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02 MAR 2006  
Dated 2006

**BANK OF THE PHILIPPINE ISLANDS**

as Manager

and

**THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED**

as Trustee

---

TRUST DEED  
Constituting  
ABF PHILIPPINES BOND INDEX FUND

---

CERTIFIED TRUE COPY.

  
EVP - ADELBERT A. LEGASTO

11 APR 2006



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THIS TRUST DEED is made on 02 MAR 2005 2006

BETWEEN

- (A) **BANK OF THE PHILIPPINE ISLANDS**, a company incorporated in the Philippines with its principal office at the BPI Building, Ayala Avenue Makati City, Philippines as the Manager (acting through BPI Asset Management and Trust Group); and
- (B) **THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED**, a banking corporation duly organized and existing under and by the virtue of the laws of Hong Kong SAR and licensed to do business in the Philippines with its trust office address at 30<sup>th</sup> Floor, Discovery Suites, 25 ADB Avenue, Ortigas Center, Pasig as the Trustee.

WHEREAS the Manager has determined to constitute a new unit trust scheme to be called "**ABF PHILIPPINES BOND INDEX FUND**", to be authorized by the Bangko Sentral ng Pilipinas, and the Trustee has agreed to act as trustee of the Trust on the terms set out in this Deed.

THIS DEED WITNESSETH AS FOLLOWS:

1. **DEFINITIONS AND INTERPRETATION**

- 1.1 Unless the context otherwise requires the following words or expressions shall have the meanings respectively assigned to them, namely:-

"Accounting Date" means 31 December in each year, or such other date in each year as the Manager may from time to time determine with the prior approval of the Trustee and upon giving 30 calendar days' notice to the Holders, or (in the case of the final Accounting Period) the date on which the final distribution is made;

"Accounting Period" means a period ending on and including the next Accounting Date and commencing (in the case of the first such period) on the Initial Issue Date and ending on 31 December 2006 or (in any other case) from the end of the preceding Accounting Period;

"Asian Government" means the government of People's Republic of China, Hong Kong Special Administrative Region, Indonesia, Korea, Malaysia, Philippines, Singapore or Thailand;

"Auditors" means the accountant or accountants for the time being appointed as auditors of the Trust by the Manager, with the prior approval of the Trustee and the Supervisory Committee, in accordance with the provisions of Clause 15;

"Authority" means the Bangko Sentral ng Pilipinas;





"Business Day" means any day on which commercial banks are open for business in the Philippines but excluding any day on which the banking, clearing and settlement agencies close for trading;

"Code" means the applicable rules and regulations issued by the Authority, as in force from time to time and as may be amended or supplemented from time to time;

"Connected Person" means, in relation to any company (the "relevant person"):

- (a) any person beneficially owning, directly or indirectly, twenty per cent or more of the ordinary share capital of the relevant person or able to exercise, directly or indirectly, twenty per cent or more of the total voting rights attributable to the voting share capital of the relevant person;
- (b) any person or company controlled by any such person as is described in paragraph (a) above; for this purpose "control" of a company means:
  - (i) control (either direct or indirect) of the composition of the board of directors of that company; or
  - (ii) control (either direct or indirect) of more than half the voting rights attributable to the voting share capital of that company; or
  - (iii) the holding (either directly or indirectly) of more than half of the issued share capital (excluding any part of it which confers no right to participate beyond a specified amount in a distribution of either profits or capital),

provided always that if the Trustee and the Manager agree some other definition acceptable to the Authority of the expression "control" such definition shall be substituted for the above definition thereof;

- (c) any company which is a holding company or subsidiary of the relevant person or a subsidiary of any such holding company;
- (d) any director or other officer of the relevant person or of any company which is a Connected Person of the relevant person pursuant to paragraph (a), (b) or (c) above; and
- (e) any other director, officer, stockholder and their related interests (DOSRI) as defined by the Authority;

"Creation Dealing Deadline", in relation to any particular Dealing Day, means 12 noon or such time on that Dealing Day as the Manager (with the prior approval of the Trustee and upon giving 30 calendar days' notice to the Holders) may from time to time determine and disclose in the Marketing Materials and the Quarterly Report;

"Custodian" means the person or persons duly accredited by the Authority and for the time being appointed by the Trustee with the prior approval of the Manager as the custodian of the Trust to hold all the assets and property of the Trust;

"Dealing Day" means each Business Day during the continuance of the Trust (commencing on the Initial Issue Date) when the iBoxx Philippines Index is compiled and published and/or such other day or days as the Manager may from time to time determine with the prior approval of the Trustee, provided that 30 calendar days' notice of any such determination shall be given by the Manager to all Holders at such time and in such manner as the Trustee may require;

"Duties and Charges" means:

- (a) in relation to any particular transaction or dealing in connection with the acquisition or disposal of Investments which may have become or may be payable in respect of, and whether prior to, upon or after the occasion of, any transaction or dealing, all stamp and other duties, taxes, government charges, brokerage, bank charges, transfer fees, registration fees, transaction levies and other duties and charges allowed by the Authority; or
- (b) in relation to any particular transaction or dealing in connection with the creation, issue, transfer, cancellation or redemption of Units which may have become or may be payable in respect of, and whether prior to, upon or after the occasion of, any transaction or dealing, all stamp and other duties, taxes, government charges and other duties and charges allowed by the Authority;

"EMEAP" means the Executives' Meeting of East Asia and Pacific Central Banks, a group of Central Banks and Monetary Authorities comprising: Reserve Bank of Australia, People's Bank of China, Monetary Authority of Hong Kong, Bank Indonesia, Bank of Japan, Bank of Korea, Bank Negara Malaysia, Reserve Bank of New Zealand, Bangko Sentral ng Pilipinas, Monetary Authority of Singapore and Bank of Thailand;

"Extraordinary Resolution" means:

- (a) a resolution passed at a meeting of Holders duly convened and held in accordance with the provisions contained in the First Schedule and carried by a majority of not less than 75 per cent in number of the total number of votes of those present and entitled to vote in person or by proxy cast at the meeting; or
- (b) a resolution in writing signed by or on behalf of the Holders of not less than 75 per cent of all the Units outstanding for the time being in issue;

"Fund" means the ABF Philippines Bond Index Fund;

"Fund Assets" means all the assets for the time being and from time to time held or deemed to be held upon the trusts of this Deed including all income;



"Holder" means the person for the time being entered in the Register as the holder of a Unit and (where the context so admits) persons jointly so entered;

"iBoxx Philippines Index" means the "iBoxx ABF Philippines Index" created, maintained and calculated by International Index Company Limited and described in the Second Schedule, the total return of which the Manager has determined that the Trust's performance (before fees and expenses) is intended to track closely or if the "iBoxx ABF Philippines Index" ceases to be compiled or published or if the Licence Agreement with respect to the "iBoxx ABF Philippines Index" is terminated for any reason, such alternate or successor index as the Manager, with the prior approval of the Trustee and the Supervisory Committee, shall determine using in the opinion of the Manager the same or substantially similar formula for the method of calculation as the "iBoxx ABF Philippines Index", any such alternate or successor index being referred to herein as the "iBoxx Philippines Index" or the "Successor Index";

"Index Licensor" means the licensor for the time being of the iBoxx Philippines Index being at the date of this Deed International Index Company Limited or such successor or such other person which licences the iBoxx Philippines Index or any Successor Index to the Trustee and the Manager in respect of the Trust;

"Index Securities" means PHP denominated debt obligations issued or guaranteed by the Philippine Government (or any other Asian Government), by an agency or instrumentality of the Philippine Government (or any other Asian Government), by a Philippine Government (or any other Asian Government) sponsored entity or a quasi Philippine Government (or any other Asian Government) entity and PHP denominated debt obligations issued by a supranational financial institution or by an agency or instrumentality of any supranational financial institution or by an entity sponsored by any supranational financial institution, in each case as determined by the Index Licensor and which are for the time being constituent securities of the iBoxx Philippines Index;

"Initial Issue Date" means the date of the first issue of Units, as determined by the Manager with the prior approval of the Trustee;

"Initial Issue Price" in relation to each Unit, means the price per Unit as determined by the Manager for the first issue of Units;

"Investment Objective" has the meaning given to it in Clause 12.1;

"Investments" means Index Securities and, as the case may be, any other investments of the Trust permitted under this Deed, including without limitation Non-Index Securities and investments of the type permitted under Clause 12;

"Issue Price Per Unit" means the price per Unit (other than the Initial Issue Price) at which Units are from time to time issued or to be issued and which shall be the price per Unit ascertained in accordance with the provisions of Clause 9.2;

"Issue Price" means (i) the Issue Price per Unit; or (ii) the Issue Price per Unit multiplied by the number of Units to be created, as the context requires;

"JH Signatory" in relation to the joint Holders of any Unit means:

- (a) such one or more of those joint Holders as may at the time of their first application for Units be specified in writing to the Manager signed by each of those joint Holders or thereafter specified by notice in writing to the Registrar signed either by each of those joint Holders or by the Holder or (if more than one) each Holder who immediately prior thereto was a JH Signatory; or
- (b) in case of there being no JH Signatory so specified or the death or incapacity of the JH Signatory or (if more than one) each JH Signatory, any one of those joint Holders;

"Licence Agreement" means, collectively, the licence agreement entered into between International Index Company Limited, the Manager and the Trustee dated April 18, 2005 (as amended or supplemented from time to time) relating to the "iBoxx ABF Philippines Index" or if the licence agreement relating to the "iBoxx ABF Philippines Index" is for any reason terminated, any subsequent licence agreement entered into by the Manager and the Trustee with the Index Licensor relating to the iBoxx Philippines Index including any Successor Index;

"Management Fee" means any sum to which the Manager may become entitled pursuant to the provisions of Clause 16.1;

"Manager" means Bank of the Philippine Islands or such successor entity to Bank of the Philippine Islands or such other person for the time being appointed as the manager of the Trust in succession to Bank of the Philippine Islands under the provisions of Clause 23;

"Marketing Materials" means all marketing materials relating to the Fund;

"month" means a calendar month;

"Non-Eligible Person" means a person as defined in Clause 29.1;

"Non-Index Securities" means PHP denominated securities which are not Index Securities but which are issued by an issuer of any Index Security and are, in the opinion of the Manager, substantially similar to comparable Index Securities and are likely to behave in such manner that is consistent with the Investment Objective;

"Participation Agreement" means an agreement consistent with the form presented in the Third Schedule executed by the Holder/s setting out, *inter alia*, the arrangements in respect of the issue, redemption and cancellation of Units, and other information required under the Code;

"Philippine Peso" or "PHP" means the lawful currency for the time being and from time to time of the Republic of the Philippines;



Deja No

"Quarterly Report" means the quarterly report specified in Clause 15.5.1,

"Receiving Agent" means any such company or companies in any place as may from time to time be approved by the Manager and the Trustee and notified to Holders as having been appointed by the Manager as a company to which applications for the creation of Units and requests for the redemption of Units may be sent, provided that:

- (a) the Manager shall be the Receiving Agent if and for so long as the appointment of no other Receiving Agent shall be in force; and
- (b) where a Receiving Agent has more than one place of business, all references to that Receiving Agent shall be treated as (i) being references to that Receiving Agent at such place or places of business as may from time to time be agreed between the Manager and that Receiving Agent, that Receiving Agent at each such place of business being treated as being a different Receiving Agent from that Receiving Agent at any other place of business as if those places of business were places of business of different companies and (ii) not including that Receiving Agent at any other place or places of business;

"Recognized Exchange" means an internationally or domestically recognised stock or investment exchange or marketplace which is regulated, operates regularly and is open to the public and which is approved by the Trustee and the Manager;

"Record Date" means the date or dates, in each year, determined by the Manager (with the prior approval of the Trustee) as the date or dates for the purpose of determining the Holders of record;

"Redemption Dealing Deadline", in relation to any particular Dealing Day, means 12 noon or such time on that Dealing Day as the Manager (with the prior approval of the Trustee and upon giving 30 calendar days' notice to the Holders) may from time to time determine and disclose in the Marketing Materials and the Quarterly Report;

"Redemption Value" means (i) the Redemption Value per Unit or (ii) the Redemption Value per Unit multiplied by the number of Units to be redeemed, as the context requires;

"Redemption Value Per Unit" means the value per Unit at which Units are from time to time redeemed and which shall be the value per Unit ascertained in accordance with the provisions of Clause 11.5;

"Register" has the meaning given to it in Clause 7.1;

"Registrar" means the Manager and/or such other person or persons as may from time to time be appointed by the Manager with the prior approval of the Trustee to perform all or any of the duties and functions of the Registrar under this Deed;

"Resolution" means;

on each day on which such office would be ordinarily open for business, and shall be supplied by the Trustee or the Manager to any Holder and to any other persons on application at a charge per copy document of such reasonable sum as the Trustee and the Manager may from time to time agree.

6. **HOLDER TREATED AS ABSOLUTE OWNER**

The Holder shall be the only person to be recognised by the Trustee and the Manager as having any right, title or interest in or to the Units registered in the name of that Holder and each of the Trustee and the Manager shall recognise such Holder as absolute owner of such Units and neither the Trustee nor the Manager shall be bound by any notice to the contrary and neither shall be bound to take notice of or to see the execution of any trust save as expressly provided in this Deed or as ordered by some court of competent jurisdiction.

7. **REGISTRATION OF HOLDERS**

7.1 ~~An up-to-date register of all Holders (the "Register") shall be kept and maintained in the~~ Philippines by or under the control of the Manager which may be kept and maintained either in written form or by such other means capable of being reproduced in written form (including, without limitation, computer record, microfilm, microfiche or electronic recording) as the Manager shall from time to time determine and there shall be entered into the Register:

7.1.1 the names and addresses of each Holder (but so that for any second or subsequent forenames an initial shall suffice);

7.1.2 the number of Units held by each Holder;

7.1.3 the date on which the name of each Holder is entered in the Register in respect of the Units standing in his name;

7.1.4 the date on which any transfer is registered, the name and address of the transferee and a sufficient reference to enable the name and address of the transferor to be identified; and

7.1.5 the date on which any person ceased to be a Holder.

7.2 In circumstances where the Manager does not itself keep and maintain the Register and prior to the appointment of a Registrar (at such remuneration as may be agreed between the Manager and the Registrar, with the prior approval of the Trustee) that person so appointed shall first undertake in writing with the Manager as follows:

7.2.1 to keep the Register in all respects in accordance with the requirements of this Deed;

7.2.2 to maintain the Register in a form and manner directed by and at a place approved by the Manager;



- 7.2.3 to permit no alterations in the form or conduct of the Register without the written consent of the Manager which the Manager shall be entitled to give or to withhold at its entire discretion;
- 7.2.4 to supply on request any information or explanation that the Manager might require in relation to the Register and the conduct thereof;
- 7.2.5 to give the Manager and its duly authorized representatives access at all times during business hours on any Business Day to the Register and to all subsidiary documents, records and all orders, transfers or other papers relating to the conduct of the Register (and promptly to provide copies thereof as the Manager may require).
- 7.3 The Registrar, upon being notified in writing of any change of name or address on the part of a Holder, and on being satisfied therewith and on compliance with such formalities as the Registrar may require, shall alter the Register or the Manager shall cause it to be altered accordingly.
- 7.4 The Trustee, upon request of a Holder, shall without any payment be entitled at all reasonable times during normal business hours to inspect the Register for information regarding the requesting Holder; and except when the Register is closed in accordance with the provisions set out in this Clause 7 the Register shall during normal business hours (subject to such reasonable restrictions as the Manager may impose but so that not less than two hours in each Business Day shall be allowed for inspection) be open to inspection by any Holder without charge, provided that if the Register is kept and maintained on magnetic tape or electronic recording or in accordance with some other system such that it is not capable of being read in the normal manner, the provisions of this Clause 7.4 may be satisfied by the production of legible evidence of the contents of the Register.
- 7.5 The Register may be closed at such times and for such periods as the Manager may from time to time determine with the prior approval of the Trustee provided that any such closure shall be in accordance with the Code or authorized by the Authority.
- 7.6 Save as provided in Clause 6, the Register shall be conclusive evidence as to the persons respectively entitled to the Units entered therein and no notice of any trust (express or implied or constructive) shall be entered on the Register in respect of any Unit.
- 7.7 Every Holder shall be entitled to transfer Units held by him by an instrument in writing in common form or in such other form as the Manager may from time to time approve provided that:-
- 7.7.1 no transfer shall be registered if the registration thereof would result in the transferor being a Holder of Units the value of which would be less than PHP100,000 or such value (if any) for the time being prescribed by the Manager by inclusion in the Marketing Materials and the Quarterly Report, provided that 30 calendar days' notice of any increase in the said minimum shall be given to Holders; and

- 7.7.2 unless the transfer comprises the whole of the holding of Units of a Holder, Units shall be only transferable if the value of the Units to be transferred is not less than PHP100,000 or such multiple (if any) for the time being prescribed by the Manager by inclusion in the Marketing Materials and the Quarterly Report, provided that 30 calendar days' notice of any increase in the said minimum or multiple shall be given to Holders.
- 7.8 Every instrument of transfer must be signed (and, in the case of a body corporate, signed on behalf of or sealed) by the transferor and the transferee. The transferor shall be deemed to remain the Holder of the Units transferred until such time as the name of the transferee is entered in the Register in respect thereof. The Manager or the Registrar shall update the Register to reflect the transfer by the end of the Business Day when the instrument of transfer is received.
- 7.9 Every instrument of transfer must, insofar as required by applicable laws, be duly stamped and left with the Registrar for registration accompanied by (i) any necessary declarations or other documents that may be required in consequence of any legislation for the time being in force and (ii) such other evidence as the Registrar may in its absolute discretion require to prove the title of the transferor or his right to transfer the Units.
- 7.10 All instruments of transfer shall, subject to Clause 21.11, be retained by the Manager or by the Registrar on its behalf.
- 7.11 A receipt signed or purported to be signed by or on behalf of the Holder (or any one Holder if several persons are registered as joint Holders) for any moneys payable in respect of the Units held by him shall (without prejudice to the application of Clause 17) be a good discharge to the Manager. Upon the death, bankruptcy, insolvency, liquidation or insanity of a Holder such person entitled so to be registered may give effectual receipts for any such moneys.
- 7.12 In the case of the death of any one of joint Holders the survivor or survivors shall be the only persons recognised by the Manager as having any title to or interest in the Units held by such joint Holders. The executors or administrators of a deceased Holder (not being one of several joint Holders) shall be the only persons recognised by the Manager as having title to the Units of that deceased Holder. The following provisions shall apply in relation to any person becoming entitled to a Unit in consequence of the death or bankruptcy, insolvency or liquidation of any sole Holder or of the survivor of joint Holders:
- 7.12.1 subject as hereinafter provided, and upon producing such evidence as to his title as the Registrar shall think sufficient, such person may either be registered himself as the Holder of such Unit, upon giving to the Registrar notice in writing of his desire, or transfer such Unit to some other person. All the limitations, restrictions and provisions of this Deed relating to transfers shall be applicable to any such notice or transfer as if the death, bankruptcy, insolvency or liquidation had not occurred and such notice or transfer were a transfer signed by such Holder;



# HSBC

08 May 2006

THE BANK OF THE PHILIPPINE ISLANDS  
17<sup>th</sup> Floor BPI Head Office  
Ayala Avenue corner Paseo de Roxas  
1226 Makati City

Attention: Mr Adelbert A Legasto  
Executive Vice President

Subject: Clause 8.2 Revised Allowable Minimum Contribution under the  
Trust Deed Constituting the ABF Philippine Bond Index Fund.

Gentlemen

We refer to your letter dated 5 May 2006, seeking the Trustee's approval to revise Clause 8.2 of the Trust Deed dated 2 March 2006 between Bank of the Philippine Islands (as "Manager") and The Hongkong and Shanghai Banking Corporation Limited (as "Trustee") constituting the ABF Philippines Bond Index as follows:

"8.2 Applications for Units from and the creation and issue of Units to a person who is not an existing Holder must be for a minimum value of P100,000 or such minimum value as from time to time determined by the Manager with the prior approval of the Trustee and disclosed in the Marketing Materials and Quarterly Report, provided that 30 calendar days' notice of any increase in said minimum shall be given to Holders. **Except for the applications for creation of Units under Clause 8.1.1, application of Units must not be less than PHP100,000 or such other minimum value as may from time to time be determined by the Manager with the approval of the Trustee** and disclosed in the Marketing Materials and Quarterly Report, provided that 30 calendar days' notice of any increase in the said minimum shall be given to Holders. No Units shall be created or issued prior to the Initial Issue Date. No fractions of a Unit shall be created or issued. The Manager shall have the absolute discretion to accept or reject in whole or in part any application for Units for any reason."

We are pleased to inform you of our approval of the afore-stated additional clause. Henceforth, Clause 8.2 shall be considered as having been revised accordingly.

All other terms and conditions of the Trust Deed that is not inconsistent with the above additional clause remain valid and binding.

The Hongkong and Shanghai Banking Corporation Limited  
Discovery Suites, 25 ADB Avenue, Ortigas Centre, Pasig City 1605, Philippines  
Tel: (632) 683 2600, 981 2600 Fax: (632) 631 2518  
website: [www.hsbc.com.ph](http://www.hsbc.com.ph)

Incorporated in the Hong Kong SAR with limited liability



# Bank of the Philippine Islands

May 5, 2006

Ms. MA. TERESA R. TOLEDO  
Vice President  
Trust Department  
The Hongkong and Shanghai Banking Corp. Ltd  
Discovery Suites, ADB Avenue  
Pasig City

Dear Ms. Toledo:

Subject : ABF Philippines Bond Index Fund

This pertains to the ABF Philippines Bond Index Fund (the "Fund") constituted between the Bank of the Philippine Islands (as "Manager") and The Hongkong and Shanghai Banking Corporation Limited (as "Trustee") that was approved by the Monetary Board on April 10, 2006.

Clause 8.2 of the Trust Deed of the Fund which pertains to application for units reads "...except for the application for creation and issue of Units under Clause 8.1.1, applications for Units must be in multiples of PHP100,000 or such multiple as from time to time determined by the Manager with the approval of the Trustee...".

We request approval to revise the clause to read "...except for the applications for creation of Units under Clause 8.1.1, application of Units *must not be less than PHP100,000 or such minimum value* as from time to time determined by the Manager with the approval of the Trustee..."

Very truly yours,

ELIZA MAY T. TACO  
Senior Manager

IRMA LOU B. TINIO  
Senior Manager

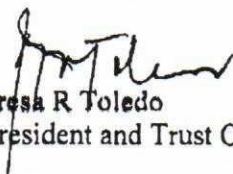
The members of the Supervisory Committee are copied in on this letter, in compliance with the requirements of Clause 24.2.2 of the Trust Deed.

Yours sincerely

The Hongkong and Shanghai Banking Corporation Limited

*as Trustee*

by

  
Ma Teresa R Toledo  
Vice President and Trust Officer

cc: Supervisory Committee  
Bangko Sentral ng Pilipinas



7.12.2 subject to the provisions of Clause 7.12.3, such person as aforesaid may give a discharge for all moneys payable in respect of the Unit as if a Holder but he shall not be entitled in respect thereof to receive notices of or to attend or vote at any meeting of Holders until he shall have been registered as the Holder in respect of such Unit;

7.12.3 the Manager may at its discretion retain any moneys payable in respect of any Unit of which any person is entitled to be registered as the Holder or which any person under these provisions is entitled to transfer until such person shall be registered as the Holder of such Unit or shall duly transfer the same.

7.13 No transfer or purported transfer of a Unit other than a transfer made in accordance with this Clause 7 shall entitle the transferee to be registered in the Register in respect thereof; neither shall any notice of such transfer or purported transfer (other than as aforesaid) be entered upon the Register.

## 8. ISSUE OF UNITS GENERALLY

8.1 The Manager shall have the exclusive right to effect for the account of the Trust:

8.1.1 on the Initial Issue Date, the creation and issue of 11,569,092 Units for cash, Index Securities, Non-Index Securities and/or other Investments permitted under this Deed at an Issue Price ascertained in accordance with Clause 9.2 on the basis that the Value of the Trust referred to in Clause 9.2 is the Value of the cash, Index Securities, Non-Index Securities, and other Investments transferred to the trust pursuant to this Clause 8.1.1, at the relevant Valuation Point one Dealing Day before the Initial Issue Date; and

8.1.2 on and after the Initial Issue Date, except as provided in Clause 8.1.1, the creation and issue of Units for cash only at prices ascertained in accordance with Clause 9.2 .

8.2 Applications for Units from and the creation and issue of Units to a person who is not an existing Holder must be for a minimum value of PHP100,000 or such minimum value as from time to time determined by the Manager with the prior approval of the Trustee and disclosed in the Marketing Materials and Quarterly Report, provided that 30 calendar days' notice of any increase in said minimum shall be given to Holders. Except for the application for creation and issue of Units under Clause 8.1.1, applications for Units must be ~~in multiples of approximately~~ <sup>not be less than</sup> PHP100,000 or such ~~multiple~~ <sup>minimum</sup> as from time to time determined by the Manager with the prior approval of the Trustee and disclosed in the Marketing Materials and Quarterly Report, provided that 30 calendar days' notice of any increase in the said minimum shall be given to Holders. No Units shall be created or issued prior to the Initial Issue Date. No fractions of a Unit shall be created or issued. The Manager shall have the absolute discretion to accept or reject in whole or in part any application for Units for any reason.

amended by  
5/3/06



Not added  
8-6  
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- 8.3 Applications for Units and the creation and issue of Units shall only be made or accepted (as the case may be) on a Dealing Day. On and after the Initial Issue Date (other than in connection with the initial issue of Units on the Initial Issue Date), applications for Units shall only be accepted if submitted to a Receiving Agent in accordance with the terms of a Participation Agreement and this Deed.
- 8.4 No Units shall be issued to any particular applicant unless (i) the application is in a form and substance satisfactory to, and accompanied by such documents as may be required by, the Manager; (ii) the Manager receives copies of the certifications contemplated in the Participation Agreement in respect of the creation of new Units; and (iii) the Manager receives such other certifications and opinions of counsel as the Trustee and the Manager may consider necessary to ensure compliance with applicable securities and other laws.
- 8.5 The Units to be issued for cash, Index Securities, Non-Index Securities and/or other Investments permitted under this Deed approved by the Manager as provided in Clause 8.1.1 shall be issued on the Initial Issue Date provided that Index Securities, Non-Index Securities and/or other permissible Investments under this Deed, as determined and designated by the Manager the Value of which (calculated as at the Valuation Point one Dealing Day before the Initial Issue Date), together with any cash payment, have been vested in the Trustee to the Trustee's satisfaction and, in the case of the cash amount, received by or to the order of the Trustee, in either case by no later than such time and date as the Manager shall, in its absolute discretion, determine. Thereafter, Units shall only be issued on the Settlement Date in respect of applications received and accepted by a Receiving Agent up to the Creation Dealing Deadline on the relevant Dealing Day (which, subject as provided below, shall be the Transaction Date for these purposes). If any application is received on a day which is not a Dealing Day or is received after the Creation Dealing Deadline on a Dealing Day, such application shall be treated as having been received at the opening of business on the next following Dealing Day, which shall be the Transaction Date for the purposes of that application.
- 8.6 Any commission, remuneration or other sum payable by the Manager to any agent or other person in respect of the issue or sale of any Unit shall not be added to the price of such Unit and shall not be paid from the Fund Assets.
- 8.7 Units shall not be created or issued during any period when the right of Holders to require the redemption of Units is suspended pursuant to the provisions of Clause 11.11.
- 8.8 The Manager shall be entitled to refuse to enter (or allow to be entered) Units in the Register if at any time the Manager is of the opinion that the provisions of this Clause 8, in regard to the issue of Units, are being infringed.
- 8.9 An application for the creation of Units once given cannot be revoked or withdrawn without the consent of the Manager.



9. **ISSUE PRICE OF UNITS**

9.1 The price at which the first Unit or group of Units, subscribed in accordance with Clause 8.1.1. are issued on the Initial Issue Date, shall be the Initial Issue Price. The Manager may add to the Initial Issue Price (but not include within it) such sum (if any) as the Manager may consider represents the appropriate provision for Duties and Charges and the Transaction Fee, which shall be for the account of the Trust.

9.2 The Issue Price at which any issue of Units shall be effected shall be ascertained as follows:

9.2.1 by dividing the Value of the Trust (determined in accordance with the Fourth Schedule) at the relevant Valuation Point on the Transaction Date by the number of Units then in issue; and

9.2.2 by adjusting the resulting total per Unit to the nearest PHP0.01 (with fractions of PHP0.005 and above being rounded up) (or such other method of rounding or adjustment as may be determined by the Manager from time to time with the prior approval of the Trustee).

9.2.3 by multiplying the resulting total by the number of Units to be created; and

9.2.4 thereafter by adjusting the amount to the nearest PHP0.01 (with fractions of PHP0.005 and above being rounded up) (or such other method of rounding or adjustment as may be determined by the Manager from time to time with the prior approval of the Trustee).

9.3 The Manager may add to the Issue Price calculated pursuant to Clause 9.2 (but not include within it) such sum (if any) as the Manager may consider represents the appropriate provision for Duties and Charges and the Transaction Fee, which shall be for the account of the Trust.

9.4 The Manager may charge a Transaction Fee per application for any Units. The Transaction Fees shall be paid by or on behalf of the subscriber applying for such Units in addition to the Issue Price and will be retained by the Trust.

9.5 Any changes to the method of determining the Issue Price as provided in this Clause 9 will require the Trustee's prior approval, and the Holders should be informed of such changes 30 calendar days prior to implementation.

10. **ISSUE OF UNITS FOR CASH**

10.1 On any Dealing Day, Units may be issued for cash only, except as provided in Clause 8.1.1, provided that the Manager is satisfied that the full amount of the Issue Price, and any Duties and Charges and Transaction Fees, in cleared funds, has been duly received by or on behalf of the Trustee in respect of the relevant Units subscribed for, and that the Trustee has been notified in writing of such issuance. The applicant shall not be entered on the Register in respect of such Units until the date such Units are issued. Subject to this Clause



10.1 and 10.2, Units properly applied for on a Transaction Date shall be issued no later than the Settlement Date therefor.

10.2 In circumstances where the Manager creates Units for cash, before payment in full in cleared funds in respect of the Issue Price thereof (and any Duties and Charges and the Transaction Fees) shall have been received by or on behalf of the Trustee, the Manager shall cancel the creation of such Units if the full amount of the Issue Price therefor (and any Duties and Charges and the Transaction Fees) has not been received in cleared funds by or on behalf of the Trustee by such time as the Manager shall for the time being determine in its discretion, provided that such date shall occur no later than the relevant Settlement Date. The Manager may at its discretion extend the settlement period such extension to be on such terms and conditions (including as to the payment of any fees it may determine to represent the administrative costs involved in extending the Settlement Date) as the Manager may determine.

10.3 Upon the cancellation of any Units as provided for in Clause 10.2, the relevant Units shall be deemed for all purposes never to have been created and the applicant therefor shall have no right or claim against the Manager or the Trustee in respect of such cancellation provided that (whether or not the Units were pre-created in accordance with Clause 10.2):

10.3.1 the Manager may, but shall not be bound to, charge the applicant (for the account of the Trust) the Transaction Fee, any Duties and Charges, and a cancellation fee of such amount as it may from time to time determine to represent the administrative costs involved in processing the application for such Units from such applicant incurred by the Trust;

10.3.2 the Manager may, but shall not be bound to, require the applicant to pay to the Manager (for the account of the Trust) any losses and interest costs incurred by the Trust arising in respect of the Trust's purchase and/or sale of Investments in connection with such creation order and its cancellation; and

10.3.3 the Manager may, but shall not be bound to, require the applicant to pay to the Manager (for the account of the Trust) in respect of each Unit so cancelled the amount (if any) by which the Issue Price of each such Unit at the Transaction Date of the creation order exceeds the Redemption Value which would have applied in relation to each such Unit if a Receiving Agent had received on the date on which such Units are cancelled a request from such applicant for the redemption of such Units in accordance with the provisions of Clause 11.

## 11. REDEMPTION AND CANCELLATION OF UNITS

11.1 The Manager shall have the exclusive right at any time (subject to Clause 11.8) and from time to time by notice in writing to the Trustee to effect reductions of the Trust on any Dealing Day by notifying the Trustee of the cancellation of the number of Units specified in such notice following the receipt by a Receiving Agent of a redemption request from a Holder in accordance with Clause 11.2.



11.2 On receipt with the re the redem Manager s the Units <sup>Redemptions</sup> giving Agent of a redemption request from a Holder which complies s of Clause 11.3 (subject as provided below, the Dealing Day on which est is received shall be the Transaction Date for these purposes), the ct to, *inter alia*, the provisions of Clause 11.8) effect the redemption of in the redemption request for proceeds equivalent to the Redemption Value of the relevant Units to be redeemed, such proceeds to be by way of cash only but so that, if any redemption request is received on a day which is not a Dealing Day or is received after the Redemption Dealing Deadline on a Dealing Day, that redemption request shall be treated as having been received at the opening of business on the next following Dealing Day, which shall be the Transaction Date for the purposes of that redemption request. Units, the subject of a redemption request, shall be redeemed and cancelled on the Settlement Date therefor (whereupon the name of the Holder of such Units shall be removed from the Register in respect thereof).

11.3 To be effective a redemption request:

11.3.1 must be given to the Receiving Agent by the Holder in accordance with a Participation Agreement;

11.3.2 must specify the total number of Units to be redeemed, the value of which shall, unless the Holder is redeeming all of his Units, not be less than PHP100,000 or such minimum value as from time to time determined by the Manager with the prior approval of the Trustee and disclosed in the Marketing Materials and the Quarterly Report provided that 30 calendar days' notice of any increase in the said minimum shall be given to Holders; and

11.3.3 must include the certifications contemplated in the Participation Agreement in respect of redemptions of Units (if applicable), together with such certificates and opinions of counsel as the Trustee and the Manager may consider necessary to ensure compliance with applicable securities and other laws.

11.4 Subject to the provisions of Clause 11.12, a redemption request once given cannot be revoked or withdrawn without the consent of the Manager.

11.5 The Redemption Value at which any redemption and cancellation of Units shall be effected shall be ascertained as follows:

11.5.1 by dividing the Value of the Trust (determined in accordance with the Fourth Schedule) at the relevant Valuation Point on the Transaction Date by the number of Units then in issue and deemed to be in issue;

11.5.2 by adjusting the resulting total per Unit to the nearest PHP0.01 (with fractions of PHP0.005 and above being rounded up) (or such other method of rounding or adjustment as may be determined by the Manager from time to time with the prior approval of the Trustee);

11.5.3 by multiplying the resulting total by the number of Units to be redeemed; and



- 11.5.4 thereafter by adjusting the amount to the nearest PHP0.01 (with fractions of PHP0.005 and above being rounded up) (or such other method of rounding or adjustment as may be determined by the Manager from time to time with the prior approval of the Trustee).
- 11.6 The Manager may deduct from and set off against any cash Redemption Value payable to a Holder on the redemption of Units such sum (if any) as the Manager may consider represents the appropriate provision for Duties and Charges and Transaction Fees, which deduction shall be for the account of the Trust.
- 11.7 Unless specifically requested by the Holder or former Holder concerned so to do not later than one month after the relevant Transaction Date the Trustee shall be under no obligation to check the calculation of the Redemption Value in connection with any redemption or cancellation of Units pursuant to Clause 11.2 but shall be entitled at any time before the annual audited accounts of the Trust have been prepared covering the relevant Transaction Date to require the Manager to justify the calculation of the Redemption Value.
- 11.8 Any cash Redemption Value in respect of the redemption of Units shall be paid, subject to the provisions of Clause 11.11, on the Settlement Date in accordance with Clause 11.10 provided that a Receiving Agent shall have received the redemption request duly signed (to the satisfaction of the Manager) by such Holder, and provided further that the Units, the subject of the redemption request, have been delivered in accordance with Clause 11.10 and the full amount of any Duties and Charges and Transaction Fees payable under Clause 11.6 have been deducted and set-off or otherwise paid in full. If the redemption request provides for the cash Redemption Value to be paid to a bank account in the name of any person other than the Holder, no amount shall be so paid unless and until the signature of the Holder on that redemption request has been verified in such manner as may be required by, and to the satisfaction of, the Manager. The cash Redemption Value shall be paid in Philippine Pesos and, if paid by telegraphic transfer, shall be paid to a Philippine Peso account of a Philippine bank, unless otherwise agreed by the Manager.
- 11.9 No Holder shall be entitled to redeem part only of his holding of Units if such redemption would result in such Holder holding Units after such redemption with a value of less than PHP100,000 or such minimum (if any) for the time being prescribed by the Manager by inclusion in the Marketing Materials and the Quarterly Report provided that 30 calendar days' notice of any increase in the said minimum shall be given to Holders.
- 11.10 Where Units are to be redeemed on any Settlement Date, but subject as provided in Clause 11.11, the Manager shall proceed to effect any sales of Investments necessary to provide the cash required to pay the cash Redemption Value and notify the Trustee that those Units are to be redeemed and cancelled in accordance with the provisions of this Clause 11. In such event (but subject as provided below) the Trust shall be reduced by the cancellation of those Units on that Settlement Date and (subject as otherwise provided in this Deed including, without limitation, Clause 11.8) for settlement on the Settlement Date (or such later date as may from time to time be determined by the Manager with the consent of the Trustee and as permitted by the Authority) the Trustee shall pay the cash Redemption Value (with such



deductions as are permitted by this Deed). Notwithstanding the foregoing, no cash Redemption Value shall be paid under this Clause 11.10 unless Units, the subject of the redemption request, have been delivered to the Manager for redemption by such time on the Settlement Date as the Trustee and the Manager shall for the time being prescribe for such redemption request. The Manager, with the approval of the Trustee, may at its discretion extend the settlement period, such extension to be on such terms and conditions (including as to the payment of any fees it may determine to represent the administrative costs involved in extending the Settlement Date) as the Manager may determine. In the event that Units are not delivered to the Manager for redemption in accordance with the foregoing: (i) the redemption request shall be deemed never to have been made (except that the Transaction Fee and any Duties and Charges therefor shall remain due and payable) and (ii) the Manager may, but shall not be bound to, charge the applicant (for the account of the Trust) a cancellation fee of such amount as it may from time to time determine to represent the administrative costs incurred by the Trust in connection with processing the redemption request and its cancellation. In addition, the Manager may, but shall not be bound to, require the applicant to pay to the Manager for the account of the Trust (a) any losses and interest costs incurred by the Trust arising in respect of the Trust's sale and/or purchase of Investments in connection with the redemption request and its cancellation and (b) in respect of each Unit, the subject of the redemption request, the amount (if any) by which the Redemption Value of each such Unit at the Transaction Date for the redemption request is less than the Issue Price which would have applied in relation to each such Unit if a Receiving Agent had received on the date of cancellation of the redemption request an application from such applicant for the creation of such Units in accordance with the provisions of Clause 10.

11.11 The Manager may suspend the right of the Holders to require the redemption of Units under this Clause 11 and/or delay the payment of any moneys in respect of any such redemption during any period when the dealing of Units is suspended pursuant to any order or direction issued by the Authority or, unless otherwise disallowed by the Authority, during any of the following periods:

- 11.11.1 any period when settlement or clearing of relevant securities is disrupted;
- 11.11.2 any period when, in the opinion of the Manager and agreed by the Trustee, funds cannot be normally remitted from the Fund Assets without prejudicing the interests of Holders;
- 11.11.3 any period when the iBoxx Philippines Index is not compiled or published;
- 11.11.4 any breakdown in the means employed in determining the Value of the Fund Assets or the liabilities of the Trust or when for any other reason the Value of any Investment or other property for the time being comprised in the Fund Assets or the liabilities of the Trust cannot be promptly and accurately ascertained; or



11.11.5 any period when the business operations of the Manager or the Trustee in relation to the operation of the Trust are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God.

Such suspension (which expression shall include the aforesaid right to delay payment) shall take effect forthwith upon the declaration thereof by the Manager and thereafter there shall be no redemption of Units and/or payment of the cash Redemption Value until the Manager shall declare the suspension at an end, except that the suspension shall terminate in any event no later than the Dealing Day following the first Business Day on which (a) the condition giving rise to the suspension shall have ceased to exist and (b) no other condition under which suspension is authorized under this Clause 11.11 shall then exist. Each declaration by the Manager pursuant to this paragraph shall be consistent with such official rules and regulations, if any, relating to the subject matter thereof as shall have been promulgated by any authority having jurisdiction over the Trust and as shall be in effect at the time. To the extent not inconsistent with such official rules and regulations, and subject to the foregoing provisions hereof, the declaration of the Manager shall be conclusive. During any such suspension, the calculation of the Value of the Trust and each Unit (including the Issue Price and Redemption Value) may also be suspended and the Manager shall be under no obligation to rebalance or adjust the Fund Assets, in either case at the discretion of the Manager and with the prior approval of the Trustee. The Manager shall publish the fact that the calculation of the Value of the Trust and each Unit is suspended immediately following such suspension and at least once a month during the period of such suspension in such newspaper or newspapers in the Philippines or elsewhere as the Manager may from time to time think fit.

11.12 Any Holder or subscriber may at any time after such a suspension has been declared and before termination of such suspension withdraw any redemption request or any application for the issue of Units by notice in writing to the Receiving Agent to whom the relevant request or application had originally been submitted. If no such notification of the withdrawal of any such request or application has been received by the Receiving Agent before termination of such suspension, the Manager shall, subject to and in accordance with the provisions of this Deed, redeem Units in respect of which any Receiving Agent has received a valid redemption request and the Trustee and the Manager shall consider applications for the issue of Units as at the Dealing Day next following the termination of such suspension. In addition, the period for distributing any proceeds the distribution of which has been delayed pursuant to the suspension shall be extended by a period equal to the length of the period of the suspension.

11.13 The Manager may charge a Transaction Fee per redemption request. The Transaction Fee may involve an early redemption fee for redemption requests that will be settled less than 90 calendar days from the date of issuance of the Units or such minimum number of days prescribed by the Manager from time to time by inclusion in the Marketing Materials and the Quarterly Report provided that 30 calendar days' notice of any increase in said minimum shall be given to Holders. The early redemption fee shall be 1% of the



Redemption Value of Units held by Holders for less than the prescribed minimum number of days or such percentage prescribed by the Manager from time to time by inclusion in the Marketing Materials and the Quarterly Report provided that 30 calendar days' notice of any increase in said early redemption fee shall be given to Holders. The Transaction Fees shall be paid by or on behalf of the Holder submitting the request to redeem such Units (and may be set off and deducted against the cash Redemption Value) and will be retained by the Trust.

- 11.14 Any changes to the circumstances in which Holders may redeem Units as provided in this Clause 11, including the method of determining the Redemption Value, will require the prior approval of the Trustee, and the Holders are to be informed 30 calendar days prior to such change.

12. **INVESTMENT OF THE FUND ASSETS**

- 12.1 The investment objective (the "Investment Objective") of the Trust shall be to achieve investment results that correspond closely to the total return of the iBoxx Philippines Index, before fees and expenses. The modified duration of the Fund is expected to be maintained within the range of +/- 0.5 years of the modified duration of the iBoxx Philippines Index and the target maximum tracking error, measured on a rolling basis over three years net of effects of final taxes withheld, is 0.40%. The tracking error shall be the annualised standard deviation of the performance difference between the Fund and the iBoxx Philippines Index measured on a monthly basis.
- 12.2 All cash and other assets which ought in accordance with the provisions of this Deed to form part of the Fund Assets shall be paid or transferred to the Trustee forthwith and all cash shall, except in so far as such cash may in the opinion of the Manager be required for Duties and Charges, be applied by the Manager (but subject always to or as permitted by the provisions of this Deed) in the acquisition of Index Securities, Non-Index Securities and other Investments in accordance with the Investment Objective, provided that all or any amount of uninvested cash may be retained in Philippine Pesos in cash with or on short term deposit with, or in certificates of deposit or other banking instruments issued by any one or more banks approved by the Trustee, including with any Connected Person of either the Trustee or the Manager (being a bank licensed to accept deposits) so long as that institution pays interest thereon at no lower rate than is, in accordance with normal banking practice, the commercial rate for deposits of the size of the deposit in question and negotiated at arm's length provided that no more than 5% of the Value of the Trust (such limit may be temporarily exceeded for reasons of cash subscriptions, pending redemptions, market movements and other matters relating to the management of the Trust, provided that the Manager shall rectify the excess as soon as practicable within 30 calendar days) may be deposited with, or invested in certificates of deposit or other banking instruments issued by, any single institution, provided that, other than uninvested cash pending investment following an issue of Units in respect of any Dealing Day and uninvested cash to be utilised by the Trustee or the Manager to fund the cash Redemption Value on a redemption of Units on any Dealing Day, not more than 10% of the Value of the Trust may be held in cash or cash equivalents under this Clause 12.2.



- 12.3 No holding of any Investment may be acquired or added to which:
- 12.3.1 would result in the Value of the Trust's holding of securities (which are not Philippine Government securities) of the same issue exceeding 10% of the Value of the Trust save to the extent that any waiver in this respect has been obtained for the Trust from the Trustee and the Supervisory Committee, and in which case the limit (if any) accepted by the Trustee shall apply; or
  - 12.3.2 would result in the Value of the Trust's holding of securities (which are Philippine Government securities, including Index Securities and Non-Index Securities) of the same issue exceeding 20% of the Value of the Trust save to the extent that any waiver in this respect has been obtained for the Trust from the Trustee and the Supervisory Committee, and in which case the limit (if any) accepted by the Trustee shall apply; or
  - 12.3.3 would result in the Value of the Trust's holding of Non-Index Securities exceeding 10% of the Value of the Trust; or
  - 12.3.4 would result in the Value of the Trust's holdings of an Index Security exceeding that Index Security's weighting in the iBoxx Philippines Index by an amount exceeding 5% of the Value of the Trust; or
  - 12.3.5 would result in the Trust's holdings of any repurchase agreements, futures contracts, options on futures contracts, options, warrants and other derivative instruments (determined by reference to the Value of the contract prices of the relevant instrument, whether payable by or to the Trust, or (in the case of options and warrants) total premium amounts) related to the iBoxx Philippines Index or related to positions in Index Securities (or Non-Index Securities held by the Trust):
    - (a) exceeding 15% of the Value of the Trust where such instruments are entered into for the purposes (otherwise than for hedging purposes) of gaining exposure to Index Securities (or Non-Index Securities held by the Trust) with a view to seeking performance that closely tracks the iBoxx Philippines Index consistent with achieving the Investment Objective and in managing cash flows; and
    - (b) exceeding 15% of the Value of the Trust where such instruments are entered into for hedging purposes; or
  - 12.3.6 would result in the Trust holding any Investment not expressly allowed under the Code; or
  - 12.3.7 would result in the violation of the Code.
- 12.4 Notwithstanding the Investment Objective, if any of the applicable investment restrictions contained in the Code and/or this Deed are breached, save to the extent any waiver has been

obtained for the Trust from the Authority, the Manager shall take as a priority objective all steps as are necessary within a reasonable period of time to remedy such breach, taking into account the interests of Holders.

- 12.5 Except as may be otherwise specifically provided herein, the Manager shall not on behalf of the Trust:
- 12.5.1 invest in commodities or commodity based investments; or
  - 12.5.2 directly hold any type of real estate (including buildings) or any options, rights or interests in respect thereof; or
  - 12.5.3 invest in any collective investment schemes; or
  - 12.5.4 effect any short sale of any Investment except as otherwise permitted under this Deed; or
  - 12.5.5 hold any repurchase agreements, futures contracts, options on futures contracts, options, warrants and other derivative instruments other than related to the iBoxx Philippines Index or related to positions in Index Securities (or Non-Index Securities held by the Trust) and then in accordance with the limits set out in Clause 12.3.5; or
  - 12.5.6 grant or create in favour of any person any option; or
  - 12.5.7 effect or enter into any underwriting or sub-underwriting contracts in relation to the subscription or purchase of Investments; or
  - 12.5.8 invest in any Investment or other property which would be likely to involve the assumption, by the Trust, of unlimited liability; or
  - 12.5.9 lend any monies comprising part of the Fund Assets to any person (but which shall not prohibit the holding or investment of uninvested cash in any of the ways or instruments permitted under Clause 12.2); or
  - 12.5.10 assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person.
- 12.6 Any Duties and Charges payable in respect of the acquisition or realisation of any Investment or any deposit as aforesaid may be paid out of the Fund Assets.
- 12.7 For the purposes of Clause 12.3.5, a repurchase agreement or futures contract or option or warrant or other derivative instruments related to the iBoxx Philippines Index or related to positions in Index Securities (or Non-Index Securities held by the Trust) is acquired for hedging purposes if it is of a kind that is not for speculation and is reasonably expected to have the effect of reducing risk for the Trust, reducing costs for the Trust, reducing the tracking error of the Trust as against the iBoxx Philippines Index or generating additional



capital or income for the Trust with no, or with an acceptably low level of, risk and in each case is economically appropriate to the efficient portfolio management of the Trust.

- 12.8 For the purpose of providing margin and/or cover in respect of any repurchase agreement, futures contract, option on futures contracts, option, warrant and other derivative instruments related to the iBoxx Philippines Index or related to positions in Index Securities (or Non-Index Securities held by the Trust), the Trustee shall be entitled in accordance with the instructions of the Manager and as permitted under the rules and regulations of any applicable futures exchanges and all applicable laws to charge, pledge or encumber any Investments forming part of the Fund Assets.
- 12.9 The Manager shall have the responsibility under the supervision of the Trustee for effecting any adjustments (a "Rebalance") in the Trust's portfolio to conform to changes in the composition and/or weighting of the iBoxx Philippines Index or the composition and/or weighting of the Fund Assets relative to the iBoxx Philippines Index. Subject as provided below the Manager shall use its professional skill, care and judgement to ensure that the Investment Objective is met. In certain circumstances, replicating the composition and weighting of the iBoxx Philippines Index may be or become impracticable. In such a circumstance, subject always to the investment restrictions in this Clause 12, the Manager shall continue to strive to meet the Investment Objective to the best of its ability, taking into account all relevant market circumstances. In addition, the Manager shall not be obliged to Rebalance the Trust's portfolio in circumstances where (in the reasonable opinion of the Manager) the level of Duties and Charges and other costs related to the Rebalance, which would be incurred in effecting such Rebalance, would outweigh the benefits of such a Rebalance.
- 12.10 The Trustee shall be entitled at any time at its entire discretion to give notice (which notice shall include a reason for the refusal of transfer) to the Manager that it is not prepared to accept the transfer of any asset which in its opinion infringes the terms of this Deed and the Trustee shall be entitled to require the Manager to deposit in place of any such asset other Investments acceptable to the Trustee insofar as such requirement is in the Trustee's opinion consistent with the Investment Objective.
- 12.11 Neither the Manager nor the Trustee shall alter the Investment Objective without the sanction of an Extraordinary Resolution.
- 12.12 The Manager may with the approval of the Trustee arrange for the Index Securities and Non-Index Securities of the Trust to be loaned through the agency of any person provided that:
- 12.12.1 any such loan or loans shall not in aggregate exceed 10% of the Value of the Trust, including assets derived from such lending activities;
- 12.12.2 no more than 50% of the Trust's holding of any Index Security or Non-Index Security of the same issue may be lent at any one time;

- 12.12.3 the collateral to be acquired in respect of any loan shall be adequate, shall in any event be of a value not less than 100% of the Value of the Index Securities and Non-Index Securities lent and shall comprise cash and Index Securities and Non-Index Securities and other high quality cash equivalent investments approved by the Trustee and with a remaining term of not more than 366 days;
- 12.12.4 any cash collateral received is invested in the form of instruments described in Clause 12.12.3 above;
- 12.12.5 the collateral is marked to market daily;
- 12.12.6 the Trustee or its representative takes delivery of the collateral immediately; and
- 12.12.7 any such loan or loans shall be allowed under the Code or by the Authority.

13. **BORROWINGS**

13.1 Subject to any requisite consents from the competent authorities and any statutory requirements and restrictions for the time being in force and to the terms and conditions set out below in this Clause 13, the Trustee may at any time at the request of the Manager borrow money on account of the Trust, but such power shall be limited as follows:-

- 13.1.1 the principal amount for the time being of all borrowings under this Deed shall not exceed an amount equal to 5% of the Value of the Fund Assets on any Dealing Day;
- 13.1.2 the borrowing shall be made in Philippine Pesos;
- 13.1.3 the period of any single borrowing shall not exceed seven Business Days;
- 13.1.4 the purpose of each borrowing shall be for the purposes of meeting redemptions and short-term (not more than seven Business Days) bridging requirements which may be related to any one or more of the following:
- (a) to pay the cash Redemption Value on a redemption of Units;
  - (b) to purchase Index Securities or Non-Index Securities following a creation of Units where the cash amount of the Issue Price is not received in full in cleared funds by the Trustee on the Dealing Day on which such Units are created;
  - (c) to settle the purchase or sale of any Investments in order to facilitate a Rebalance of the portfolio of the Fund Assets in accordance with Clause 12.9; or
  - (d) to meet the fees, expenses and liabilities of the Trust (excluding the Management Fee or the Trustee Fee).



part of such Fund Assets or use all or any part of such Fund Assets to provide margin for or guarantee, secure, discharge or settle any borrowing, trade or contract or dispose of all or any part of such Fund Assets or treat all or any part of such Fund Assets as if any person other than the Trustee has any interest in it and no step shall be taken to enforce the security thereby constituted until thirty (or such lesser number as the Trustee may agree) days after notice in writing shall have been given to the Trustee demanding repayment of the moneys thereby secured. If such a notice shall be given, the Trustee shall promptly advise the Manager which shall promptly effect such sales of Investments as may be necessary to enable such repayment to be effected in due time.

- 13.4 Any interest on any borrowing effected under this Clause 13 and/or expenses incurred in negotiating, entering into, varying and carrying into effect, with or without variation, and maintaining any borrowing arrangements (including termination thereof), as are allowable as a deduction in computing the income of the Trust may be paid or recovered out of the Fund Assets. To the extent that there is insufficient income (after providing for other expenses and charges payable thereout) to enable any such interest and/or expenses to be paid out of the Fund Assets the deficiency may be made good by a loan from moneys standing to the credit of the Fund Assets but so that the amount of any such loan shall be repaid to the Fund Assets as soon as is practicable.
- 13.5 In the event that any arrangements for borrowing or making deposits under this Clause 13 shall be made with any Connected Person of either the Manager or the Trustee (being a bank), provided that such person shall charge interest at no higher rate, and any fee for arranging or terminating any borrowing shall be of no greater amount than is in accordance with normal banking practice, the commercial rate for a borrowing of the size and nature of the borrowing in question and negotiated at arm's length, such bank shall be entitled to retain for its own use and benefit all profits and advantages which may be derived therefrom.
- 13.6 The Trustee shall not incur any liability by reason of any loss which a Holder may suffer by reason of any depletion in the Value of the Fund Assets which may result from any permitted borrowing arrangements made hereunder and (save as herein otherwise expressly provided) the Trustee shall be entitled to be indemnified out of and have recourse to the Fund Assets in respect of any liabilities, costs, claims or demands which it may suffer arising directly or indirectly from the operation of this Clause 13 and the arrangements referred to herein.

14. **INCOME**

- 14.1 All income accruing in respect of the Trust shall as and when received form part of the Fund Assets, and shall be applied in the manner provided below. Moneys forming part of the Fund Assets may if the Manager thinks fit be invested in any manner as provided by Clause 12 or otherwise (together with any accrued income not yet received by or on behalf of the Trustee) may be invested by the Manager in repurchase agreements, futures contracts, options on futures contracts, options, warrants, and other derivative instruments

- 13.2 If at any time the aggregate principal amount of all outstanding borrowings under this Deed shall exceed an amount equal to 5% of the Value of the Fund Assets calculated on the then most recent Dealing Day, the Manager shall take as a priority objective all steps as are necessary within a reasonable time to remedy the situation, taking into account the interests of Holders.
- 13.3 For the purposes of or in connection with any borrowing under this Deed the following provisions shall apply:
- 13.3.1 The borrowing may be effected from any person approved by the Trustee, but not including the Manager and the Trustee.
- 13.3.2 Whilst any borrowings subsist the Trustee may, from time to time and at any time in its absolute discretion, but only to the extent consistent with achieving the Investment Objective (in respect of which the Manager's opinion shall be conclusive), require such amount as it may determine to be maintained on short-term deposit in any manner authorized by this Deed, provided that the Trustee may not require there to be so maintained on deposit an amount exceeding the aggregate amount of all borrowings for the account of the Trust for the time being outstanding.
- 13.3.3 Every borrowing shall be upon the terms that the borrowing shall become repayable in the event of the termination of the Trust.
- 13.3.4 Neither the Trustee nor the Manager shall be entitled to charge, pledge or encumber in any manner any part of the Fund Assets other than for the purposes of securing any borrowing permitted under this Clause 13 and interest and expenses in respect thereof and in accordance with the provisions set out in Clause 13.3.5 or as otherwise expressly provided in this Deed.
- 13.3.5 For the purposes of securing any borrowing and interest and expenses in respect thereof the Trustee shall be entitled, with the prior approval of the Manager, to mortgage, charge or pledge in any manner or allow to subsist any lien over all or any part of the Fund Assets. Where any part of the Fund Assets or any document of title thereto is for the time being under the custody or control of some person other than the Trustee in consequence of any such mortgage, charge, pledge or lien, the provisions of this Deed as to the custody and control of the Fund Assets or documents of title thereto (including registration of Investments) shall be deemed not to have been infringed thereby, but the Trustee shall be liable for the neglect or default of any such person in relation to the custody or control of such part of the Fund Assets or documents of title as if the same were the neglect or default of the Trustee. Any such mortgage, charge, pledge or lien shall be made or allowed to subsist upon the terms that the lender or such other person as aforesaid provides a binding written commitment to the Trustee to the effect that under no circumstances will the lender or such other person mortgage, charge or pledge or allow to subsist any lien over all or any



related to the iBoxx Philippines Index or related to positions in Index Securities (or Non-Index Securities held by the Trust) subject always to Clause 12.3.5. The amount of any interest earned or net profit gained shall, save as otherwise determined by the Manager, be Fund Assets.

- 14.2 There shall be paid, recovered or provided out of the Fund Assets all taxation payable by the Trustee in respect of the income of the Trust and all other sums payable by the Trustee in respect of such income in so far as they may be deductible or allowable in computing the annual income of the Trust.

15. **AUDITORS, ACCOUNTS AND REPORTS**

- 15.1 The Manager, with the prior approval of the Trustee and the Supervisory Committee, shall from time to time appoint to be the auditors of the Trust an accountant or accountants being qualified to act as an auditor or auditors in the Philippines (the "Auditors") and the Manager may from time to time with the prior approval of the Trustee and the Supervisory Committee (and, if the Trustee or the Supervisory Committee shall withdraw any approval previously given, shall) remove any such Auditors and, with the prior approval of the Trustee and the Supervisory Committee, appoint in his or their stead another person or persons qualified as aforesaid. Any such Auditors so appointed shall be independent of the Trustee and the Manager. The Auditors may voluntarily retire by notice in writing to the Manager, upon which the Manager shall, with the prior approval of the Trustee and the Supervisory Committee, appoint another qualified auditor or auditors in their stead. The Manager shall appoint an auditor accredited by the Authority and in accordance with the Code.

- 15.2 The Manager shall forward to the Trustee and make available to the Holders not more than 180 calendar days (or such longer period as the Authority may allow) after each Accounting Date annual accounts in such form as the Manager shall from time to time decide and (if and for so long as the Trust is authorized by the Authority) containing such further information as the Authority may from time to time require and as may be necessary in order to ensure that the Trust does not cease to be so authorized. The annual accounts of the Trust shall be prepared in accordance with applicable accounting standards of the Philippines.

- 15.3 Such annual accounts shall be audited by the Auditors and shall be accompanied by:

- 15.3.1 An annual report relating to the Trust during the relevant Accounting Period, which report shall (a) be prepared or caused to be prepared by the Manager in accordance with the requirements of the Code, (b) be in such form and contain such information as the Trustee and the Manager shall from time to time decide, and (c) include a statement showing as at such Accounting Date the Value of each Investment or other asset forming part of the Fund Assets, the amount of the Fund Assets represented by cash, the amount of any borrowing outstanding, and the Fund Assets used to secure any borrowing and interest and expenses as allowed in Clause 13.3.5;

16-1 Manager fee

- 15.3.2 A report by the Auditors to the effect that the accounts give a true and fair view of the disposition of the Trust as at the end of the Accounting Period and of its transactions for the period then ended. The Auditors shall further report whether the accounts have been properly prepared in accordance with the provisions of this Deed, the Code, and the applicable accounting standards in the Philippines; and
- 15.3.3 A report by the Trustee as to whether, in the opinion of the Trustee, the Manager has in all material respects managed the Trust during the relevant Accounting Period in accordance with the provisions of this Deed, which report shall (if the Trustee is of the opinion that the Manager has not done so) specify the respects in which the Manager has not done so and the steps which the Trustee has taken in relation thereto.
- 15.4 The audited annual accounts of the Trust and each document required to accompany such accounts shall be filed with the Trustee and copies thereof shall be available at the respective offices of the Manager, the Receiving Agent and the Trustee for inspection during normal business hours by any Holder. Such accounts and other documents shall be conclusive and binding on all Holders.
- 15.5 The Trustee shall send or cause to be sent to Holders not more than 20 calendar days (or such longer period as the Authority may allow) after the end of March, June, September and December in each year:
  - 15.5.1 A quarterly report in respect of the Trust, which report shall (i) be prepared or caused to be prepared by the Manager in accordance with the requirements of the Code, (ii) be in such form and contain such information as the Manager shall from time to time decide, and (iii) include a statement showing as at such date the value of each investment or other asset forming part of the Fund Assets, the amount of Fund Assets represented by cash, the amount of any borrowing outstanding, and the Fund Assets used to secure any borrowing and interest and expenses as allowed in Clause 13.3.5; and
  - 15.5.2 unaudited quarterly accounts prepared in accordance with the requirements of the Code.

16. **FEES AND EXPENSES**

- 16.1 The Manager shall, in addition to any other amounts which it is entitled to receive or retain for its own use and benefit under this Deed, be entitled to receive for its own account out of the Fund Assets as soon as practicable after the last Dealing Day in each month in each year, commencing with the month in which the Initial Issue Date falls (until, upon determination of the Trust, the final distribution shall have been made pursuant to Clause 26) the amount of Management Fee payable in respect of such month accrued and remaining unpaid. The Management Fee shall accrue on a daily basis. The amount of the Management Fee (together with the fee of any Receiving Agent and Registrar, if payable





out of the Fund Assets in addition to the Management Fee) shall not exceed a maximum of 0.274 per cent. per annum of the average daily Value of the Trust provided that (i) the Manager may at any time charge a smaller percentage and, with authority, on giving notice to the Trustee and with the prior approval of the Supervisory Committee, to increase it to a larger percentage, not greater than the percentage permitted by this Deed with effect from the expiry of three months' notice in writing given by the Manager to the Holders and (ii) the Manager may, on giving notice to the Trustee and with the prior approval of the Supervisory Committee, at any time alter the dates of payment and basis of accrual provided that, in the opinion of the Manager, it does not materially prejudice the interests of the Holders. The maximum Management Fee shall be reduced to 0.252, 0.23, 0.186 per cent per annum for so long as the Value of the Fund exceeds PHP3 billion, PHP6 billion and PHP10 billion, respectively. The current level of the Management Fee shall be stated in the Marketing Materials and the Quarterly Report, and the amount of the Management Fee payable to the Manager shall be net of all Taxes and Levies, which shall in turn be borne by the Fund Assets in accordance with Clause 16.5.

16.2 The Trustee shall, in addition to any other amounts which it is entitled to receive or retain for its own use and benefit under this Deed, be entitled to receive for its own account out of the Fund Assets as soon as practicable after the last Dealing Day in each month in each year, commencing with the month in which the Initial Issue Date falls (until, upon determination of the Trust, the final distribution shall have been made pursuant to Clause 26) the amount of Trustee Fee payable in respect of such month accrued and remaining unpaid. The Trustee Fee shall accrue on a daily basis. The amount of Trustee Fee (together with the fee of any Custodian, if payable out of the Fund Assets in addition to the Trustee Fee), shall not exceed a maximum of 0.08 per cent. per annum of the average daily Value of the Trust provided that (i) the Trustee may at any time charge a smaller percentage and, with authority, with the prior approval of the Manager and the Supervisory Committee, to increase it to a larger percentage, not greater than the percentage permitted by this Deed with effect from the expiry of three months' notice in writing given by the Trustee to the Holders and (ii) the Trustee may, with the prior approval of the Manager and the Supervisory Committee, at any time alter the dates of payment and basis of accrual if, in the opinion of the Trustee, it does not materially prejudice the interests of the Holders. The current level of the Trustee Fee shall be stated in the Marketing Materials and the Quarterly Report, and the amount of the Trustee Fee payable to the Trustee shall be net of all Taxes and Levies, which shall in turn be borne by the Fund Assets in accordance with Clause 16.5.

16.3 Subject as provided in any other provision of this Deed and as otherwise prohibited under the Code, the Trustee and the Manager shall be entitled to make payment of the following fees, costs and expenses out of the Fund Assets to the extent they have been incurred in relation to the Trust:

16.3.1 all fees paid to any other regulatory authority, except the Authority, in connection with the registration or authorization of the Units or the Trust in any other jurisdiction;

16.3.5 pmf fees

- 16.3.2 any costs, fees and expenses to be paid under any licence and data supply contracts entered into by the Trustee and/or the Manager in respect of the Trust (including, without limitation, the Licence Agreement);
- 16.3.3 all stamp and other duties, taxes, governmental charges, brokerage, commissions, exchange costs and commissions and bank charges in relation to transactions involving the whole or any part of the Fund Assets or on the creation, cancellation or redemption of Units;
- 16.3.4 all professional fees relating to the agreeing and/or contesting of taxation liabilities or recoveries to be discharged out of or paid into the Trust;
- 16.3.5 the fees and expenses of any person acting as the Receiving Agent, the Registrar, and the Custodian, pursuant to the terms of the agreements entered into by the Trustee and/or the Manager with the Receiving Agent, the Registrar, or the Custodian respectively;
- 16.3.6 the fees, charges, expenses and disbursements of any legal adviser or counsel, accountant, auditor, investment adviser, valuer, broker, banker, tax adviser, computer expert or other professional person employed or engaged by the Trustee or the Manager in connection with their respective duties and obligations in relation to the Trust, the trusteeship and/or the management and administration of the Fund Assets;
- 16.3.7 all fees, charges, expenses and disbursements incurred in relation to the safe-custody, acquisition, holding, realisation of or other dealing with any Investment for the account of the Trust (including bank charges, telex and facsimile and other communication charges);
- 16.3.8 all charges and expenses incurred by the Manager and the Trustee insuring the assets and property of the Trust;
- 16.3.9 all charges and expenses incurred by the Manager and the Trustee in conducting legal proceedings or applying to any court for any purposes related to the Trust;
- 16.3.10 all charges and expenses incurred by the Manager and the Trustee in communicating with each other and with Holders, the Registrar, the Custodian, the Receiving Agent or otherwise in relation to the Trust;
- 16.3.11 all charges and expenses incurred by the Manager and the Trustee in connection with the convening and holding of meetings of Holders or the Supervisory Committee;
- 16.3.12 the fees and expenses incurred by the Manager and the Trustee in obtaining and/or maintaining the listing of Units on any Recognized Exchange approved by the Supervisory Committee, and/or, when applicable, the authorisation or other



official approval or sanction of the Trust by the Securities and Exchange Commission;

- 16.3.13 all costs incurred in respect of the calculation and publication of the Value per Unit and/or the Issue Price and the Redemption Value and/or prices for Units and/or the suspension of creations and issues and redemptions of Units in such newspaper or newspapers in the Philippines and elsewhere as the Manager may from time to time think fit;
- 16.3.14 all fees, costs and expenses incurred in respect of preparing any deeds supplemental to this Deed and in respect of preparing any agreement in connection with the Trust;
- 16.3.15 all costs incurred in respect of the preparation, publication and distribution of the accounts and reports in accordance with Clause 15 and of all cheques, statements, certificates, notices and other documents relating to the Trust;
- 16.3.16 all premiums, fees, costs and expenses incurred in purchasing and maintaining insurance for members or any member, of the Supervisory Committee in accordance with Clause 24.6;
- 16.3.17 all fees and expenses of the Auditors in connection with the Trust;
- 16.3.18 all fees and expenses incurred in connection with the retirement or removal of the Manager, the Trustee or the Auditors or the appointment of a new manager, a new trustee or new auditors;
- 16.3.19 all fees and expenses of any delegate of the Supervisory Committee and of any attorney, banker, accountant, broker, lawyer or other professional person instructed by the Supervisory Committee in accordance with Clause 24.2.5;
- 16.3.20 all expenses incurred in the collection of income (including expenses incurred in obtaining tax repayments and agreement of tax liabilities);
- 16.3.21 all expenses associated with the distributions declared pursuant to this Deed including without limitation fees for the revalidation or reissuance of any distribution cheque or telegraphic transfer;
- 16.3.22 all fees and expenses incurred by the Manager and the Trustee in terminating the Trust;
- 16.3.23 all other reasonable costs, charges and expenses which in the opinion of the Trustee and the Manager are properly incurred in the administration of the Trust and the Fund Assets and pursuant to the performance of their respective duties under this Deed; and
- 16.3.24 all such charges, costs, expenses and disbursements as under the general law the Trustee and the Manager are entitled to charge to the Trust.

- 16.4 The Manager shall be entitled to determine in relation to any costs, charges, fees and expenses that may be charged against the Fund Assets that the same shall be amortised over such period (which shall not exceed ten years) as the Manager may think fit with the approval of the Trustee.
- 16.5 Where any goods and services tax or other application sales tax, governmental impositions, duties and levies whatsoever, whether imposed in the Philippines or elsewhere ("Taxes and Levies"), are payable by the Manager or the Trustee in relation to goods purchased by or services rendered to them in connection with the exercise of the powers and discretions and/or the performance of the obligations of the Manager or the Trustee (as the case may be) under this Deed, the Manager or the Trustee (as the case may be) shall be reimbursed therefor out of the Fund Assets. Where any Taxes and Levies are payable in connection with the reimbursement of expenses or services rendered by the Manager, the Trustee or the Custodian pursuant to this Deed, such Taxes and Levies shall be paid out of the Fund Assets. For the avoidance of doubt, taxes calculated with respect to the gross income of the Manager or the Trustee do not constitute Taxes or Levies for the purposes of this clause and shall not be paid out of the Fund Assets.
- 16.6 For so long as the Trust is authorized by the Authority, no marketing or promotion expenses shall be paid out of the Fund Assets.

17. **PAYMENTS TO HOLDERS**

Any moneys payable by the Trustee or the Manager to a Holder in respect of any Unit under the provisions of this Deed shall be paid in Philippine Pesos. Subject to applicable law, where an authority in that behalf shall have been received by either the Trustee or the Manager, as the case may be, from the Holder or (in the case of joint Holders), the JH Signatory or (if more than one) each JH Signatory in such form as the Trustee or the Manager (as the case may be) shall consider sufficient the Trustee or the Manager (as the case may be) shall pay the amount payable to the Holder or joint Holder to his bankers or other duly appointed agent or person and the receipt of such bankers or other duly appointed agent or person as provided above shall be a good discharge therefor to the Trustee and the Manager for all purposes. In respect of the payment of the cash Redemption Value payable on a redemption of Units, for the purposes of this Clause 17, the Holder hereby authorizes the payment of the cash Redemption Value by book entry payment to the designated cash account of, or by telegraphic transfer to a bank account in the name or to the order of, that Holder by or through whom that redemption request was made. No amount payable to any Holder shall bear interest.

18. **VOTING RIGHTS ON FUND ASSETS**

- 18.1 Except as otherwise expressly provided herein, all rights of voting conferred by any part of the Fund Assets shall be exercised in such manner as the Manager may in writing direct. The Manager shall not exercise any voting rights unless in its absolute discretion it is of the opinion that it is in the best interests of Holders as a whole. If the Manager is unable to reach an opinion as to what is in the best interests of Holders as a whole, the Manager shall



not exercise any voting rights. If the Manager shall refrain from the exercise of any voting rights no Holder shall have any right to interfere or complain or make any claim against the Manager in respect thereof. The Trustee shall without delay forward to the Manager all notices of meetings, reports and circulars received by it or by its nominee as holder of any Investment comprised in the Fund Assets. The Trustee shall upon written request by the Manager and at the Trust's expense from time to time execute and deliver or cause to be executed and delivered to the Manager or the Manager's nominees sufficient powers of attorney or proxies, in such name or names as the Manager may reasonably request, authorising such attorneys and proxies to vote, consent or otherwise act in respect of all or any part of the Fund Assets.

- 18.2 No Holder as such shall have any right with respect to any Investment comprised in the Fund Assets to attend at meetings of the relevant corporation or body or to vote, consent or otherwise act in relation thereto.
- 18.3 The phrase "rights of voting" and the word "vote" used in this Clause 18 shall be deemed to include not only a vote at a meeting but any consent to or approval of any arrangement scheme or resolution or any alteration in or abandonment of any rights attaching to any part of the Fund Assets and the right to call or join in a call to convene a meeting or to give notice of any resolution or to circulate any statement or to consent to any short notice of any meeting and any other right attaching to any Investments comprising the Fund Assets (including, without limitation, any right to accept or decline an offer for the sale, conversion or exchange of any securities).
- 18.4 Notwithstanding the above, in respect of voting rights where the Manager would face a conflict between its own interest and that of the Holders, the Manager shall cause such voting rights to be exercised according to the discretion of the Trustee.

19. **ADMINISTRATION OF THE TRUST**

- 19.1 The Trustee shall be entitled to delegate all or any of its duties, powers and discretions under this Deed to another person, firm or corporation provided that in selecting and appointing such person, firm or corporation the Trustee shall take all reasonable care and notwithstanding such delegation the Trustee shall remain entitled to receive and retain in full the Trustee Fee and other sums payable to the Trustee hereunder. The Trustee shall be solely responsible for all the acts and omissions of any such delegate as if the same were acts and omissions of the Trustee. The Trustee shall be solely responsible for the payment of any such delegate's remuneration.
- 19.2 Neither the Trustee nor the Manager shall be liable for anything done or omitted to be done or suffered by them in good faith in reliance upon any notice, resolution, direction, instruction, consent, certificate, affidavit, statement, plan of reorganisation or (without being limited in any way by the foregoing) other paper or document believed by them (or either of them as the case may be) to be genuine and to have been passed, sealed or signed by the proper parties, excluding themselves or their officers.

- 19.3 Neither the Trustee nor the Manager shall incur liability for doing, or (as the case may be) failing to do, any act or thing which by reason of any provision of any present or future law or regulation made pursuant thereto, or of any decree, order or judgment of any court, or by reason of any request, announcement or similar action (whether of binding legal effect or not) which may be made or taken by any person or body acting with or purporting to exercise the authority of any Government (whether legally or otherwise) either the Trustee or the Manager shall be directed or requested to do or perform or to forbear from doing or performing.
- 19.4 The Trustee and the Manager shall be entitled (but not bound) to require that the signature of any Holder to any document required to be signed by him under or in connection with this Deed shall be verified by a banker or broker or other responsible person or otherwise authenticated to its or their reasonable satisfaction.
- 19.5 Any indemnity expressly given to the Trustee or to the Manager in this Deed is in addition to and without prejudice to any indemnity or right of contribution allowed by law and all the powers, privileges, rights and immunities expressly given to the Trustee or to the Manager are in addition to and without prejudice to any powers, privileges, rights and immunities granted to the Trustee or to the Manager by law.
- 19.6 The Trustee and the Manager shall at all times comply with the relevant requirements of the Code, save to the extent waived by the Authority, as if the same were set out herein *mutatis mutandis* and insofar as the Code relates to them respectively.
- 19.7 The Trustee and the Manager shall use all reasonable endeavours to obtain and maintain the listing of the Units on a Recognized Exchange and maintain the Trust's authorisation under the Code.
20. **CONNECTED DEALINGS**
- 20.1 Neither the Trustee nor the Manager shall as principal buy or sell or otherwise deal in the purchase or sale of Investments from or to the Trustee for the account of the Trust or otherwise deal as principal with the Trust. Subject to the foregoing, with the prior written approval of the Trustee, and subject to the requirements of the Code and to the disclosure of the same being made in the Marketing Materials and Quarterly Report, any Connected Person of the Manager may as principal buy or sell or otherwise deal in the purchase or sale of Investments from or to the Trustee for the account of the Trust or otherwise deal as principal with the Trust provided that all such transactions are entered into on an arm's length basis and consistent with standards of "best execution" (as defined in Clause 20.5). If any Connected Person of the Manager shall so buy, sell or deal, such Connected Person may retain for its own absolute use and benefit any profit which it may derive therefrom or in connection therewith.
- 20.2 The Manager may, subject to the requirements of the Code, effect transactions by or through the agency of another person for the account of the Trust with whom the Manager or any of its Connected Persons have an arrangement under which that party will from time



to time provide to or procure for the Manager or any of its Connected Persons goods, services or other benefits (such as research and advisory services, computer hardware associated with specialised software or research services and performance measures) the nature of which is such that their provision can reasonably be expected to benefit the Trust as a whole and may contribute to an improvement in the performance of the Trust, provided that any such transaction is consistent with standards of "best execution" (as defined in Clause 20.5). For the avoidance of doubt, such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employees' salaries or direct money payments.

20.3 The Manager or any Connected Person of the Manager may deal in Units on behalf of any customer of (including any other collective investment scheme managed or administered by) the Manager or any Connected Person of the Manager respectively and the Manager or (as the case may be) such Connected Person may retain for its own absolute use and benefit any profit which it may derive therefrom or in connection therewith.

20.4 Where the Manager or any Connected Person of the Manager receives any cash rebate of all or any part of any commission paid out of the Trust, the Manager or such Connected Person shall not be entitled to retain that cash rebate but shall account for and pay the same to the Trustee, which shall hold the same as part of the Fund Assets.

20.5 The Manager shall be responsible for selecting brokers and dealers through whom transactions for the account of the Trust are to be executed (which may include the Manager, the Trustee or a Connected Person of either of them) and, in selecting the broker or dealer with whom to place any particular order, shall seek to place that order with a broker or dealer considered by the Manager to be able to achieve "best execution" of that order. The expression "best execution" means execution at the best price available to the Trust having regard to the kind, size and time of the transaction. In addition, the Manager shall ensure that the aggregate value of all transactions effected in any Accounting Period through brokers and dealers who are Connected Persons of the Manager shall not exceed 50 per cent of the aggregate value of all transactions effected for the account of the Trust during that Accounting Period.

20.6 Subject as otherwise provided herein and under applicable laws and regulations, the Trustee and the Manager and any Connected Person of the Trustee and the Manager may purchase, hold, deal in or dispose of Units on an arm's length basis and may contract or enter into any financial, banking, insurance or other transaction with the Trustee or the Manager or any Connected Person of the Trustee or the Manager or Holder or any corporation or body any of whose securities form part of the Fund Assets and be interested in any such corporation or body. The Trustee, the Manager or any Connected Person of the Trustee or the Manager (as the case may be) shall not be liable to account to any of them or to the Trust for any profits or benefits made or derived from or in connection with any such transaction.

20.7 Subject as otherwise provided herein and subject to requirements of the Code and the to disclosure of the same in the Marketing Materials and Quarterly Report, the Manager may effect agency cross transactions where both the sale and purchase of an investment are



effected for clients (including the Trust on the one hand) of the Manager and/or its Connected Persons. The Manager shall only undertake such transactions in accordance with applicable law and regulation and, specifically, may only do so if the sale and purchase decisions are in the interests of both clients; permitted within the investment guidelines or objectives of both clients and the transactions are executed on an arm's length basis at the then prevailing market rates consistent with best execution standards. The Manager will ensure that such transactions are effected on terms which result in fair treatment to the Trust and ensure that the Trust is not at any time disadvantaged.

21. **DUTIES, INDEMNITIES AND COVENANTS OF TRUSTEE AND MANAGER**

- 21.1 The documents of title to any Investments forming part of the Fund Assets shall be deposited with the Trustee or otherwise dealt with as the Trustee may think proper for the purpose of providing for the safe keeping thereof (including, but not limited to, being deposited with the Custodian for safe keeping). Any Investments forming part of the Fund Assets and capable of registration shall, as soon as reasonably practicable after receipt of the necessary documents by the Trustee, be registered in the name of the Trustee or the Custodian or a nominee of the Trustee or Custodian and shall remain so registered until disposed of pursuant to the provisions of this Deed, provided always that in the case of Investments held in the name of the Custodian, or the Custodian's or Trustee's nominee, the Trustee shall remain liable for any act or omission of any such person in relation to any Investments of which such person is registered as proprietor. The Trustee, if it considers that it is expedient to do so, shall be entitled to cause to be deposited in the safe custody of any other bank or agent of the Trustee the documents of title to any Investments forming part of the Fund Assets and capable of registration held upon the trusts of this Deed. Subject as aforesaid the Trustee shall retain the documents of title to any Investments held upon the trusts of this Deed in its possession in safe custody. The Trustee may insure the documents of title wherever kept. In addition, the Trustee, the Custodian or the Custodian's or Trustee's nominee may deposit Investments with, and hold Investments in any, securities depository or settlement system on such terms as such depository or system customarily operates. The Trustee shall not be liable for the acts or omissions of any such securities depository or settlement system in the absence of any fraud, negligence, bad faith or wilful default on the part of the Trustee.
- 21.2 Whenever pursuant to any provision of this Deed any certificate, notice, instruction or other communication is to be given by the Manager to the Trustee, the Trustee may accept as sufficient evidence thereof a document signed or purporting to be signed on behalf of the Manager by such authorized signatures the Trustee is for the time being authorized to accept.
- 21.3 The Trustee or, as the case may be, the Manager may accept as sufficient evidence of the Value of any Investment or the cost price or sale price thereof or of a price quoted on a Recognized Exchange, a price taken from the Index Licensor, a certificate by a broker or such other professional person or pricing source (including, without limitation, FT Interactive, Bloomberg, Reuters or Citigroup Yield book, or any successor thereto) approved by the Trustee and the Manager as qualified to value the same, provided that



nothing in this Clause 21.3 shall impose an obligation on the Trustee or, as the case may be, the Manager to obtain such a certificate in circumstances where a certificate is not required by any other provision of this Deed.

- 21.4 Each of the Trustee and the Manager may act upon any advice of or information obtained from the other and either or both of the Trustee and the Manager may act upon any advice of or information obtained from any attorneys, bankers, accountants, brokers, lawyers, agents or other persons acting as agents or advisers of the Trustee or of the Manager. Neither the Trustee nor the Manager shall be bound to supervise any such persons, neither the Trustee nor the Manager shall be bound to verify the advice or information obtained from any such persons, and neither the Trustee nor the Manager shall be liable for anything done or omitted to be done or suffered in good faith in reliance upon such advice or information unless there are reasonable grounds for concluding that the advice or information may be incorrect or inaccurate. Any such advice or information may be obtained or sent by letter, telegram, telex message, facsimile reproduction, inter-communicating word processor system, electronic mail or cablegram. Neither the Trustee nor the Manager shall be liable for acting in good faith on any advice or information purporting to be conveyed by any such letter, telegram, telex message, facsimile reproduction, inter-communicating word processor system, electronic mail or cablegram although the same contains some error or shall not be authentic unless there are reasonable grounds for concluding that the same may contain an error or may not be authentic.
- 21.5 The Trustee shall not (save as to its negligence in the selection thereof) be responsible for any misconduct, mistake, oversight, error of judgement, forgetfulness or want of prudence on the part of any attorneys, bankers, accountants, brokers, lawyers, agents, securities depository or settlement system or other persons acting as agent of or adviser to the Trustee or the Manager, provided that this Clause 21.5 shall not apply in respect of any misconduct, mistake, oversight, error of judgement, forgetfulness or want of prudence on the part of the Custodian or any officer, official or nominee appointed under Clause 2.2.
- 21.6 Except if and so far as otherwise expressly provided in this Deed, the Trustee shall as regards all the trusts, powers, duties, authorities and discretions vested in it have absolute and uncontrolled discretion as to the exercise thereof whether in relation to the manner or as to the mode of and time for the exercise thereof. Except to the extent of any fraud, negligence, bad faith or wilful default on its part the Trustee shall not be in any way responsible for any loss, costs, damages or inconvenience that may result from the exercise or non-exercise thereof except to the extent provided by applicable law. In any event, for the purposes of this Deed, the Trustee shall not be liable for any consequential loss (including, without limitation, loss of profits) or punitive damages.
- 21.7 The Trustee shall not be under any obligation to appear in, prosecute or defend any action or suit in respect of the provisions hereof or in respect of the Fund Assets or any part thereof or any action by any other person which in its opinion would or might involve it in expense or liability in respect of which it shall or may not be entitled to have recourse to the Fund Assets. Without prejudice to the foregoing the Trustee shall forthwith send to the Manager a copy of all notices of claims or proceedings (or threatened claims or



proceedings) which it receives from third parties in respect of the Fund Assets and/or the Trust. The Trustee shall give to the Manager all such information and assistance (subject as otherwise provided herein) as the Manager may reasonably request in writing in relation to all such notices.

- 21.8 The Trustee (and its directors, officers and employees) shall not be liable, except to the extent of any fraud, negligence, bad faith or wilful default on its (or their) part, and shall, except to the extent of any fraud, negligence, bad faith or wilful default on its (or their) part, be indemnified and held harmless out of the Fund Assets (in addition to any right of indemnity given by law) against any action, costs, claims, damages, expenses or liabilities to which it (or they) may be put or which it (or they) may incur by virtue of the Trustee acting as trustee of the Trust, executing the trusts of this Deed or in the exercise of any powers, authorities or discretions vested in the Trustee under this Deed, and the Trustee shall have recourse to the Fund Assets or any part thereof. Subject to the foregoing and as otherwise provided herein, the Trustee shall in the exercise of the powers, authorities and discretions vested in it act in the exclusive interests of the Holders.
- 21.9 Before making any distribution or other payment in respect of any Unit, the Trustee may make such deductions as by the law of the Philippines or by the law of any other country in which such payment or distribution is to be made the Trustee is required or entitled to make in respect of any income or other taxes, charges or assessments whatsoever and the Trustee may also deduct the amount of any stamp duties or other Governmental taxes or charges payable by it or for which it might be made liable in respect of such distribution or other payment or any documents signed by it or by a Holder or his agent in connection therewith.
- 21.10 Neither the Trustee nor the Manager shall be liable to account to any Holder or otherwise for any payment made or suffered by the Trustee to any duly empowered fiscal authority of the Philippines or elsewhere for taxes or other charges in any way arising out of or relating to any transactions of whatsoever nature under this Deed notwithstanding that any such payments ought not to be or need not have been made or suffered.
- 21.11 The Trustee (or the Manager or any other agent on behalf of the Trustee) shall (subject as hereinafter provided) be entitled to cause the destruction of (i) all distribution mandates which have been cancelled or lapsed at any time after the expiration of three years from the date of cancellation or lapse thereof (ii) all notifications of change of address after the expiration of three years from the date of the recording thereof (iii) all forms of proxy in respect of any meeting of Holders three years from the date of the meeting at which the same are used and (iv) all registers, statements and other records and documents relating to the Trust at any time after the expiration of six years from the termination of the Trust. Neither the Trustee nor the Manager nor any other agent aforesaid shall be under any liability whatsoever in consequence thereof and unless the contrary be proved every instrument of transfer so destroyed shall be deemed to have been a valid and effective instrument duly and properly registered by the Trustee and every other document hereinbefore mentioned so destroyed shall be deemed to have been a valid and effective document in accordance with the recorded particulars thereof provided that:



- 21.11.1 the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice (prior to destruction) of any claim (regardless of the parties thereto) to which the document might be relevant;
- 21.11.2 the provisions aforesaid shall not apply to any document expressly excluded by the Manager by notice in writing to the Trustee;
- 21.11.3 nothing in this Clause 21 shall be construed as imposing upon the Trustee or the Manager or other agents any liability in respect of the destruction of any document earlier than as aforesaid or in any case where the conditions of Clause 21.11.1 above are not fulfilled;
- 21.11.4 references herein to the destruction of any document include references to the disposal thereof in any manner.
- 21.12 The Manager shall be entitled to make and retain microfilm recordings, computer records or otherwise of all or any documents, including but not limited to the following classes of documents:
- 21.12.1 application forms for Units received;
- 21.12.2 instruments of transfer which have been registered; and
- 21.12.3 distribution mandates, notifications of changes of address and forms of proxy in respect of any meeting of Holders.
- 21.13 At any time on and after the expiration of one year from the date of registration, creation or cancellation (as the case may be) of the Units to which any document (including the documents referred to in Clause 21.12) is related the Manager shall be at liberty to destroy any such document of which it shall previously have made and retain a microfilm recording, computer record or otherwise.
- 21.14 Save as otherwise herein specifically provided and without prejudice to the right of any person affected thereby to have recourse to the courts, the Trustee shall have full power to conclusively determine all questions and doubts arising in relation to any of the provisions hereof.
- 21.15 It shall be the duty of the Trustee to prepare and (subject to reimbursement of its expenditure in the manner described in Clause 16) pay or cause to be prepared and paid for all cheques, statements, accounts and notices which the Trustee has to issue, send or serve as provided in this Deed and to sign such cheques, warrants, statements, accounts and notices and despatch them on the day on which they ought to be despatched.
- 21.16 If for any reason it becomes impossible or impracticable to carry out the provisions of this Deed, neither the Trustee nor the Manager shall be under any liability therefor or thereby, and except to the extent of any fraud, negligence, bad faith or wilful default neither the

21.7 Delegation

Trustee nor the Manager shall incur any liability by reason of any error of law or any matter or thing done or suffered or omitted to be done by them in good faith hereunder.

- 21.17 The Manager shall not be under any liability except such liability as may be expressly assumed by it under this Deed, nor shall the Manager (save as herein otherwise appears) be liable for any act, omission, misconduct, mistake, oversight or want of prudence on the part of the Trustee or any person acting as agent of or adviser to the Trustee, provided that this Clause 21.17 shall not apply in respect of any misconduct, mistake, oversight, error of judgement, forgetfulness or want of prudence on the part of the Registrar for which the Manager may be liable in accordance with Clause 21.20. The Trustee shall not (save as herein otherwise appears) be liable for any act, omission, misconduct, mistake, oversight or want of prudence on the part of the Manager or any person acting as agent of or adviser to the Manager.
- 21.18 The Manager (and its directors, officers and employees) shall not be liable, except to the extent of any fraud, negligence, bad faith or wilful default on its (or their) part, and shall, except to the extent of any fraud, negligence, bad faith or wilful default on its (or their) part, be indemnified and held harmless out of the Fund Assets (in addition to any right of indemnity given by law) against any action, costs, claims, expenses, damages or liabilities to which it (or they) may be put or which it (or they) may incur as a result of the Manager acting as manager of the Trust, managing and administering the trusts in accordance with this Deed or in the exercise of any powers, authorities or discretions vested in the Manager under this Deed, and the Manager shall for such purpose have recourse to the Fund Assets or any part thereof. In any event, for the purposes of this Deed, the Manager shall not be liable for any consequential loss (including, without limitation, loss of profits) or punitive damages. Subject to the foregoing and as otherwise provided in this Deed, the Manager shall in the exercise of the powers, authorities and discretions vested in it act in the exclusive interests of the Holders.
- 21.19 The Manager shall keep or cause to be kept proper books of account and records in which shall be entered all transactions effected by the Manager for the account of the Trust and shall permit the Trustee from time to time on demand to examine and take copies of or extracts from any books of account or records.
- 21.20 The Manager shall be entitled to delegate to any person, firm or corporation (whether or not a Connected Person) and upon such terms and conditions as the Manager may think fit all or any of its powers, authorities and discretions in relation to managing and administering the trusts under this Deed and/or the carrying out of any of the other powers, discretions and duties of the Manager as the manager of the Trust (including, without limitation, a power to sub-delegate with the approval of the Manager) provided that in selecting and appointing such person, firm or corporation or in approving any sub-delegation the Manager shall take all reasonable care and provided further that the Manager shall remain liable for any act or omission of any such person, firm, corporation or sub-delegate in relation to the exercise or non-exercise of any powers or discretions or the carrying out of the duties so delegated or sub-delegated as if the same were an act or omission of the



Manager. The Manager shall be solely responsible for the payment of any such delegate's or sub-delegate's remuneration.

- 21.21 Neither the Manager nor the Trustee shall be responsible for the authenticity of any signature on or any seal affixed to any instrument of transfer, form of application or other document affecting the title to or transmission of Units or of Investments or be in any way liable for any forged or unauthorized signature on or seal affixed to such endorsement transfer or other document or for acting on or giving effect to any such forged or unauthorized signature or seal.
- 21.22 Neither the Trustee nor the Manager shall be responsible for acting upon any Resolution or Extraordinary Resolution purporting to have been passed at any meeting of the Holders in respect whereof minutes shall have been made and signed or passed (in accordance with Clause 27) even though it may be subsequently found that there was some defect in the constitution of the meeting or the passing of the Resolution or Extraordinary Resolution or that for any reason the Resolution or Extraordinary Resolution was not binding upon all the Holders.
- 21.23 Without prejudice to Clauses 21.8 and 21.18, neither the Trustee nor the Manager shall be responsible for any negligence, recklessness, bad faith, fraud, default, misconduct, inaccuracy, omission, mistake, oversight, error of judgement, forgetfulness or want of prudence on the part of the Index Licensor (or any of its Connected Persons, employees or affiliates) in connection with their compilation or publication of the iBoxx Philippines Index nor anything which the Index Licensor (or any of its Connected Persons, employees or affiliates) shall do or omit to do relating to the iBoxx Philippines Index. In the event that the Trustee and/or the Manager has any liability whatsoever to the Index Licensor pursuant to the terms of the Licence Agreement (including, but not limited to, under any representation, warranty and/or indemnity that the Trustee or, as the case may be, the Manager gives thereunder) or to any owners of the Units or any other person from the use of the iBoxx Philippines Index or any data included therein, except to the extent of any fraud, negligence, bad faith or wilful default on the part of the Trustee or the Manager, the Trustee and the Manager shall be indemnified and held harmless against such liability and shall have recourse to the Fund Assets or any part thereof in respect of all of such liability.
- 21.24 Neither the Manager nor the Trustee shall be responsible for loss of or damage to any documents in its possession or for any failure to fulfil its duties hereunder caused by or directly or indirectly due to the act of any government or other competent authority, hostilities (whether war be declared or not), riot, civil commotion, rebellion, storm, tempest, flood, typhoon, earthquake, accident, fire, explosion, toxicity, radioactivity, third party electronic transmission or other electronic systems disruption or failure or other cause, whether similar or not, which is beyond the control of the Manager or the Trustee provided that the Manager and the Trustee shall have taken all such steps and done all such things as a professional manager or trustee (as the case may be) would reasonably be expected to have taken or done to prevent or mitigate any loss, damage or failure arising out of such circumstances.

21.25 In no event shall a Holder have or acquire any rights against the Trustee or the Manager or any professional person, firm or company appointed hereunder or any of them except as expressly conferred upon such Holder by this Deed, nor shall the Trustee be bound to make any payment to Holders except out of funds held by it for that purpose under the provisions of this Deed.

21.26 The Manager hereby covenants as follows:

21.26.1 that it will use its best endeavours to carry on and conduct its business in a proper and efficient manner and will ensure that the Trust is carried on and conducted in a proper and efficient manner;

21.26.2 that it will pay to the Trustee (or as it may direct) within five Business Days after the receipt by the Manager any moneys which are payable hereunder by the Manager to the Trustee. Subject to Clause 12.2, no interest is payable on such moneys and the Manager shall not be obligated hereunder to place any such moneys in interest-bearing accounts but in the event that such monies are so placed in interest-bearing accounts the Trust shall bear the benefit of any interest accruing to such monies in the interim;

21.26.3 that it will not sell or create any Units otherwise than on the terms and at a price calculated in accordance with the provisions in this Deed;

21.26.4 that it will, at the request of a Holder, to the extent required by the terms of this Deed, purchase or redeem any Units held by him on the terms and at a price calculated in accordance with the provisions in this Deed;

21.26.5 that it will keep or cause to be kept such books as will sufficiently explain the transactions and financial position of the Trust and enable true and fair accounts to be prepared from time to time and in such manner as will enable such books to be conveniently and properly audited;

21.26.6 that it will prepare or cause to be prepared in English in accordance with the Code:

(a) the quarterly accounts and annual accounts relating to the Trust; and

(b) the Quarterly Reports and annual reports relating to the Trust; and

21.26.7 that it will, to the same extent as if the Trustee were a director of the Manager:-

(a) make available for inspection within a reasonable time to the Trustee, or any auditor appointed by the Trustee, the books of the Manager relating to the Trust whether these books are kept at the registered office of the Manager or elsewhere; and



- (b) give within a reasonable time to the Trustee, or any auditor appointed by the Trustee, such oral or written information as the Trustee or auditor requires with respect to the Trust.
- 21.27 The Manager will not, unless otherwise permitted by the Code or the Authority:
- 21.27.1 invest monies of the Trust in its own securities or the securities of any corporation, including any bank, which is related to itself (a "Related Corporation"); or
- 21.27.2 lend monies of the Trust to a Related Corporation, save that deposits made with Related Corporations that are banks licenced by the Authority, in the ordinary course of business of the Trust, shall not be construed as monies lent.
- 21.28 The Manager will not pay or cause to be paid any fees out of the Fund Assets that have not been provided for in this Deed.
- 21.29 The Trustee hereby covenants as follows:
- 21.29.1 that it will exercise all due diligence and vigilance in carrying out its functions and duties, including the task of ensuring that the number of outstanding Units in issue is accurate and that the Register is kept up to date by the Manager, and in safeguarding the rights and interests of Holders;
- 21.29.2 that it will cause the annual accounts relating to the Trust to be audited at the end of each Accounting Period by the Auditors other than in such cases as may be specified by the Authority in the Code and will ensure that the report of the Auditors is prepared in English;
- 21.29.3 that it will make available or cause to be made available to the Holders in accordance with the Code:
- (a) the quarterly accounts and annual accounts of the Trust;
- (b) the report of the Auditors on the annual accounts;
- (c) the Quarterly Reports and annual reports relating to the Trust; and
- 21.29.4 that it will send or cause to be sent to Holders the Trustee report and the Quarterly Report as set out in Clause 15.3.3 and Clause 15.5, respectively, of this Deed.
- 21.30 The Manager and the Trustee shall conduct all transactions with or for the Trust at arm's length.

22. RETIREMENT AND REMOVAL OF TRUSTEE

22.1 Upon giving three months' written notice to the Manager and the Supervisory Committee, the Trustee shall have power to retire in favour of a new trustee specified in said notice. Such new trustee shall be a company eligible, in accordance with Clause 22.5 and the Code, to be the trustee of the Trust that is acceptable to the Manager, the Supervisory Committee and the Authority and shall have agreed to enter into each such deed as is referred to below to secure the due performance of its duties as Trustee. The Trustee, the new trustee and the Manager shall by deed or deeds supplemental to this Deed appoint such new trustee to be the Trustee in the place of the retiring Trustee.

22.2 If:

22.2.1 (which may only be given subject to and with the prior approval of the Supervisory Committee), the Manager gives notice in writing to the Trustee that it wishes for good and sufficient reason, and is of the reasonable opinion (and so states in writing to the Trustee and the Supervisory Committee) that a change of the Trustee is desirable in the interests of the Holders, the Trustee to retire; or,

22.2.2 following a material breach of the Trustee's obligations under this Deed which, if capable of remedy the Trustee fails to remedy within 30 days of being specifically required to do so by the Manager, and the Manager is of the opinion and so states in writing to the Trustee and the Supervisory Committee that a change of the Trustee is desirable and in the best interests of Holders as a whole, the Manager shall be entitled to give notice in writing to the Trustee that it wishes the Trustee to retire,

in each case in favour of a new trustee whose name is specified in such notice and which is a company eligible, in accordance with Clause 22.5 and the Code, to be the trustee of the Trust and is acceptable to the Authority and the Supervisory Committee, whereupon the Trustee shall, with effect on and from the date on which the appointment of such new trustee takes effect, by deed supplemental to this Deed retire as the Trustee.

22.3 If a Resolution is passed to remove the Trustee then the Trustee shall retire and in such case the Manager shall as soon as reasonably practicable use its reasonable efforts to find a new trustee to be appointed in accordance with Clause 22.5.

22.4 The Trustee may be removed, and shall retire, from office in accordance with Clause 24.2.3, and in which case the Manager or the Supervisory Committee shall give notice to the Trustee accordingly.

22.5 Any trustee of the Trust shall be approved by the Authority to act as a trustee of Philippines authorized unit trusts.

22.6 The Manager shall as soon as practicable after the appointment of the new Trustee give notice to the Holders specifying the name and the address of the office of the new Trustee.



- 22.7 To the extent permissible, the stipulation of any statute that a trustee shall not be discharged from its trust unless there will be either a trust corporation or at least two individuals to act as trustees to perform the trust is hereby excluded. In any event, each and every person actually or prospectively interested in the Fund Assets is hereby excluded from asserting any claim against a Trustee or former Trustee on the basis of the said stipulation save to the extent of any trust moneys or other trust assets actually in the possession or control of that Trustee or former Trustee.
- 22.8 Every Trustee which shall retire from its position as Trustee of the Trust shall in respect of its period of trusteeship of the Trust and notwithstanding that it shall have retired continue to have the benefit of all indemnities, powers and privileges given to the Trustee of the Trust by this Deed and any deeds supplemental hereto executed during such period in addition to the indemnities powers and privileges given by law to a retiring trustee.
- 22.9 Upon effective retirement hereunder, the retiring Trustee shall be discharged and shall no longer be liable in any manner hereunder except as to acts or omissions occurring prior to such retirement, and the new Trustee shall thereupon undertake and perform all duties and be entitled to all rights and compensation as Trustee under this Deed. The successor Trustee shall not be under any liability hereunder for occurrences or omissions prior to the execution of such instrument.
- 22.10 Upon effective retirement hereunder, the retiring Trustee shall use its reasonable endeavours to assign or novate to the new Trustee on terms reasonably acceptable to the Manager (and to obtain the consent of its counterparts thereto) of all agreements to which it, as trustee, is a party concerning the Trust including without limitation, the Licence Agreement.

23. **RETIREMENT AND REMOVAL OF MANAGER**

- 23.1 The Manager shall be subject to removal by notice in writing given by the Trustee:
- 23.1.1 if the Manager goes into liquidation (other than voluntary liquidation for the purpose of merger or consolidation upon terms previously notified in writing to the Trustee) or shall be adjudged a bankrupt or insolvent or appoints a liquidator or if a receiver shall be appointed in respect of the property or undertaking of the Manager or any part thereof or a judicial manager is appointed in respect of the Manager or the Manager is the subject of any analogous proceedings or procedure in each case under such law as may be applicable in the circumstances;
- 23.1.2 if (which may only be given subject to and upon the prior approval of the Supervisory Committee) for good and sufficient reason the Trustee is of the reasonable opinion (and the Trustee so states in writing to the Manager and the Supervisory Committee) that a change of Manager is desirable in the interests of the Holders;
- 23.1.3 if the Authority directs the Trustee to remove the Manager;

- 23.1.4 following a material breach of the Manager's obligations under this Deed which, if the breach is capable of remedy, the Manager fails to remedy within 30 days of being specifically required in writing so to do by the Trustee, and the Trustee is of the opinion and so states in writing to the Manager and the Supervisory Committee that a change of Manager is desirable and in the best interests of Holders as a whole; or
- 23.1.5 if the Trustee is of the opinion, and so states in writing such reason and opinion, that the Manager has to the prejudice of Holders, failed to comply with any provision of this Deed, and summons a meeting of Holders for the purpose of determining an appropriate course of action, and if at such meeting, the Holders by Extraordinary Resolution determine to remove the Manager.
- 23.2 The Manager shall also be removed on notice in writing given by the Trustee following an Extraordinary Resolution passed to remove the Manager.
- 23.3 The Manager may be removed, and shall retire, from office in accordance with Clause ~~24.2.4~~, and in which case the Trustee or the Supervisory Committee shall give notice to the Manager accordingly.
- 23.4 In either of the cases contained in Clauses 23.1 and 23.2 the Manager shall upon notice by the Trustee *ipso facto* cease to be the Manager and as soon as practicable thereafter the Trustee shall by writing under its seal appoint as Manager some other company eligible to be the manager of the Trust and acceptable to the Supervisory Committee, and the Authority and subject to such company entering into such deed or deeds (being a deed or deeds supplemental to this Deed) as the Trustee may be advised to be necessary or desirable to be entered into by such company in order to secure the due performance of its duties as Manager. Nothing in this Clause 23 shall be construed as prejudicing the right of the Trustee herein contained to terminate the Trust in any of the events in which in accordance with the provisions of this Deed the right of terminating the Trust is vested in the Trustee.
- 23.5 Upon giving three months' written notice to the Trustee and the Supervisory Committee, the Manager shall have power to retire in favour of some other company eligible to be the manager of the Trust in accordance with the Code and approved by the Trustee, the Supervisory Committee, and the Authority upon and subject to such company entering into such deed or deeds as mentioned in Clause 23.4. Upon such deed or deeds being entered into and upon payment to the Trustee of all sums due by the retiring Manager to the Trustee under this Deed at the date thereof the retiring Manager shall be absolved and released from all further obligations hereunder but without prejudice to the rights of the Trustee or of any other person in respect of any act or omission prior to such retirement.
- 23.6 The Trustee shall, as soon as practicable after the appointment of a new Manager pursuant to the provisions herein, give notice to the Holders specifying the name and address of the office of the new Manager. Any Manager shall satisfy any applicable licensing requirements of the Authority.



- 23.7 Prior to retirement, the retiring Manager shall inform the Holders about the retirement.
- 23.8 Upon effective retirement hereunder, the retiring Manager shall use its reasonable endeavours to assign or novate to the new Manager, on terms reasonably acceptable to the Trustee, (and to obtain the consent of its counterparts thereto) all agreements to which it, as manager, is a party concerning the Trust.

24. **THE SUPERVISORY COMMITTEE**

24.1 A Supervisory Committee shall be constituted as follows:

- 24.1.1 The Supervisory Committee shall consist of up to seven (7) members of which the initial members shall be the persons set out in Part I of the Fifth Schedule. Of the members appointed to the Supervisory Committee a chairman shall be designated by the members. After the initial appointments to the Supervisory Committee, all further appointments shall (subject as provided below) be made by the Supervisory Committee itself, by majority vote, on a basis to be determined by it. If there are no members of the Supervisory Committee remaining, subject to Clause 24.1.8 the Trustee shall be entitled to appoint up to five persons to be members of the Supervisory Committee. All members of the Supervisory Committee shall be independent of the Trustee and the Manager and Connected Persons of any of them. No more than one member of the Supervisory Committee may be a representative of a Recognized Exchange.
- 24.1.2 Supervisory Committee members shall serve until their resignation or removal. A member of the Supervisory Committee may be removed and replaced with or without cause at any time by a majority of the Supervisory Committee by notice to the relevant Supervisory Committee member. A Supervisory Committee member may resign at any time by giving 30 Business Days' notice to the other members of the Supervisory Committee, the Trustee and the Manager and, in such event, the Supervisory Committee shall within 30 Business Days of such resignation appoint a replacement.
- 24.1.3 The quorum for a meeting of the Supervisory Committee shall be the presence of no fewer than one half of its members (or their respective alternates) and such quorum shall be present both at the commencement of business and also when such business is voted upon. If within half an hour of the time appointed for a meeting of the Supervisory Committee a quorum is not present the meeting shall stand adjourned to seven calendar days later at the same time and place unless otherwise agreed by all the members of the Supervisory Committee (or their respective alternates). If a quorum is not present at the adjourned meeting within half an hour of the time appointed for that meeting, the members or member present shall constitute a quorum and for this purpose if only one member is present at that time and place he or she shall for all purposes of that meeting be treated as the appointed alternate of all the other members of the Supervisory Committee and shall be treated as being entitled to one vote for each member of

the Supervisory Committee. Subject to Clause 24.1.8, resolutions of the Supervisory Committee shall be passed by a majority vote of the members (or their respective alternates) present or represented; provided that a quorum is present. The chairman of the Supervisory Committee shall have a casting vote. A resolution of the Supervisory Committee shall also be validly made if approved in writing by all the members (or their respective alternates) of the Supervisory Committee.

- 24.1.4 Any member of the Supervisory Committee may at any time appoint a person to be his alternate for the purposes of participating in meetings of the Supervisory Committee and may at any time terminate such appointment. While so appointed an alternate shall have all the rights, powers and privileges of his appointor. An appointment and a termination of appointment shall be by notice in writing signed by such member and sent to the Trustee and the Manager and the other members of the Supervisory Committee.
- 24.1.5 The Supervisory Committee shall meet whenever a matter under Clause 24.2 below or otherwise under this Deed requires the Supervisory Committee's approval, consent or agreement (and in any event it shall meet at least annually). Any one member of the Supervisory Committee may, at any time, convene a meeting of the Supervisory Committee provided that not less than two Business Days' notice of such meeting shall be given to each member of the Supervisory Committee (and their respective alternates). The Manager or the Trustee may also, at any time, convene a meeting of the Supervisory Committee, provided that not less than seven Business Days' notice of such meeting shall be given to each member of the Supervisory Committee (and their respective alternates). In each case such notice may be waived by all the members of the Supervisory Committee (or their respective alternates) when, before or after the meeting is held. Any notice shall include an agenda of the matters to be discussed at the meeting. Meetings of the Supervisory Committee shall be held at such place as may be agreed by all members (or their respective alternates) of the Supervisory Committee or failing agreement, at the office of the Trustee. Meetings may also be held by videoconference or teleconference.
- 24.1.6 The Supervisory Committee shall properly document and record all of its proceedings by way of written minutes and resolutions and deliver all such minutes and resolutions to each of the Manager and the Trustee.
- 24.1.7 No person shall be appointed as a member of the Supervisory Committee unless he is fit and proper and satisfies the eligibility criteria set out in Part II of the Fifth Schedule, which shall be determined by the person(s) entitled to appoint the members of the Supervisory Committee under Clause 24.1.1.
- 24.1.8 By a unanimous resolution of all the members (and not their alternates) of the Supervisory Committee, the Supervisory Committee may dissolve itself permanently and in which event:



- (a) any matter requiring the approval, consent or agreement of the Supervisory Committee shall not require its approval, consent or agreement;
- (b) there shall be no requirement to convene or hold meetings of the Supervisory Committee in accordance with this Clause 24; and
- (c) the Trustee and the Manager shall continue to manage and administer the Trust in accordance with the terms of this Deed as if all references to the Supervisory Committee had been removed and deleted from this Deed.

24.2 The Supervisory Committee shall:

24.2.1 oversee the Trustee and the Manager on matters pertaining to the management and administration of the Trust;

24.2.2 in connection with the Trustee's and the Manager's administration and management of the Trust under and in accordance with the terms of this Deed, have the power to:

- (a) direct the Trustee and the Manager on matters relating to the overall structure of the Trust and strategic (but not day to day) issues related to the management and administration of the Trust;
- (b) (but without being obliged to) require the Trustee and the Manager to report to the Supervisory Committee on any matter, act or thing pertaining to their management or administration of the Trust, and in relation to the exercise of any discretion by the Manager or the Trustee under and in accordance with the terms of this Deed, including without limitation, in respect of the appointment or removal of any Service Provider and the Manager's current and future marketing plan;
- (c) consider and recommend to the Trustee and the Manager, and approve, proposals for listings of the Units on a Recognised Exchange, having regard to such factors as commercial viability, legal and regulatory readiness of the market concerned, prevailing market environment; operational requirements and market development;
- (d) consider and recommend to the Trustee and the Manager, and approve, proposals for the registration or authorization of the Units or the Trust in any other jurisdiction; and
- (e) approve, consent or agree, direct or make recommendations to the Trustee and/or the Manager on such other matters as are set out in this Deed requiring the approval, consent or agreement of the Supervisory Committee or in respect of which the Supervisory Committee may direct or make recommendations to the Trustee and/or the Manager.

24.2.3 without prejudice to Clause 22, have the power to recommend the removal of the Trustee, in which case the Supervisory Committee shall give notice in writing to the Manager that it wishes the Trustee to retire in favour of a new trustee whose name is specified in such notice and which is a company eligible to be the trustee of the Trust and is acceptable to the Authority. Upon receipt of such notice the Manager shall within seven Business Days either approve or disapprove the recommendation of the Supervisory Committee to remove the Trustee. If the Manager approves the Supervisory Committee's recommendation under this Clause or fails to respond to the Supervisory Committee within seven Business Days of its receipt of such notice, the Supervisory Committee may give notice in writing to the Trustee that it wishes the Trustee to retire in favour of a new trustee whose name is specified in such notice. The existing Trustee shall, with effect on and from the date on which the appointment of such new trustee takes effect, by deed supplemental to this Deed retire as the Trustee. In the event the Manager disapproves the recommendation of the Supervisory Committee within seven Business Days of its receipt of the Supervisory Committee's notice, the Trustee shall not be removed but the Supervisory Committee may convene, or the Manager shall at the request of the Supervisory Committee convene, a meeting of Holders for the purpose of proposing a Resolution to remove the Trustee in accordance with Clause 22.3;

24.2.4 without prejudice to Clause 23, have the power to recommend the removal of the Manager in which case the Supervisory Committee shall give notice in writing to the Trustee that it wishes the Manager to retire in favour of a new manager whose name is specified in such notice and which is a company eligible to be manager of the Trust and is acceptable to the Authority. Upon receipt of such notice the Trustee shall within seven Business Days either approve or disapprove the recommendation of the Supervisory Committee to remove the Manager. If the Trustee approves the Supervisory Committee's recommendation under this Clause or fails to respond to the Supervisory Committee within seven Business Days of its receipt of such notice, the Supervisory Committee may give notice in writing to the Manager that it wishes the Manager to retire in favour of a new manager whose name is specified in such notice and subject to such company entering into such deed or deeds (being a deed or deeds supplemental to this Deed) as the Trustee may be advised to be necessary or desirable to be entered into by such company in order to secure the due performance of its duties as Manager. In the event the Trustee disapproves the recommendation of the Supervisory Committee within seven Business Days of its receipt of the Supervisory Committee's notice, the Manager shall not be removed but the Supervisory Committee may convene, or the Trustee shall at the request of the Supervisory Committee convene, a meeting of Holders for the purpose of proposing a Resolution to remove the Manager in accordance with Clause 23.2;

24.2.5 in relation to its duties set out in this Clause 24, have power to delegate to such person or persons as the Supervisory Committee considers appropriate and fit



and proper for carrying out such duties provided that the Supervisory Committee shall retain overall responsibility for such duties as may be delegated. The Supervisory Committee may also instruct any attorneys, bankers, accountants, brokers, lawyers and other professional persons as it sees fit; and

- 24.2.6 ensure that the Manager appoints the Auditor in accordance with Clause 15 and subject to the requirements of the Code shall approve any such appointment and removal of the Auditors or appointment of new Auditors.
- 24.3 No amendment, alteration, modification or variation to the terms of this Deed shall be made without the Supervisory Committee's prior approval unless made with the sanction of an Extraordinary Resolution.
- 24.4 The Supervisory Committee, and any member of the Supervisory Committee, shall be entitled to give or refuse to give or abstain from giving its approval, consent or agreement to any such matter, and on such terms and subject to such conditions as it sees fit in its absolute discretion without being liable therefor. Members of the Supervisory Committee shall not be responsible or liable for any act or failure to act or other omission of the Trustee or the Manager or any action, costs, claims, damages, expenses or liabilities which the Trustee, the Manager or any Holder or any other person who may be interested in any Units may suffer or incur as a result of any act or failure to act or other omission or the giving or their refusal to give or abstention from giving their approval, consent or agreement to any matter or for any advice, recommendation, direction, instruction or information given or provided by the Supervisory Committee to the Trustee and/or the Manager.
- 24.5 Each of the members of the Supervisory Committee, individually, and in their capacity as members of the Supervisory Committee, except to the extent of any fraud, recklessness, bad faith or wilful default on their part shall be indemnified and held harmless against any action, costs, claims, expenses, damages or liabilities to which they may be put or which they may incur as a result of acting as members of the Supervisory Committee, exercising their powers specified herein and their other authorities, duties or discretions vested in them under this Deed and each member of the Supervisory Committee shall for such purpose have recourse to the Fund Assets or any part thereof, except to the extent provided by applicable law.
- 24.6 The Trust may, and at the request of any member of the Supervisory Committee shall, purchase and maintain insurance for the benefit of a person who is or was a member of the Supervisory Committee indemnifying himself against liability for negligence, default, breach of duty or breach of trust or other liability which may lawfully be insured against by the Trust.
- 24.7 Nothing herein shall prevent any member of the Supervisory Committee from contracting or entering into any financial, investment, banking (including foreign exchange), trustee, insurance, secretarial, joint venture or partnership or other transaction of any kind whatsoever with, or from providing services of any kind to, the Trust, any Holder, any Trust Investment, or any other person in any fiduciary or other capacity (including for the

interested in any contract, transaction, joint venture or partnership or from being a director or employee of or consultant to any Trust Investment. Any member of the Supervisory Committee shall not be liable to account for any profits or benefits made or derived from or in connection with any such contract, transaction, joint venture or partnership or other transaction. In this Clause 24 "Trust Investment" means any company, person, partnership, joint venture, trust, association, sovereign, state, government, government agency, body of persons or entity of any kind whatsoever in which the assets in the Trust are, or are proposed to be, invested.

24.8 The Trustee and Manager shall provide to each member of the Supervisory Committee (and their respective alternates) at least two Business Days before each meeting held in accordance with Clause 24.1.5, and otherwise upon written request by the Supervisory Committee, a report which shall contain such information as the Supervisory Committee shall from time to time decide but shall include (but not be limited to), in so far as the Trustee and/or the Manager is aware of them:

24.8.1 details of any material events or material changes relating to the management, operation and administration of the Trust;

24.8.2 details of any material breaches by the Trustee, the Manager or any of the Trust's Service Providers of the duties and responsibilities imposed on each of them under, as the case may be, this Deed or any of the agreement(s) relating to the Trust to which they are a party.

24.9 In the event that there is no member appointed to the Supervisory Committee for a continuous period of one month or more, notwithstanding the terms of this Deed:

24.9.1 any matter requiring the approval, consent or agreement of the Supervisory Committee shall not require its approval, consent or agreement (except that the Manager shall not be entitled to remove the Trustee pursuant to Clause 22.2.1 and the Trustee shall not be entitled to remove the Manager pursuant to Clause 23.1.2);

24.9.2 there shall be no requirement to convene or hold meetings of the Supervisory Committee in accordance with this Clause 24; and

24.9.3 the Trustee and the Manager shall continue to manage and administer the Trust in accordance with the terms of this Deed as if all references to the Supervisory Committee had been removed and deleted from this Deed,

until such time as new members are appointed to the Supervisory Committee in accordance with Clause 24.1.1.

24.10 For the purposes of this Clause 24, "Service Provider" means any person appointed by the Trustee and/or the Manager (as the case may be) to provide services to or for the purposes of the Trust and includes any person to whom the provision of such services is delegated,



and shall include, but not be limited to, Receiving Agents and any custodian of the Investments comprising assets of the Trust.

24.11 Notwithstanding anything in this Clause 24, the Manager and the Trustee shall not accept or act on any directions given by the Supervisory Committee which would require the Manager or the Trustee to do any act or omit doing any act that would result in:

24.11.1 a breach by the Manager or the Trustee of their respective fiduciary duties to the Holders; or

24.11.2 a breach by the Manager, the Trustee and/or the Trust of any applicable law or regulations.

25. **TERMINATION OF THE TRUST**

25.1 Notwithstanding the termination of the Trust, the Trust shall remain liable to the Holder of any Unit in respect of any distribution amount which remains unpaid until such time when payment to that Holder by the Manager of the final distribution is made in accordance with Clause 26.

25.2 The Trust is of indeterminate duration and may be terminated by the Trustee, with the prior approval of the Manager (except in the case of Clauses 25.2.6 and 25.2.9) and the Supervisory Committee (except in the case of Clauses 25.2.3, 25.2.8 and 25.2.9) by notice in writing as hereinafter provided in any of the following events, namely:

25.2.1 if it becomes illegal or in the opinion of the Trustee impossible or impracticable to continue the Trust;

25.2.2 if the Trust shall become liable to taxation (whether in the Philippines or elsewhere) in respect of income or capital gains at a rate considered by the Manager to be excessive in relation to the rate which would be borne by the Holders if they owned directly the Index Securities and Non-Index Securities in question;

25.2.3 if the Trust ceases to be authorized under the Code;

25.2.4 if the iBoxx Philippines Index ceases to be compiled or published and there is no Successor Index;

25.2.5 if the Licence Agreement is terminated and a new licence agreement relating to the iBoxx Philippines Index or any Successor Index is not entered into by the Trustee and the Manager;

25.2.6 if the Manager goes into liquidation (other than voluntary liquidation for the purpose of merger or consolidation upon terms previously approved in writing by the Trustee) or shall be adjudged a bankrupt or insolvent or appoints liquidators or if a receiver shall be appointed in respect of the property or undertaking of the Manager or any part thereof or a judicial manager is

appointed in respect of the Manager or the Manager is the subject of any analogous proceedings or procedure in each case under such law as may be applicable in the circumstances where, after the expiration of a period of three months, the Trustee has not appointed a new Manager in accordance with Clause 23.4;

- 25.2.7 if on the expiration of three months after notifying the Manager that in the Trustee's opinion a change of Manager is desirable in the interests of the Holders pursuant to Clause 23.1.2 the Trustee has not found another company ready to accept the office of the Manager of the Trust of which the Trustee, the Supervisory Committee, and the Authority shall approve;
- 25.2.8 if the average of the daily Value of the Trust is less than PHP750 million over any rolling three-month period; or
- 25.2.9 if the Authority directs that the Trust be terminated.

The decision of the Trustee and the Manager in any of the events specified in this Clause 25 (with the exception of Clause 25.2.6) shall be final and binding upon all parties concerned but the Trustee and the Manager shall be under no liability on account of any failure to terminate the Trust pursuant to this Clause 25 or otherwise.

- 25.3 The Manager shall give written notice of termination of the Trust to the Holders in the manner herein provided and shall by such notice fix the date at which such termination is to take effect, which date shall not be less than three months after the service of such notice (except where the Trust is terminated by reason that it is illegal to continue in accordance with Clause 25.2.1 in which case termination may take effect forthwith without any prior notice to Holders).
- 25.4 The Trust may be terminated at any time by Extraordinary Resolution of the Holders and such termination shall take effect from the date on which such Extraordinary Resolution is passed or such later date (if any) as the Extraordinary Resolution may provide.
- 25.5 The Manager shall give written notice of the termination of the Trust pursuant to this Clause 25 to the Authority in accordance with the Code.
- 25.6 In the event of termination of the Trust, the Manager shall provide such information, documents and assistance as may be reasonably requested by the Trustee to enable the Trustee to submit to the Authority the relevant statements relating to the termination of the Trust as required under the Code.

## 26. LIQUIDATION OF THE TRUST

UPON the Trust being terminated:-

- 26.1 The Manager shall sell or realise all Investments which are not Index Securities or Non-Index Securities, and such Index Securities and Non-Index Securities as the Trustee in its



absolute discretion determines, then remaining in its hands as part of the Fund Assets and shall repay any outstanding borrowings effected by or for the account of the Trust (together with any interest accrued thereon but remaining unpaid) and such sale and repayment shall be carried out and completed in such manner and within such period after the termination of the Trust as the Trustee in its absolute discretion deems advisable. Subject to Clause 26.3, any net cash proceeds derived from the sale or realisation of such Investments and any other cash remaining in its hands as part of the Fund Assets shall at such time or times as the Trustee shall deem convenient be distributed (subject to retaining sufficient cash to meet any balancing payment under Clause 26.2) to the Holders *pro rata* to the number of Units held or deemed to be held by them respectively.

- 26.2 Subject to Clause 26.3, the Trustee may at such time or times as it may deem convenient (with prior approval of the Manager) distribute *in specie* to the Holders *pro rata* to the number of Units held or deemed to be held by them respectively all Index Securities and Non-Index Securities then remaining in its hands as part of the Fund Assets. Each Holder shall be entitled to receive approximately a proportionate amount of each type of Index Security and Non-Index Security (provided that no fraction of any Index Security or Non-Index Security shall be distributed) available for distribution together with a balancing payment in cash in the case of Holders who shall not receive the full proportionate amount of any Index Securities and Non-Index Securities and for such purpose the Trustee may sell any Index Securities and Non-Index Securities remaining in its hands as part of the Fund Assets. Such distribution, shall be carried out and completed in such manner and within such period after the termination of the Trust as the Trustee in its absolute discretion thinks advisable.
- 26.3 The Trustee shall be entitled to retain any moneys or Index Securities or Non-Index Securities in its hands under the provisions of this Clause 26 to the extent required, in its absolute discretion, to make full provision for all costs, charges, expenses, claims and demands incurred, made or apprehended by the Trustee being either in connection with or arising out of the liquidation of the Trust or otherwise properly payable out of the Fund Assets in accordance with this Deed or law and out of the moneys so retained to be indemnified and saved harmless against any costs, charges, expenses, claims and demands.
- 26.4 Any unclaimed Index Securities and Non-Index Securities held by the Trustee under the provisions of this Clause may at any time after the expiration of 10 years from the date on which the same were to be distributed under Clause 26.2 be sold by the Trustee and the net proceeds together with any unclaimed cash held by the Trustee at such time be disposed of in accordance with the Republic Act No. 3936 (Unclaimed Balances Law) subject to the right of the Trustee to deduct therefrom any expenses it may incur in carrying out this provision.
- 26.5 No further Units shall be issued and no outstanding Units may be redeemed from the time of and upon liquidation of the Trust.

27. **MEETINGS OF HOLDERS**

27.1 The Holders shall in addition to all other powers conferred upon them by statute or by this Deed or otherwise have the following powers exercisable by Extraordinary Resolution only namely:

27.1.1 power to assent to any modification or alteration of the provisions contained in this Deed;

27.1.2 power to increase the maximum Management Fee and Trustee Fee;

27.1.3 power to permit other types of fees;

27.1.4 power to terminate the Trust; or

27.1.5 power to remove the Manager.

27.2 All expenses of and incidental to the holding of a meeting in accordance with the provisions of the First Schedule or the circulation of resolutions shall be paid out of the Fund Assets.

27.3 The Manager, Trustee, any investment adviser appointed by the Manager or their respective Connected Persons are prohibited from voting their beneficially held Units at or from being counted in the quorum for a meeting at which they have a material interest in the business to be conducted.

28. **ADVERTISEMENTS**

28.1 If the Manager shall be desirous of issuing or publishing any advertisement, circular, descriptive booklet or other document referring to the Supervisory Committee or any of the EMEAP central banks or monetary authorities (the form of which shall not previously have been approved by the Supervisory Committee) the Manager shall, at least ten Business Days prior to the issue or publication thereof, submit a draft copy of the document in question to the Supervisory Committee and shall refrain from issuing or publishing the same if so required in writing by the Supervisory Committee within seven Business Days of the receipt by the Supervisory Committee of such draft or copy. In all circulars or advertisements or other publications referring to the issue or sale of Units reference shall be made to the Supervisory Committee, and any of the EMEAP central banks or monetary authorities only in terms previously approved by it or them.

29. **ELIGIBILITY OF HOLDERS**

29.1 The Manager and the Trustee shall have power to impose such restrictions (including but not limited to asking for such certifications) as they may think necessary or desirable for the purpose of ensuring that no Units are acquired or held directly, indirectly or beneficially by (a "Non-Eligible Person"):

29.1.1 any individual under the age of 18 (or such other age as the Manager may think fit);



- 29.1.2 any person or persons in circumstances (whether directly or indirectly affecting such person or persons and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Manager to be relevant) which, in the opinion of the Manager, might result in the Manager, the Trustee, members of the Supervisory Committee or the Trust incurring any liability to taxation or suffering any other pecuniary disadvantage or becoming subject to any law or regulation which the Manager, the Trustee, members of the Supervisory Committee or the Trust might not otherwise have incurred or suffered or become subject to; or
- 29.1.3 any person which might result in the Manager, Trustee, members of the Supervisory Committee or the Trust breaching any law, regulation or other requirements of any country or governmental authority.
- 29.2 For the purpose of ensuring compliance with Clause 29.1 the Trustee or the Manager may at any time and from time to time call upon any person holding directly or beneficially any Units, by notice in writing, to provide to the Trustee or the Manager such information and evidence as they shall require upon any matter concerned with or in relation to such person's holding of or interest in, or the ultimate beneficial owners of (or intermediate holders or owners of), Units.

30. **DISQUALIFICATION OF NON-ELIGIBLE HOLDERS**

- 30.1 For the purpose of ensuring compliance with the restrictions in Clause 29.1 the following provisions shall apply:
- 30.1.1 if it shall come to the notice of the Manager or the Trustee that any Units are owned directly or beneficially by any person in contravention of any such restrictions as are referred to in Clause 29 (the "Restrictions") the Manager or the Trustee may give notice to such person requiring him to transfer such Units to a person who would not thereby be in contravention of any of the Restrictions or the Manager or the Trustee may give a request in writing for the redemption of such Units in accordance with the provisions of Clause 11. If any person upon whom such a notice is served pursuant to this Clause does not within 10 days after such notice transfer his Units as aforesaid or establish to the satisfaction of the Manager (whose decision shall be final and binding) that the Units are not held in contravention of any of the Restrictions, he shall be deemed upon the expiration of 10 days to have given a request in writing for the redemption of all his Units pursuant to the provisions of Clause 11;
- 30.1.2 a person who becomes aware that he is holding or owning Units in contravention of any of the Restrictions shall forthwith, unless he has already received a notice pursuant to Clause 30.1.1, either transfer all his Units to a person who would not thereby be in contravention of any of the Restrictions or give a request in writing for the redemption of all his Units pursuant to the provisions of Clause 11;

30.1.3 the exercise by the Manager or the Trustee of the powers conferred by this Clause shall not be questioned or invalidated in any case on the ground that there was insufficient evidence of ownership of Units by any person or that the true ownership of any Units was otherwise than appeared to the Manager or the Trustee at the relevant date, provided that the said powers shall have been exercised in good faith.

30.2 In the case of any redemption of Units in accordance with a request made or deemed to be made under Clause 30.1, the Redemption Value shall be paid wholly in cash. Duties and Charges and Transaction Fees may be levied by the Manager (for the account of the Trust) to the Holder (which may be set off and deducted against the cash Redemption Value).

### 31. NOTICES AND DOCUMENTS

31.1 Any notice or other document required to be served upon or sent to a Holder shall be deemed to have been duly given or served if sent by post or left at his address as appearing on the Register and in the case of joint Holders the address of whichever of such Holders is named first on the Register or such other of the joint Holders as may be authorized in writing by the JH Signatory or (if more than one) each JH Signatory. Any notice or document so served or sent by post shall be deemed to have been served or received 48 hours from the time at which the same was posted and in proving such service or receipt it shall be sufficient to prove that the envelope or wrapper containing such notice or document was properly addressed, stamped and posted. Any notice or document left at the address of a Holder shall be deemed to have been served or received when left.

31.2 Any notice or document sent by post to or left at the registered address of a Holder in pursuance of this Deed shall notwithstanding that such Holder be then dead, in liquidation, insolvent or bankrupt and whether or not the Trustee or the Manager have notice of his death or bankruptcy be deemed to have been duly served or sent and such service shall be deemed a sufficient service on or receipt by all persons interested in the Units concerned.

31.3 All cheques, notices, statements and other documents of any kind sent by post by the Trustee or the Manager to any Holder shall be sent at the sole risk of the person entitled thereto.

31.4 Any notice or other document served on the Manager, the Trustee or the Supervisory Committee (or any member thereof) shall be deemed to have been given or served when received.

### 32. MODIFICATION OF DEED OF TRUST

32.1 Subject as hereinafter provided, the Trustee and the Manager (with the consent of the Supervisory Committee) may from time to time alter, modify or vary the terms of this Deed by deed supplemental hereto in such manner and to such extent as they may consider expedient for any purpose provided that unless the Trustee certifies in writing that such alteration, modification or variation is in the opinion of the Trustee not materially prejudicial to the interest of the Holders, does not to any material extent release the Trustee



or the Manager or any other person from any liability to Holders (other than upon any retirement or removal of the Trustee or the Manager) and does not increase the costs and charges payable out of the Trust (other than costs incurred in altering, modifying or varying this Deed), no such alteration, modification or variation shall be made without the sanction of an Extraordinary Resolution.

- 32.2 Without prejudice to Clause 32.1, the Trustee and the Manager (with the consent of the Supervisory Committee) shall be entitled to alter, modify or vary the terms of this Deed by deed supplemental hereto (and without the sanction of an Extraordinary Resolution) if the alteration, modification or variation to be made thereby is:
- 32.2.1 made in order either that the Trust should comply with fiscal or other statutory or official requirements (whether or not having the force of law) of any country or authority and the Trustee certifies in writing that in its opinion such change is necessary to so comply; or
- 32.2.2 to correct a manifest error and the Trustee certifies in writing accordingly.
- 32.3 Notwithstanding Clause 32.1 above, provided that the Trustee shall certify in writing that any modification, alteration or addition is directly or indirectly necessary or desirable in the Trustee's opinion for the purposes of listing or maintaining a listing of the Units on a Recognized Exchange approved by the Supervisory Committee or registering or authorizing the Units or the Trust in any other jurisdiction approved by the Supervisory Committee, then the Trustee and the Manager (with the consent of the Supervisory Committee) may by deed supplemental hereto modify, alter or add to the provisions of this Deed in such manner and to such extent as they may consider expedient for that purpose without the sanction of an Extraordinary Resolution.
- 32.4 No alteration, modification or variation whether or not approved by an Extraordinary Resolution shall impose upon any Holder any obligation to make any further payments in respect of any of the Units held by him or to accept any liability in respect thereof.
- 32.5 All of the costs and expenses incurred by the Trustee or the Manager in connection with any such supplemental deed referred to in this Clause 32 or entered into to effect a modification, alteration, addition or replacement of a kind referred to in this Clause 32 (including expenses incurred in the holding of a meeting of Holders, where necessary) may be charged against the Trust.
- 32.6 In the event of a supplemental deed being executed pursuant to this Clause 32 without the sanction of an Extraordinary Resolution, notice of the changes thereby effected shall be sent to the Holders unless the amendments to this Deed made by that supplemental deed are not in the opinion of the Manager (with the consent of the Trustee) of material significance. The form and timing of such notification shall, subject to the Code, be determined by the Manager at its discretion.

33. **THE FIRST, SECOND, THIRD, FOURTH and FIFTH SCHEDULES**

The provisions contained in the First, Second, Third, Fourth and Fifth Schedules shall have effect in the same manner as if such provisions were herein set forth.

34. **COMPETITION**

For a period commencing on the date of this Deed and ending 12 months after the Initial Issue Date, the Manager may not (and the Manager shall procure that its Connected Persons will not) directly or indirectly operate, promote, sponsor or manage any unit trust, mutual fund or other collective investment arrangement (but not in relation to a segregated portfolio or managed account) which is designed (whether by active or passive management) to track, or is benchmarked against, the performance of an index which is published or compiled by the Index Licensor and invested (in whole or in part) in sovereign or quasi-sovereign securities denominated in Philippine Pesos.

35. **DOMICILE**

35.1 The Trust shall be domiciled in the Philippines.

35.2 The forum for the administration of the Trust shall be conducted under the non-exclusive jurisdiction of the courts of the Philippines.

36. **PROPER LAW**

This Deed shall in all respects be governed by and construed in accordance with the laws of the Philippines.

37. **OTHER TRUSTS**

Subject to Clause 34, nothing herein contained shall be construed to prevent the Manager and the Trustee together or separately from acting as manager or trustee for trusts separate and distinct from the Trust.

38. **NON-COVERAGE BY PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC)**

Participation in the Fund creates a trust and not a deposit account. As such, participation in the Fund is not covered by the PDIC. Any income or loss of the Fund, whether realised or unrealised, will impact the Redemption Value, and shall be for the account and risk of the Holders.

IN WITNESS WHEREOF this Deed has been entered into the day and year first above written.



## THE FIRST SCHEDULE

### MEETINGS OF HOLDERS

1. The Trustee or the Manager or the Supervisory Committee may respectively (and the Manager shall at the request in writing of Holders registered as holding not less than 10 per cent of the Units for the time being in issue) at any time convene a meeting of Holders at such time or place in the Philippines (or such other location as the Trustee may determine) (subject as hereinafter provided) as the party convening the meeting may think fit and the following provisions of this Schedule shall apply thereto.
2. The Manager shall be entitled to receive notice of and to attend at any such meeting. Any director or other duly authorized official of the Trustee and its solicitors and any director and the secretary and the solicitors of the Manager and any other person authorized in that behalf by the Manager may attend and speak at the meeting. Members of the Supervisory Committee shall also be entitled to receive notice of and to attend and speak at any such meeting.
3. Twenty-one days' notice at the least (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of every meeting shall be given to the Holders in the manner provided in this Deed. The notice shall specify the place day and hour of meeting and the terms of any resolution to be proposed thereat. A copy of the notice shall be sent by post to the Trustee unless the meeting is convened by the Trustee. The accidental omission to give notice to or the non-receipt of notice by any of the Holders shall not invalidate the proceedings at any meeting. In this First Schedule, "Holders" means the persons who were Holders on the Record Date specified by the Manager with the prior approval of the Trustee, to be between seven and twenty-one days before the notice under this paragraph 3 was sent, but may exclude any persons who are known not to be Holders at the time of the meeting or at any other relevant time. Where a meeting is adjourned, this paragraph (save for the notice period which shall be as prescribed in paragraph 5) applies as if the reference to the notice given under this paragraph 3 was a reference to the notice of the adjourned meeting given under paragraph 5 below.
4. At any meeting one or more Holders present in person or by proxy registered as holding 10 per cent of the Units for the time being in issue shall form a quorum for the transaction of business except for the purpose of passing an Extraordinary Resolution. The quorum for passing an Extraordinary Resolution shall be one or more Holders present in person or by proxy registered as holding not less than 25 per cent of the Units in issue. No business shall be transacted at any meeting unless the requisite quorum is present at the commencement of business.
5. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting if convened upon the requisition of Holders shall be dissolved. In any other case it shall stand adjourned to such day and time not being less than fifteen days thereafter and to such place as may be appointed by the Chairman; and at such adjourned meeting the

Holders present in person or by proxy shall be a quorum (irrespective of the number of Holders present or number of Units they hold) for transaction of business including the passing of Extraordinary Resolutions. At least seven days' notice of any adjourned meeting of Holders shall be given in the same manner as for an original meeting and such notice shall state that the Holders present at the adjourned meeting whatever their number and the number of Units held by them will form a quorum.

6. The person (who need not be a Holder) nominated in writing by the Trustee shall preside at the meeting as Chairman and if no such person is nominated or if at any meeting the person nominated shall not be present within ten minutes after the time appointed for holding the meeting the Holders present shall choose one of their number to be Chairman.
7. The Chairman may with the consent of any meeting at which a quorum is present and shall if so directed by the meeting adjourn the meeting from time to time and from place to place but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place.
8. At any meeting any resolution (including but not limited to an Extraordinary Resolution) or other matter put to the vote of the meeting shall be decided by poll taken in such manner as the Chairman may direct and the result of a poll shall be deemed to be the resolution of the meeting.
9. Every Holder (being an individual) who is present in person or by proxy or (being a corporation) is present by one of its representatives or by proxy shall have one vote for every Unit of which he or it is the Holder and need not cast all the votes to which he or it is entitled in the same way.
10. A Holder may appoint more than one proxy to attend and vote a prescribed number of his or its Units. A proxy entitled to more than one vote need not, if he or it votes, use all his or its votes or cast all the votes he or it uses in the same way.
11. In the case of joint Holders the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint Holders. For this purpose seniority shall be determined by the order in which the names appear on the Register or such other of the joint Holders as may be authorized in writing by the JH Signatory or (if more than one) each JH Signatory.
12. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or if the appointor is a corporation either under the Seal or under the hand of an officer or attorney authorized in writing. A person appointed to act as proxy need not be a Holder.
13. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority shall be deposited at such place as the Trustee or the Manager with the prior approval of the Trustee may in the notice convening the meeting direct or if no such place is appointed then at the registered office of the Registrar not less than forty-eight hours before the time appointed



for taking of the poll at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of twelve months from the date named in it as the date of its execution.

14. An instrument of proxy may be in the following form or in any other form which the Trustee shall approve:-

"I/We \_\_\_\_\_ of \_\_\_\_\_

being a Holder of Units of and in the Trust known as ABF Philippines Bond Index Fund hereby appoint \_\_\_\_\_ of \_\_\_\_\_ as my/our proxy to vote for me/us and on my/our behalf \_\_\_\_\_ Units at the meeting of Holders of Units of and in the said Trust to be held on the \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_\_ and at any adjournment thereof.

AS WITNESS my hand this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_\_."

15. A vote given in accordance with the terms of an instrument of proxy shall be valid unless notice of the previous death or insanity of the principal or revocation of the proxy or of the power of attorney or other authority under which the proxy was signed or the transfer of the Units in respect of which the proxy is given, is received at the place appointed for the deposit of proxies or if no such place is appointed at the registered office of the Registrar before the commencement of the meeting or adjourned meeting at which the proxy is used.
16. Any Holder being a corporation may by resolution of its directors or other governing body authorize any person to act as its representative at any meeting of Holders, and a person so authorized shall at such meeting be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual Holder.
17. Minutes of all resolutions and proceedings at every meeting shall be made and duly entered in books to be from time to time provided for that purpose by or on behalf of the Trustee at the Trust's expense and any such minute as aforesaid if purporting to be signed by the Chairman of the meeting shall be conclusive evidence of the matters therein stated and until the contrary is proved every such meeting in respect of the proceedings of which minutes have been made shall be deemed to have been duly convened and held and all resolutions passed thereat to have been duly passed.
18. A Resolution and an Extraordinary Resolution shall be binding upon all Holders whether present or not present at the meeting and each of the Holders and the Trustee and the Manager shall subject to the provisions relating to indemnity contained in this Deed be bound to give effect thereto accordingly, provided that no alteration shall be made to the Valuation Rules contained in the Fourth Schedule without the prior written consent of the Trustee and the Manager.

## THE SECOND SCHEDULE

### IBOXX ABF PHILIPPINES INDEX

#### A. Inclusion Criteria

|                           |  |
|---------------------------|--|
| Bond types:               | Sovereign and quasi-sovereign issues in PHP. Fixed and zero-coupon, step-ups, sinking funds and amortizing bonds with a fixed redemption schedule  |
| Domicile:                 | Issuers—apart from Supranational financial institution or an agency or instrumentality of any supranational financial institution or an entity sponsored by any supranational institution—must be domiciled in the People's Republic of China, Hong Kong Special Administrative Region, Indonesia, Korea, Malaysia, Philippines, Singapore or Thailand |
| Minimum time to maturity: | 1 year   |
| Minimum life at issue:    | 18 months  |
| Minimum rating:           | None for sovereign issues. Quasi-sovereigns must have an investment grade (IG) rating from Fitch, Moody's or Standard & Poor's. The lowest of split ratings is used. Unrated quasi-sovereigns from IG countries are included if government guaranteed and/or financial agencies have strong government support   |

#### B. Index Calculation

|                           |   |
|---------------------------|---|
| Pricing sources:          | Money Market Association of the Philippines. More price providers will be added in the coming months.                                       |
| Consolidated prices:      | Quotes are submitted daily to International Index Company (IIC), where they are subject to filters and quality checks before consolidation. |
| Frequency of publication: | Daily on <a href="http://www.indexco.com">www.indexco.com</a>   |
| Currency of publication:  | Philippine Pesos and US Dollars (hedged and unhedged)   |
| Rebalancing:              | Monthly in accordance with index guide available on <a href="http://www.indexco.com">www.indexco.com</a>                                    |
| Base date:                | 31 December 2004 (history 31 December 2000 to be added later)   |



Source: [www.indexco.com](http://www.indexco.com)

Information subject to change without notice.



THE THIRD SCHEDULE

PARTICIPATION AGREEMENT

Through this Participation Agreement (the "AGREEMENT") made and executed this \_\_\_ day of \_\_\_\_\_, 20\_\_ by:

Name of Trustor/s: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

hereinafter referred to as the TRUSTOR/s, the TRUSTOR/s hereby participate(s) in the ABF Philippines Bond Index Fund (the "FUND"), a Unit Investment Trust Fund constituted by the Bank of the Philippine Islands ("BPI" or the "MANAGER"), where The Hongkong and Shanghai Banking Corporation Limited ("HSBC" or the "TRUSTEE") has agreed to act as trustee, through the Trust Deed dated \_\_\_\_\_, 2005 (the "TRUST DEED"), as Holders, as defined in the TRUST DEED.

It is expressly understood and agreed that this AGREEMENT is subject to the TRUST DEED that is duly submitted to the Bangko Sentral ng Pilipinas ("BSP"). This AGREEMENT does not, and neither does it purport to, amend or modify the TRUST DEED of the FUND. As such, the TRUSTOR/s hereby explicitly acknowledge(s) having read and fully understood the TRUST DEED and is/are amenable to all the terms and conditions contained therein.

Without limiting the terms and conditions of the said TRUST DEED, the TRUSTOR/s fully agree(s) to the following:

1. **CONFIRMATION OF RELATIONSHIP BETWEEN TRUSTOR/s, MANAGER AND TRUSTEE.** The TRUSTOR/s hereby confirm(s) the powers and authorities of the MANAGER and the TRUSTEE, and ratifies any and all acts, which they shall deem fit and necessary for the protection of the TRUSTOR/s' rights and interests in, to and over the FUND. The TRUSTOR/s acknowledge(s) that the Trustee and the Manager shall at all times comply with the relevant BSP rules and regulations, save to the extent waived by the BSP, as if the same were set out in the TRUST DEED and insofar as the BSP rules and regulations respectively relate to them.
2. **AUTHORITY OF THE MANAGER.** The MANAGER shall manage the FUND within the framework of the policies set forth in the TRUST DEED. The FUND shall be invested in a diversified portfolio of investments within the FUND'S investment policy and objectives as contained in the TRUST DEED.

A list of prospective and outstanding investments that are required to be disclosed under the TRUST DEED shall be made available and shall be updated quarterly by the MANAGER.



3. **FUND VALUATION.** The investments in the FUND shall be valued using the valuation method defined in the TRUST DEED. The Manager shall prepare and make available quarterly and annual reports on the FUND.
4. **MANNER OF PARTICIPATION.** Every transaction of a TRUSTOR in the units of the FUND shall be made through the purchase, redemption or transfer of a whole number of units at the applicable price per unit. The creation and issuance of units for new participations in the FUND shall serve to expand the FUND's total outstanding units. Conversely, any cancellation or redemption of units serves to contract the FUND's total outstanding units. TRUSTOR/s shall have only an undivided interest in the FUND in proportion to their holdings of units. Transfer of units is subject to the documentary requirements imposed by the MANAGER from time to time.
5. **MANNER OF CREATION OF UNITS.** The number and value of new units of the FUND shall be computed on the basis of the issue price per unit applicable on the day the valid application is received by the Receiving Agent as defined in the TRUST DEED (the "RECEIVING AGENT"). The MANAGER may require the TRUSTOR/s to designate a BPI or BPI Family Bank deposit account (Current or Saving Account of the same currency as the FUND) (the "SETTLEMENT ACCOUNT") from which the amount of the subscription to be made shall be debited. Where the subscription amount is made by cheque, units will be issued only upon the actual clearing of the cheque. In case of dishonor or return of such cheque for any reason, the application for subscription shall be deemed automatically cancelled. For the effective and efficient management of the FUND, the MANAGER, with the consent of the TRUSTEE of the FUND, shall set and retain the option to change from time to time the minimum value of units for initial and the multiple for additional subscriptions of FUND units. The MANAGER will give 30 calendar days' notice to the TRUSTOR/s of any increase in the said minimum and multiple, and disclose the same in the marketing materials and quarterly reports.
6. **MANNER OF REDEMPTION.** The redemption value of FUND units shall be computed on the basis of the redemption value per unit applicable on the day a valid redemption request is received by the RECEIVING AGENT. Proceeds of the redemption shall be paid to the TRUSTOR/s not later than two business days from the date of receipt of a valid redemption request.

For the effective and efficient management of the FUND, the MANAGER, with the consent of the TRUSTEE of the FUND shall set, and retain the option to change from time to time, the minimum value of units for partial redemptions, the minimum holding period, the early redemption fee, and the required minimum value of remaining participation in the FUND. The MANAGER will give 30 calendar days' notice to the TRUSTOR/s of any increase in the said minimums or fee and disclose the same in the marketing materials and quarterly reports.

The MANAGER of the FUND reserves the right to delay the payment of any moneys in respect of any redemption during any period when the dealing of Units is suspended in accordance with the provisions of the TRUST DEED. Although the FUND is envisioned to



be a going concern, the TRUSTEE of the FUND, with the prior approval of the MANAGER and in accordance with the TRUST DEED, may terminate the FUND if, in its opinion, it is impossible or impracticable to continue the FUND in light of market and other conditions.

7. **JOINT ACCOUNTS.** The MANAGER may require the co-TRUSTORS to designate a joint account as the SETTLEMENT ACCOUNT. The operation of and withdrawals of the funds in such joint account must be signed or authorized by all the co-TRUSTORS provided however that in case of "and/or" accounts, any one of the co-TRUSTORS is authorized to operate the funds and to effect any withdrawal therefrom.
8. **CUT-OFF TIME AND SETTLEMENT DATES.** For the effective and efficient management of the FUND, the MANAGER, with the consent of the TRUSTEE of the FUND, shall set, and shall retain the option to change from time to time the cut-off times and settlement dates for transactions. The MANAGER will give 30 calendar days' notice to the TRUSTOR/s of any change in the said cut-off times and settlement dates and disclose the same in the marketing materials and quarterly reports.
9. **EVIDENCE OF PARTICIPATION.** Participation of the TRUSTOR/s in the FUND shall be evidenced by a Confirmation of Participation or Transaction Advice issued by the MANAGER. The MANAGER reserves the right to require the prior endorsement/surrender of any evidence of participation issued by the MANAGER upon full or partial redemption of units.
10. **INSTRUCTIONS.** All instructions, whether original written instructions, oral or otherwise through telephone or facsimile, given by the persons authorized to operate the account as designated in the account opening form (or otherwise in writing), are binding on the TRUSTOR/s. The MANAGER shall be entitled to rely and act on any such instructions, which it in good faith believes to be genuine, and shall not in any way be liable for any loss that the TRUSTOR/s may incur as a result of the MANAGER's reliance and action on any such instruction.

For purposes of instructions made through the telephone, a Personal Identification Number (PIN) shall be designated by the TRUSTOR/s, which he/she shall be required to quote when giving instructions by telephone. The TRUSTOR/s hereby expressly confirm(s) unto the MANAGER that the MANAGER may use or otherwise install voice recording procedures in communicating with or when taking instructions from the TRUSTOR/s. Any such voice record will constitute conclusive evidence of the instructions or communications so recorded. The right of the TRUSTOR/s to give telephone or fax instructions is a privilege. The TRUSTOR/s will use this privilege judiciously and with discretion, and will take the necessary steps to protect such privilege and ensure that it is not misused or abused or used to perpetuate a fraud.

All oral and facsimile instructions shall be followed by original written documents on the same day.



11. **COMMUNICATIONS AND NOTICES.** Any communication or notice required to be served upon or sent to a TRUSTOR/s shall be deemed to have been duly given or served if sent by post or left at his address as appearing on the register of the MANAGER. All communications shall be directed to the last known address appearing in the MANAGER's register unless a written notice of change of address is received by the MANAGER prior to the delivery of any communication or notice to the TRUSTOR/s..
12. **REPORTS.** A report shall be made available by the MANAGER to the TRUSTOR/s at least once every quarter. The report shall consist, among other things, of the summary of investments, the total cost and market value thereof, the unrealised income/(loss), the number of units of participation in the FUND, and a transactions activity report showing contributions and redemptions made during the period covered. An audited annual report shall be made available by the MANAGER to the TRUSTOR/s together with a report by the TRUSTEE as to whether, in the opinion of the TRUSTEE, the MANAGER has in all material respects managed the Trust during the relevant period in accordance with the provisions of the TRUST DEED.
13. **DISTRIBUTION OF FUND EARNINGS.** All income accruing in respect of the Trust shall as and when received form part of the FUND. Unrealised income of each TRUSTOR may be estimated by the difference between the prevailing price per unit over the average acquisition cost of the TRUSTOR/s, multiplied by the number of units held by the TRUSTOR/s. Realization of income on units occurs when the units are redeemed.
14. **LIABILITY OF THE MANAGER.** Nothing in this AGREEMENT shall be construed as a guarantee of return or income; nor does it entitle the TRUSTOR/s to a fixed rate of return on the money invested for him/her in the FUND by the MANAGER. The MANAGER shall not be liable for any loss or depreciation in the value of the FUND or in the value of the TRUSTOR/s' units unless attributable to the MANAGER's act of fraud, wilful default, negligence, or bad faith. *It is understood that the FUND is not covered by the Philippine Deposit Insurance Corporation and that losses, if any, shall be for the account of the TRUSTOR/s.*
15. **TAXES, EXPENSES AND FEES.** The MANAGER is authorized to incur and deduct from the FUND taxes relative to the acquisition and disposition of investments, expenses as allowed under existing BSP rules and regulations (e.g., external audit and legal fees, custody fee, index licence fee and documentary stamps) and in consideration of services rendered herein, the MANAGER and TRUSTEE shall collect after the end of each month management and trust fees, respectively, based on the average daily value of the FUND. In no case shall the fees exceed the maximum provided under the FUND's TRUST DEED.
16. **AMENDMENTS.** This Agreement shall be deemed automatically modified as and when the TRUST DEED is amended by the MANAGER and the TRUSTEE of the FUND in order to comply with applicable laws and/or Bangko Sentral ng Pilipinas regulations and for such other purposes as allowed under the TRUST DEED.

17. **TERM OF AGREEMENT.** This Agreement shall continue and remain in force until the full redemption of the TRUSTOR/s participation, or upon termination of the FUND in accordance with the TRUST DEED, the laws or the regulations then existing.

For and on behalf of the TRUSTOR/s:

\_\_\_\_\_





## THE FOURTH SCHEDULE

### VALUATION RULES

1. The Trustee shall calculate or procure the calculation of the Value of the Trust as at each Valuation Point by valuing the Fund Assets in accordance with paragraphs 2 and 3 (below), and deducting the liabilities of the Trust in accordance with paragraph 3 (below), as at such Valuation Point. The Trustee may appoint any other professional person approved by the Manager to perform such calculation.
2. The Value of the Fund Assets shall be ascertained on the following basis:
  - 2.1 The Value of Index Securities and Non-Index Securities shall be determined by reference to the bid prices for such Investments furnished by the Index Licensor, a pricing service or by selected brokers approved by the Manager and the Trustee.
    - 2.1.1 The Value of Index Securities may be taken from the Index Licensor (where available). Other acceptable pricing sources for Index Securities (where appropriate Values are not available from the Index Licensor) and Non-Index Securities include, but are not limited to, FT Interactive, Bloomberg, Reuters or Citigroup Yield book, or any successors thereto.
    - 2.1.2 Index Securities and Non-Index Securities for which quotations are not readily available are valued at fair value (being the price that the Trust would reasonably expect to receive upon the current sale of such Index Securities and Non-Index Securities) as determined with due care and in good faith by the pricing service or by selected brokers using methods which include consideration of the following: yields or prices of bonds of comparable quality, type of issue, coupon, maturity and rating; indications as to value from dealers; and general market conditions.
    - 2.1.3 The pricing service or brokers may employ electronic data processing techniques and/or a matrix system to determine valuations.
  - 2.2 The Value of any other Investments quoted, listed or normally dealt in on a Recognized Exchange (including, but not limited to, options and futures contracts) shall be determined by reference to prices for such Investments furnished by a pricing service approved by the Manager and the Trustee.
    - 2.2.1 The pricing service shall be required to determine or estimate the price of each such Investment based on the bid price on the most appropriate Recognized Exchange at the Valuation Point.
    - 2.2.2 Investments for which quotations are not readily available are valued at fair value as determined by the pricing service using methods which include consideration of prices of Investments of comparable quality, type, expiration date, strike price, and the like; indications as to value from dealers; and general market conditions.

- 2.3 Cash, deposits and similar property shall be valued at face value (together with accrued interest) unless, in the opinion of the Manager, any adjustment should be made to reflect the fair value thereof.
- 2.4 Notwithstanding any of the foregoing sub-paragraphs, the Manager may with the consent of the Trustee adjust the Value of any Investment or permit some other method of valuation to be used if, having regard to applicable rates of interest, maturity, marketability and such other considerations as the Manager may deem relevant, the Manager considers that such adjustment or other method of valuation is required to reflect more fairly the Value of such Investment or other property.
- 2.5 Other Investments, and property other than Investments shall be valued in such manner and at such time or times as the Manager and the Trustee shall from time to time agree.
3. In calculating the Value of the Trust at any Valuation Point:
- 3.1 every Unit agreed to be issued in relation to an application received on or before the Creation Dealing Deadline on a Transaction Date shall be deemed to be in issue on the Settlement Date for the relevant Transaction Date, (and, in particular but without limitation, every Unit applied for in accordance with Clause 10 shall be deemed to be in issue on the Settlement Date for the relevant Transaction Date) and the Fund Assets shall be deemed to include the amount of any cash to be paid and/or received in respect of each such Unit, on the Settlement Date;
- 3.2 where, a redemption request has been duly given pursuant to Clause 11 on or before the Redemption Dealing Deadline on a Transaction Date, the Units which are the subject of the redemption request shall be deemed not to be in issue with effect from the Settlement Date and any amount payable in cash in pursuance of such reduction shall be deducted with effect from the Settlement Date for the relevant Transaction Date;
- 3.3 where any Investment has been agreed to be purchased or otherwise acquired or sold or otherwise disposed of but such purchase, acquisition, sale or disposal has not been completed, such Investment shall be included or excluded and the gross purchase or acquisition or net sale consideration excluded or included as the case may require as if such purchase, acquisition or sale had been duly completed on the Dealing Day immediately following the date of the agreement to so purchase or acquire or sell or dispose of the Investment;
- 3.4 there shall be included in the assets an amount equal to all such costs, charges, fees and expenses as the Manager may have determined to amortise pursuant to the provisions of Clause 16.4 less the amounts thereof which have previously been or are then to be written off;
- 3.5 income derived from loans and deposits and from Investments (other than Index Securities and Non-Index Securities) bearing fixed interest shall be deemed to accrue from day to day;



- 3.6 the outstanding liabilities, costs and expenses attributable to the Trust shall be deducted from the Fund Assets, as the case may require, which shall include (without limitation):
- 3.6.1 any amount of Management Fee and Trustee Fee accrued up to and including the relevant time but remaining unpaid;
  - 3.6.2 the amount of tax (if any) on gains or profits accrued up to the end of the last Accounting Period or part thereof but remaining unpaid;
  - 3.6.3 the aggregate amount for the time being outstanding of any borrowing effected under Clause 13 and the amount of any interest and expenses referred to in Clause 13 but not paid;
  - 3.6.4 an amount equal to the Value of any Investment which is a negative amount;
  - 3.6.5 any other costs or expenses payable but not paid which are expressly authorized by any of the provisions of this Deed to be payable out of the Fund Assets;
  - 3.6.6 an appropriate allowance for any contingent liabilities;
  - 3.6.7 there shall be taken into account such sum (if any) as in the estimate of the Manager will fall to be paid or reclaimed in respect of taxation related to income and transactions prior to or on the relevant Dealing Day; and
- 3.7 liabilities shall (where appropriate) be treated as accruing from day to day.
4. Any change to the valuation rules as provided in this Fourth Schedule shall require the prior approval of the Trustee and the Manager and the Holders should be informed 30 calendar days prior to such change.

## THE FIFTH SCHEDULE

### PART I INITIAL MEMBERS OF SUPERVISORY COMMITTEE

Mr. Antonino N. Alindogan, Jr., former Monetary Board Member, Bangko Sentral ng Pilipinas

Mr. Omar T. Cruz, Treasurer of the Philippines, Bureau of Treasury

Dr. Johnny Noe E. Ravalo, Consultant

Mrs. Ma. Ramona G. D. T. Santiago, Managing Director, Treasury Department, Bangko Sentral ng Pilipinas

Dr. Bernardo M. Villegas, Senior Vice President, University of Asia and the Pacific

### PART II ELIGIBILITY CRITERIA FOR SUPERVISORY COMMITTEE

1. *Educational Qualifications* - An appropriate qualification for example in Business, Accounting, Law or Economics or a related discipline and/or previous experience of similar responsibilities or demonstrable knowledge of financial affairs.
2. *Reputation/Character* - Not having been:
  - (i) found by a court or other competent authority to have acted fraudulently or dishonestly; or
  - (ii) convicted of a criminal offence (or being the subject of unresolved criminal charges) which are of direct relevance to fitness and properness for the role to be undertaken; or
  - (iii) disqualified from serving as a director; or
  - (iv) found culpable of insider trading or any market misconduct or of failure to abide by the Code and any other codes of conduct and guidelines issued by the Authority or other regulator in the Philippines, or of any offence, breach or failure to abide by an equivalent law, regulation, code of conduct or guideline promulgated in any foreign jurisdiction or by any relevant overseas exchange relating to behaviour that is unacceptable by international standards.
3. *Age* - Over 30 years of age.
4. *Financial Status* - Not being an undischarged bankrupt or currently subject to bankruptcy proceedings or being a bankrupt recently discharged (i.e., within the last 3 years).



5. *Directorships* - Not having been a director of a company which has been wound up by the court on the application of creditors.
6. *Business Record and Business Interests* - Not having business interests which compete directly with those of the Trust or which are liable to place the member in a conflict of interest situation in carrying out his duties as a member.
7. *Relationship to Trustee/Manager* - Not being a director, officer or employee of the Trustee or the Manager of the Trust or any Connected Person of either the Trustee or the Manager.

EXECUTION PAGE

**BANK OF THE PHILIPPINE ISLANDS**  
**(As Manager)**  
was hereunto affixed in the presence of:-

)  
)  
)



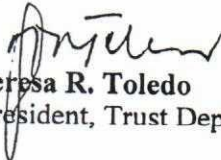
**Ma. Theresa Marcial-Javier**  
Vice President  
Asset Management and Trust Group



**Adelbert A. Legasto**  
Executive Vice-President  
Asset Management and Trust Group

**THE HONG KONG AND SHANGHAI BANKING**  
**CORPORATION LIMITED**  
**(As Trustee)**  
was hereunto affixed in the presence of:-

)  
)  
)



**Ma. Teresa R. Toledo**  
Vice President, Trust Department