

Prior to making an investment, BPI AMTC is hereby informing you of the nature of investments and the risks involved in investing therein. As investments generally carry different degrees of risk, it is necessary that before you make any investment, you should have:

- Fully understood the nature of investments and the extent of your exposure to risks;
- Read this Risk Disclosure Statement completely; and,
- Independently determined that the investment is appropriate for you.

Enumerated and defined below are the various risks you are normally exposed in investing depending on the type of the underlying assets of the portfolio. BPI Investment Funds do not provide guaranteed returns and are not covered by the Philippine Deposit Insurance Corporation (PDIC).

There are risks involved in investing in BPI Investment Funds because the value of your investment is based on the Net Asset Value per Share/Net Asset Value per Unit (NAVPS/NAVPU) of the BPI Investment Fund which uses a marked-to-market valuation and therefore may fluctuate daily. The NAVPS/NAVPU is computed by dividing the Net Asset Value (NAV) of the BPI Investment Fund by the number of outstanding shares/units. The NAV is derived from the summation of the market value of the underlying securities of the BPI Investment Fund plus accrued interest income less liabilities and qualified expenses.

INVESTMENT IN THE BPI INVESTMENT FUNDS DOES NOT PROVIDE GUARANTEED RETURNS EVEN IF INVESTED IN GOVERNMENT SECURITIES AND HIGH-GRADE PRIME INVESTMENT OUTLETS. THE PRINCIPAL AND EARNINGS FROM YOUR INVESTMENT CAN BE LOST IN WHOLE OR IN PART WHEN THE NAVPS/NAVPU AT THE TIME OF REDEMPTION IS LOWER THAN THE NAVPS/NAVPU AT THE TIME OF PARTICIPATION. GAINS FROM THE INVESTMENT IS REALIZED WHEN THE NAVPS/NAVPU AT THE TIME OF REDEMPTION IS HIGHER THAN THE NAVPS/NAVPU AT THE TIME OF PARTICIPATION.

Your investment exposes you to the various types of risks enumerated and defined hereunder.

Interest Rate Risk

There is a possibility that an investor may experience losses due to changes in interest rates. The purchase and sale of a debt instrument may result in a profit or a loss because the value of a debt instrument changes inversely with prevailing interest rates.

The Fund's portfolio, being marked-to-market, is affected by changes in interest rates thereby affecting the value of fixed income investments such as bonds. 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 rate, the Fund's market value may decline.

Market/Price Risk

There is a possibility that an investor may experience losses due to changes in market prices of securities (e.g., bonds and equities). The portfolio of a Fund is exposed to uncertain market values due to price fluctuations.

The Fund risks to lose value due to a decline in the prices of securities, 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, and other factors. As a result, the NAVPS/NAVPU may increase to make profit or decrease to incur a loss.

Liquidity Risk

There is a possibility that an investor may experience losses due to the inability to sell or convert assets into cash immediately or in instances where conversion to cash is to be made at a loss. These may be caused by different reasons such as trading in securities with small or few outstanding issues, absence of buyers, limited buy/sell activity or an underdeveloped capital market.

There is liquidity risk when certain securities in the Fund may be difficult or impossible to sell at a particular time which may prevent the withdrawal/redemption of investments until the Fund's assets can be converted to cash. Even government securities which are the most liquid of fixed income securities may be subjected to liquidity risk particularly if a sizeable volume is sought to be traded.

Credit Risk/Default Risk

There is a possibility that an investor may experience losses due to a borrower's failure to pay the principal and/or interest in a timely manner on instruments such

as bonds, loans, or other forms of security which the borrower issued. This inability of the borrower to fulfill its financial obligations may have resulted from adverse changes in its financial condition, thus, lowering credit quality of the security, and consequently lowering the price (market/price risk) which contributes to the difficulty in selling such security. It also includes risk of a counterparty (a party the Fund Manager trades with) defaulting on a contract to deliver its obligation either in cash or securities.

There is a risk that the Fund may experience a reduction in value in the securities which it has invested in, in the event the borrower defaults on its obligation or in the case of counterparty, when it fails to deliver on the agreed trade. This reduction in value of the Fund happens because the default/failure will cause the price of the security to decline and may make the security difficult to sell. As these happen, the Fund's NAVPS/NAVPU will be affected by a decline in value.

Reinvestment Risk

There is a risk associated with the reinvestment of amounts in the Fund in view of the possibility of having lower returns or earnings when maturing funds or interest earnings are reinvested.

Investors who withdraw/redeem and realize their gains are exposed to the risk of generating lower returns if their funds are reinvested in an alternative investment outlet with lower yields. Similarly, BPI AMTC is faced with the risk of not being able to find alternative investments with equal or better yield as some of the securities in the Fund matures.

In case of a foreign-currency denominated Fund or a peso-denominated Fund that is allowed to invest in securities denominated in currencies other than its base currency, the Fund is also exposed to the following risks.

Foreign Exchange Risk

There is a possibility that an investor may experience losses due to fluctuations in foreign exchange rates. The exchange rates depend upon a variety of global and local factors such as but not limited to interest rates, economic performance, and political developments.

The Fund is exposed to currency fluctuations when the value of investments in securities denominated in currencies other than the base currency of the Fund depreciates. Conversely, the Fund may lose value when the base currency of the Fund appreciates.

The NAVPS/NAVPU of a Philippine Peso-denominated BPI Investment Funds invested in foreign currency-denominated securities may decrease when the Philippine Peso appreciates.

The returns of a foreign currency-denominated Fund invested in foreign currency-denominated securities may decrease when converted or translated in Philippine Pesos when the Philippine Peso appreciates.

Country Risk

There is a possibility that an investor may experience losses arising from investments in securities issued by/in foreign countries due to the political, economic and social structures of such countries. There are risks in foreign investments due to the possible internal and external conflicts, currency devaluations, foreign ownership limitations and tax increases of the foreign country involved which are difficult to predict but must be taken into account in making such investments.

Likewise, brokerage commissions and other fees may be higher in foreign securities. Government supervision and regulation of foreign stock exchanges, currency markets, trading systems and brokers may be less than those in the Philippines. The procedures and rules governing foreign transactions and custody of securities may also involve delays in payment, delivery or recovery of investments.

For complex investment products, investment instruments can be subject to sudden and sharp falls in market value which may cause a TRUSTOR to lose the entire investment and extra funding may be required, as necessary.

Index-Tracking Risk

Specifically for index-tracker investments, there is a risk that the Fund's portfolio may not be the same as, and/or may not achieve a high degree of correlation with, the return of an index because of operating and other fund-management related expenses.

Other Risks

A Fund may be further exposed to the risk of any actual or potential conflicts of interest in the handling of in-house or related party transactions by BPI AMTC. These transactions may include parent/affiliate-bank deposits; purchase of own-institution or affiliate obligations (stocks, mortgages); purchase of assets from or sales to own institution, directors, officers, subsidiaries, affiliates or other related interests/parties; or purchases or sales between fiduciary/managed accounts.