponding Confirmation of Transaction (COT). A Participation Trust Agreement (PTA) will be also given to document an investor's initial investment/participation in the UITF.

- **When does the investor get the proceeds of the UITF investment?**

Redemptions proceeds are credited to the client's UITF settlement account based on the fund's settlement date, which can be found in the fund's Declaration of Trust.

- **What are the risks of investing in a UITF?**

A client investing in a UITF product should be prepared to absorb the following potential risks:

- a. Interest Rate Risk – the potential for an investor to experience losses due to changes in interest rates;

- b. Market/Price Risk – the potential for an investor to experience losses due to changes in the market prices of securities (e.g. bonds and equities);
- c. Liquidity Risk – the inability to sell or convert assets into cash quickly or where conversion to cash is possible but at a loss;
- d. Credit/Default risk – the risk of loss due to a borrower or issuer’s failure to repay principal and/or interest on securities issued;
- e. Reinvestment Risk – the possibility of having lower returns or earnings when maturing funds or the interest earnings of funds are reinvested;
- f. Foreign Exchange Risk – the possibility for an investor to experience losses due to fluctuations in foreign exchange rates; and
- g. Country Risk – the possibility for an investor to experience losses arising from investments in securities issued by/ in foreign countries due to the political, economic and social structures of such countries.

- **What are the benefits of investing in a UITF?**

1 Affordability

Lower minimum principal requirement compared to direct investments

2 Better earnings potential

Exempt from reserve requirements; Marked-to-market gains

3 Diversification

Easiest way to minimize investment risk

4 Liquidity

Redeemable anytime

5 Professional Fund Management

Managed by a team of experienced fund managers

6 Transparency

Weekly publication of prices

7 Regulated Product

BSP Circular No. 447 & Amendatory Circulars