

DECLARATION OF TRUST

PNB High Dividend Fund A Unit Investment Trust Fund

KNOW ALL MEN BY THESE PRESENTS:

PHILIPPINE NATIONAL BANK, a banking corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at the 3/F, PNB Financial Center, President Diosdado Macapagal Boulevard, Pasay City, with authority to perform trust and other fiduciary functions, acting herein through its Trust Banking Group _ (herein 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 Fund – The pooled fund shall be known as the **PNB High Dividend Fund** (herein referred to as the "Fund").
- Sec. 2 Nature of the Fund –The Fund is a unit investment trust fund of the Philippine National Bank established in accordance with and shall be operated subject to the stipulations of this Declaration of Trust 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.

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.

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 PNB High Dividend Fund, an Equity Fund, shall be described in Appendix I hereto.

*September 18, 2013 – date of last BSP approval

- Sec. 3 Investment Objectives and Policy – The 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 in the form prescribed under Appendix 62 of Subsection X410.7 of the Manual of Regulation for Banks hereto attached as Appendix II.

Article III

PARTICIPATION: ADMISSION & REDEMPTION

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

If the result of CSA shows that the client is not suited for this Fund yet the client still decides to invest anyway, the Trustee shall require the client to sign a waiver to disregard the results of his/her client suitability assessment.

The CSA shall be subject to review every three (3) years. Should there be any change in the client's personal/financial circumstances or preferences prior to three years, he/she should immediately request the UITF Marketing personnel for a new profiling process and revisions shall be made accordingly.

Participation in the 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 Fund.

Admission to the Fund can be done via any PNB branch and through the PNB UITF Online, in accordance with the provisions stated in item 4c of Appendix 1.

- Sec. 2 Participation Units - Participation in the Fund shall always be through participation in units of 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 distribution 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:

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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 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 be uniformly applied to all participants in the Fund. Said fee may be increased or decreased in the future as may be warranted by circumstances then existing, subject to the requirements of Subsection UX410.6/U4410Q.6 of the Manual of Regulations for Banks and the Manual of Regulations for Non-Bank Financial Institutions. 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.

Article VI

TRUSTEES POWERS & 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 at any time to sell, convert, reinvest, exchange, transfer or otherwise change or dispose of the assets comprising the 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 or manager of a portion of the 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 Fund.

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

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- 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, 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 Fund with full discretionary powers, and without distinction, as to principal and income in investments stipulated in Article II, Section 3 hereto and in such investments it may deem sound and appropriate, subject only to the limitations 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 UX410.8/ U4410Q.8 of the Manual of Regulations for Banks and the Manual of Regulations for Non-Bank Financial Institutions;
- e. To register or cause to be registered any securities of the Fund in nominee or bearer form;
- f. To appoint and retain the services of qualified and reputable local or foreign investment advisor and/or fund manager/s; provided, however, that the Trustee shall retain ownership and control of the 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 Fund;
- g. To hire and compensate legal counsel/s, certified public accountant and other specialist/s in connection with administration and management of the Fund and the protection or advancement of its legal and other 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 receipt for 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.

Sec. 3 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 Fund or in the value of the Trustor’s participation in the 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 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 loss of the 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 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 Fund shall be made available to participants. Such disclosure shall be substantially in the form as provided under Appendix 62 of Subsection X410.7 of the Manual of Regulations for Banks. Notwithstanding the disclosure requirement in the form prescribed under Appendix 62 mentioned above, 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 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.

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 Fund shall be immediately notified of such amendments and those who are not in conformity with the amendments made shall be allowed to withdraw their participations within (30) calendar days after the amendments are approved or such longer period as may be fixed by the Trustee: *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 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 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 Fund, the Trustee shall provide notice of the

termination of the Fund to the remaining participants. 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 of the Fund which shall be made the basis for distribution to the participating Trustors.

IN WITNESS WHEREOF, Philippine National Bank has caused this Amended Declaration of Trust to be signed on _____, 2017 at Pasay City, Metro Manila.

PHILIPPINE NATIONAL BANK
Trust Banking Group
Trustee

By:

ROBERTO S. VERGARA
FVP & HEAD, TRUST BANKING GROUP

REVISED NOVEMBER 2017

PNB High Dividend Fund
FUND SPECIFICATIONS

1. Investment Objective

- a) The PNB High Dividend Fund is a peso denominated, equity fund that seeks dividend income and long-term capital appreciation by investing in listed companies belonging to the PSE with history of paying dividends and with dividend yields that meet the yield requirement as determined by the Fund Manager and approved by the PNB Investment Review Committee.
- b) This Fund is suited for aggressive investors who are aware of the potential for high yields in stock markets investments, and are also willing to take the corresponding risk of such investments. In order to minimize the possibility of risks and maximize the earning potential of their investments, the participants/trustors are recommended to stay invested in the fund for at least 5 years.
- c) Return Objective. The Fund aims to outperform its benchmark, which is 100% PSEi.

2. Investment Policy

The PNB High Dividend UITF may invest and reinvest in 100% Philippine stock market listed equities to form the representative stock basket. The representative stocks shall be chosen from among the PSE stocks with history of paying dividends and with dividend yields that meet the yield requirement as determined by the Fund Manager and approved by the PNB Investment Review Committee. The required cumulative number of years of paying dividend, the number of stocks and the percentage weight of each stock to the portfolio shall also be determined by the Fund Manager and approved by the Investment Review Committee.

Recalculation of the representative stocks shall be made every 15th of the month and rebalancing shall be effected within a 5-working day period. Any breaches shall be reported to the Investment Review Committee. Traded but unsettled stocks shall be considered as part of the rebalanced portfolio.

Special Recalculation. The Trust Investment Review Committee may at any time call for a special recalculation of the representative stocks should there be major volatility or any situation/s that may warrant the revision of the representative stock basket.

3. Qualified Participants : Requirements and Restrictions

Participation in the Fund shall be open to individual or collective reference to persons, natural or juridical.

4. Admission and Redemption

- (a) Policy on Admission and Redemption.
 - Minimum Initial Participation. The minimum amount of initial participation/contribution is Php 10,000.

- Minimum Maintaining Participation. The minimum maintaining participation is Php 10,000.
 - Minimum Additional Participation. The minimum additional contribution is Php 10,000.
 - Minimum Holding Period – The minimum holding period of the participation is 30 calendar days from the date of participation.
- (b) Admission and Redemption Cut-off Time. Admission and/or notice of redemption received by the Trustee on or before the cut-off time of 1:00 P.M. shall be considered as transaction for the day. However, admission/notice of redemption received after the cut-off time shall be considered as transaction for the next applicable banking day. Upon admission, the Participating Trust Agreement and/or Confirmation of Participation shall be made available to the Participant. For participations done via the PNB UITF Online Facility, the client will be provided with an electronic copy of his/her Participating Trust Agreement (PTA) and Confirmation of Participation (COP). Proceeds of redemption shall be paid out of the Fund on the redemption settlement date of 3 banking days after transaction date.
- (c) Modes of Participation. Participations in the Fund can be done via the following channels:
- Any PNB Branch – Participants will be provided with a physical copy of their Participating Trust Agreement (PTA) and Confirmation of Participation (COP). The PTA is made available to the participant on the day of participation while the COP is made available one day after transaction date.
 - PNB UITF Online – Participants will be provided with an electronic Participating Trust Agreement (ePTA) and an electronic Confirmation of Participation (eCOP). The ePTA is made available to the participant on the day of transaction while the COP is made available one day after transaction date. The PNB UITF Online shall be limited to existing PNB depositors only. This ensures that a face-to-face interaction (KYC) with the client has already been conducted at the client's maintaining branch and that the true identity of the client has been ascertained.
- (d) 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.
- (e) Participation Requirements and Condition. Contributions to the Fund by clients shall always be through participation in units of the fund and each unit shall have uniform rights or privileges, as any other unit.
- (f) Redemption Requirements and Conditions. Redemption shall also be subject to the following requirements/conditions:
- Redemption Notice Period. The participant in the Fund may redeem his/her participation on or before 1:00 P.M of any Banking Day by presenting his/her Confirmation of Participation to the Trustee. Each request for redemption shall be dealt with by the Trustee in chronological order as received.

- For redemptions to be done via the PNB UITF Online Facility, the client must select the specific COP that he/she wishes to redeem. Once the client clicks the “submit” button, the system shall immediately process the redemption request. The client will receive an email notification containing the details of his/her redemption. Once a full redemption has been processed, the redeemed COP shall no longer appear in the client’s portfolio screen. For partial redemptions, the client’s COP will automatically be revised and will reflect the remaining principal and units of participation while maintaining the same COP number. All redemptions, whether full or partial, shall immediately be reflected in the redemption history screen.
 - Early Redemption Fee. An early redemption fee equivalent to fifty percent (50%) of the income earned if any, by the participation from the date of admission up to the date of redemption shall be charged to the concerned Participant in case of redemption prior to the completion or lapse of the minimum holding period. For partial redemption, the early redemption fee shall be charged only to the income of the partially redeemed amount and not to the income of the entire participation. Such fee shall form part of the Fund.
 - Policy for Partial Redemption. Should a client wish to redeem only a portion of his investment, the unredeemed amount will be issued a new COP which will reflect the remaining balance of units and the NAVPU at the time of the original contribution. However, the remaining unredeemed amount should conform to the minimum investment amount required. When making a partial redemption, the participant shall surrender the old COP prior to the issuance of a new one.
 - A participation in the Fund may be redeemed without penalty, in whole or in part, on the valuation date following the lapse of the 30 day holding period from the date of its admission. The participant shall present the Confirmation of Participation to the Trustee when making redemption.
- (g) Suspension of Admission and Redemptions. 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, if it is unable to determine the NAVPU of the 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.

5. NAVpU

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. The benchmark or reference prices shall be based on the weighted average of done or executed deals in a trading market registered with the Securities and Exchange Commission (SEC). In the absence of done deals, the simple average of all firm bids per benchmark tenor shall be used in calculating the benchmark; provided that the simple average of all firm offer per benchmark tenor shall likewise be included as soon as permissible under securities laws and regulations. In particular, marking-to-market of government securities shall use the new done deals based on Philippine Dealing System Treasury R2 (PDST-R2) Reference Rates as benchmark to be issued by the Philippine Dealing and Exchange Corporation as Self Regulating Organization Calculation Agent. The basis for pricing/valuation of equity securities shall be the end of day closing prices of the Philippine Stock Exchange.

Valuation Day shall mean any business day wherein the Net Asset Value Per Unit of the Fund is calculated by the Trustee with the provisions of this Plan.

The value of the NAVPU at the start of the Fund's operation shall be: PHP 1.00.

The NAVPU of the Fund shall be computed daily and shall be published after 7:00PM in the Trustee's website (www.pnb.com.ph).

6. Fees

The Trustee shall collect from the Fund trust fees in the amount equivalent to 2.0% per annum based on the fund value which shall be accrued daily and shall be payable quarterly in arrears. Fund value is defined as the net asset value before trust fees.

7. Other Terms Conditions

Investment in securities of the Fund shall be held for safekeeping by Deutsche Bank AG, Manila or other BSP accredited third party custodian that may be assigned by the Trustee in the future. The third party custodian shall perform independent marking to market of such securities.

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