

## **General Risk Factors**

Prior to making an investment in any of the ATRAM Trust Corporation (“ATC”) Unit Investment Trust Funds (the “Funds”), ATC is hereby informing you of the nature of the Funds and the risks involved in investing therein. As investments in the Funds carry different degrees of risk, it is necessary that before you participate/invest in any of these Funds, you should have (1) fully understood the nature of the investment in the Funds and the extent of your exposure to risks; (2) read this Risk Disclosure Statement completely; and (3) independently determined that investment in the Funds is appropriate for you.

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

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

Your investment in any of the Funds exposes you to the various types of risks enumerated and defined hereunder:

**Interest Rate Risk.** An investor may experience losses due to changes in interest rates. The purchase and sale of a debt instrument may result in profit or loss because the value of a debt instrument changes inversely with prevailing interest rates.

The Funds’ portfolios, being marked-to-market, is affected by changes in interest rates, thereby, affecting the value of fixed income investments such as bonds. Interest rate changes may affect the prices of fixed income securities inversely, i.e. as interest rates rise, bond prices fall and when interest rates decline, bond prices rise. As the prices of bond investments of a Fund adjust to a rise in interest rates, the Fund’s unit price may decline.

**Market Price Risk.** Changes in market prices of securities (e.g., bonds and equities) may result to losses for investors. It is the exposure to the uncertain market value of a portfolio due to price fluctuations.

The Funds are exposed to the risk of losing value due to a decline in securities prices, which may sometime happen rapidly or unpredictably. The value of investments fluctuates over a given time period because of general market conditions, economic changes or other events that impact large portions of the market such as political events, natural calamities, etc. As a result, the NAVPU may increase to make profit or decrease to incur loss.

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

Liquidity risk occurs when certain securities in a Fund's portfolio may be difficult or impossible to sell at a particular time which may prevent the redemption of investment in a Fund until its assets can be converted to cash. Even government securities which are the most liquid of fixed income securities may be subjected to liquidity risk particularly if a sizeable volume is involved.

**Credit Risk/Default Risk.** An investor is exposed to credit/default risk as there is a possibility that a borrower may fail to pay principal and/or interest in a timely manner on instruments such as bonds, loans, or other forms of debt instruments or security which the borrower issued. This inability of the borrower to make good on its financial obligations may have resulted from adverse changes in its financial condition, thus, lowering credit quality of the debt instrument or security, and consequently lowering the price (market/price risk) which contributes to the difficulty in selling such debt instrument or security. A credit default by an issuer of a debt security in which the Fund is invested will result in a sharp reduction in price of such debt security and lead to a lower net asset value for the Fund. Credit risk also includes risk on a counterparty (a party which ATC trades with on behalf of the Funds), i.e. counterparty risk, defaulting on a contract to deliver its obligations either in cash or securities.

**Reinvestment Risk.** This is the risk associated with the possibility of having lower returns or earnings when maturing placements or interest earnings are reinvested.

Investors in the Funds who redeem and realize gains run the risk of reinvesting their money in an alternative investment outlet with lower yields. Similarly, ATC is faced with the risk of not being able to find good or better alternative investment outlets as some of the securities in the Funds mature.

**Hedging Risk.** This is the risk associated with the possibility of an investor experiencing losses brought about by the inherent risks which the underlying investment is exposed to despite the use of a hedging instrument. Hedging is the act of reducing the exposure of the underlying investment from its risks. In order for hedging to be effective, the prices of the hedging instruments and the underlying investment should normally move in opposite directions.

There is no guarantee, however, that the effectiveness of a hedging instrument shall remain throughout the term of the underlying investment. Should the hedging instrument become ineffective, liquidating this based on market prices may result to market losses.

In case of a fund that is allowed to invest in securities denominated in currencies other than its base currency, such fund is also exposed to the following risks:

**Foreign Exchange Risk.** Fluctuations in foreign exchange rates may lead to losses for a Fund. Currency exchange rates depend on a variety of global and local factors, e.g. interest rates, economic performance, and political developments.

It is the risk of a Fund to currency fluctuations when the value of investments in securities denominated in currencies other than the base currency of the Fund depreciates. Conversely, it is the risk of the Fund to lose value when its base currency appreciates. The NAVPU of a peso-denominated Fund invested in foreign currency securities may decrease to incur losses when the peso appreciates.

**Country Risk.** A Fund may suffer losses arising from investments in securities issued by/in foreign countries due to political, economic and social structures of such countries. There are risks in foreign investments due to the possible internal and external conflicts, currency devaluations, foreign

ownership limitations and tax increases of the foreign country involved which are difficult to predict but must be taken into account in making such investments.

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

**Legal and Tax Risks.** The interpretation and implementation of laws and regulations are constantly changing, and they may change with retrospective effect. As such, investors are exposed to legal and tax risks since additional taxes, including any surcharge or penalty, may be applied to transactions of the Fund made prior to the investor becoming a unitholder, if any change in tax laws/rulings or in the interpretation or administration thereof is implemented with a retroactive effect. Likewise, an increase in tax rates will have a negative impact on the performance of the Fund.

**Other Risks.** Your participation in the Funds may be further exposed to the risk of any actual or potential conflicts of interest in the handling of in-house or related party transactions by ATC. These transactions may include: own-bank deposits; purchase of own-institution or affiliate obligations (e.g., stocks, mortgages); purchase of assets from or sales to own institution, directors, officers, subsidiaries, affiliates or other related interests/parties; or purchases or sales between fiduciary/managed accounts.

### **Specific Risk Factors**

Further to the general risk factors set out above, potential investors should be aware of certain fund specific risks:

The Fund's underlying investments are subject to interest rate risk and credit risk:

- *ATRAM Emerging Markets Bond Feeder Fund*
- *ATRAM Peso Money Market Fund*
- *ATRAM Global Total Return Bond Feeder Fund*
- *ATRAM Global Allocation Feeder Fund*
- *ATRAM Total Return Peso Bond Fund*
- *ATRAM Smart Global Fixed Income Feeder Fund*
- *ATRAM Global Multi-Asset Income Feeder Fund*
- *ATRAM US Multi-Asset Income Feeder Fund*
- *ATRAM Global Bond Income Feeder Fund*

The Fund invests in equity securities, the prices of which fluctuate daily, sometimes dramatically, which could result in significant losses:

- *ATRAM Emerging Markets Equity Opportunity Feeder Fund*
- *ATRAM Global Equity Opportunity Feeder Fund*
- *ATRAM Global Allocation Feeder Fund*
- *ATRAM European Equity Opportunity Feeder Fund*
- *ATRAM US Equity Opportunity Feeder Fund*
- *ATRAM Philippine Equity Smart Index Fund*
- *ATRAM Global Dividend Feeder Fund*
- *ATRAM Asia Equity Opportunity Feeder Fund*
- *ATRAM Global Technology Feeder Fund*

# UNIT INVESTMENT TRUST FUND RISK DISCLOSURE STATEMENT

- *ATRAM Global Financials Feeder Fund*
- *ATRAM Smart Global Equity Feeder Fund*
- *ATRAM Global Multi-Asset Income Feeder Fund*
- *ATRAM US Multi-Asset Income Feeder Fund*

The Fund is focused on a specific regional market which increases potential volatility:

- *ATRAM Emerging Markets Bond Feeder Fund*
- *ATRAM Emerging Markets Equity Opportunity Feeder Fund*
- *ATRAM European Equity Opportunity Feeder Fund*
- *ATRAM US Equity Opportunity Feeder Fund*
- *ATRAM Asia Equity Opportunity Feeder Fund*
- *ATRAM Philippine Equity Smart Index Fund*
- *ATRAM US Multi-Asset Income Feeder Fund*

**BY SIGNING BELOW, I/WE HEREBY WARRANT THAT I/WE HAVE FULLY READ AND UNDERSTOOD THIS RISK DISCLOSURE AND THE SAME WAS CLEARLY EXPLAINED TO ME/US BY AN ATC UITF MARKETING PERSONNEL BEFORE I/WE AFFIXED MY/OUR SIGNATURES/S HEREIN. I/WE VOLUNTARILY AND WILLINGLY AGREE TO COMPLY WITH ANY AND ALL LAWS, REGULATIONS, THE PLAN RULES, TERMS AND CONDITIONS GOVERNING MY/OUR INVESTMENT IN THE ATC FUNDS.**

\_\_\_\_\_  
Signature over Printed Name

\_\_\_\_\_  
Signature over Printed Name

\_\_\_\_\_  
Signature over Printed Name

\_\_\_\_\_  
Signature over Printed Name

Account number: \_\_\_\_\_

Date: \_\_\_\_\_

**I ACKNOWLEDGE THAT I HAVE (1) ADVISED THE CLIENT TO READ THIS RISK DISCLOSURE STATEMENT, (2) ENCOURAGED THE CLIENT TO ASK QUESTIONS ON MATTERS CONTAINED IN THIS DOCUMENT, AND (3) FULLY EXPLAINED THE SAME TO THE CLIENT.**

**ATRAM Trust Corporation:**

\_\_\_\_\_  
Signature over Printed Name/  
Position of UIT Marketing Personnel

\_\_\_\_\_  
Date

No. \_\_\_\_\_

Date : \_\_\_\_\_  
Account Number : \_\_\_\_\_  
Participant's Name : \_\_\_\_\_  
Participant's Address : \_\_\_\_\_  
Name of Fund (the "Fund") : \_\_\_\_\_  
Participation Amount : \_\_\_\_\_

I/We, the Participant, desire and agree to participate in the Fund being managed and administered by ATRAM Trust Corporation, as "Trustee", in accordance with the Declaration of Trust of the Fund (the "DOT" or the "Plan") and the terms and conditions in this Participation Trust Agreement (the "Agreement"), executed pursuant to the requirements of the Bangko Sentral ng Pilipinas (the "BSP").

Unless otherwise defined herein, capitalized terms used herein shall have the same meaning ascribed to them in the Plan.

1. **Participation** – Participation in the Fund shall be made by purchasing Participation Units at the prevailing Net Asset Value per Unit (the "NAVPU") and shall not be less than the Initial Minimum Investment Amount indicated in the Plan. Participation shall be allowed only at such frequency or at such times as provided in the Plan. The Participant's investment in the Fund shall be expressed in terms of number of Participation Units as appearing in the Participant's Confirmation of Participation. Each Participation Unit shall have uniform rights and privileges as any other Participation Units.

The Fund is subject to a Minimum Holding Period as indicated in the Fund Specifications. Any redemption made within the Minimum Holding Period shall be subject to an Early Redemption Fee which shall be charged to the Participant and credited to the Fund as defined in the Fund Specification. The Early Redemption Fee for this Fund is \_\_\_\_\_% of the amount redeemed.

Subsequent contributions of a Participant in the Fund is subject to a Minimum Additional Participation Amount as indicated in the Fund Specifications and shall result to the Participant's additional proportionate interest in the Fund.

2. **Client Suitability** – Prior to the acceptance of the initial participation from a Participant, the Trustee shall perform client suitability assessment, through a Client Suitability Assessment form which shall be accomplished and signed by the Participant.
3. **Disclosure of Risk** – The Trustee shall disclose to the Participant the risks attendant to the Fund prior to accepting the latter's initial participation. The Participant shall acknowledge the disclosure by executing a Risk Disclosure Statement form.
4. **Redemption** – The Participant may redeem his/her/its participation by submitting a Redemption Form to the Trustee. The redemption of Participation Units shall be allowed only at such frequency or at such times as provided in the Plan and Fund Specifications. The redemption of Participation Units will be based on the applicable NAVPU. No partial redemption from the Fund shall be effected if the amount so redeemed reduces the Participant's proportionate interest in the Fund below the Minimum Maintaining Participation indicated in the Fund Specifications.

Redemptions from the Fund shall result in a reduction of the Participant's proportionate interest in the Fund. Such reductions shall be expressed in Units based on the NAVPU.

A written confirmation shall be issued to the Participant for every redemption as evidence of the partial or full redemption of his/her/its Participation Units. The outstanding unredeemed Participation Units, as well as subscription/redemption transactions for the relevant period, shall be reflected in a quarterly statement to be sent to the Participant.

The Trustee reserves the right to suspend redemption of Participation Units in case of national emergencies, fortuitous events or severe market illiquidity. In such extreme situations, there may not be enough buyers for securities or the spreads for prices may be extremely wide, that forcing the immediate sale of assets may be more detrimental for the fund. The Trustee may defer any request for redemption, in whole or in part. Any redemption request so deferred will have priority, on a first-come first serve basis, over subsequent redemption requests received on the next Business Day.

- 5. Administration and Investment and of Fund** – The Fund, which is the pool of trust funds from the participating Participants shall be managed, administered and invested by the Trustee under the operation of the Plan.

The Trustee shall have the exclusive management, control and administration of the Fund, and shall have full discretion over all matters affecting the Fund subject to the Plan and the Fund Specifications. In the discharge of its duties enumerated in the Plan, the Trustee shall always be guided by the level of fiduciary duty prescribed under Applicable Laws but in no case less than the diligence recognized under the prudent man's rule.

- 6. Liability of the Trustee** – Save for those that are attributable to the Trustee's fraud, willful default, bad faith or gross negligence, the Trustee shall not be liable for any loss or depreciation in the value of the Fund or in the value of the Participant's participation in the Fund. The Trustee shall not be liable for any error in judgment, for any act done or step taken, or omitted by it in good faith, for any mistake of fact or law, or for anything which it may do or refrain from doing in connection with its obligations as Trustee under the Plan or this Agreement, or for any act or omission where such action or inaction, in the good faith and judgment of the Trustee, was then necessary, reasonable or appropriate for the proper and advantageous administration and management of the Fund. The Trustee, including its authorized representatives, shall be held free and harmless from any and all liability for any of its actions and omissions made in good faith, for which Trustee believed to be authorized or falling within its discretion, rights or powers conferred under the Plan, the Fund Specifications and this Agreement, or upon specific written authority from the Participant or under Applicable Laws.
- 7. Non-Responsibility Beyond Stipulated Scope** – The Plan and this Agreement set forth exclusively the duties and responsibilities of the Trustee with respect to the matters pertinent hereto. No implied duties or obligations shall be read into the Plan or this Agreement against the Trustee.
- 8. Right to Refuse to Act on Perception of Liability or Violation of Law** – The Trustee may refrain from performing any instruction or from doing anything which it in good faith deems would or might be contrary to law or government regulations or judgment, award or decree binding upon it or which or might render it liable to any person or to any government agency.
- 9. Uncertainty as to Duty and Advice of Counsel** - In the event that the Trustee shall be uncertain as to its duties or rights hereunder or shall receive instructions, claims or demands from any party hereto which, in its opinion conflict with any of the provisions of this Agreement or the Plan, the Trustee may refrain from taking any action until it shall be directed by any order of a court of competent jurisdiction. The Trustee may act in reliance upon the advice of counsel in reference to any matter in connection with this DOT, and shall not incur any liability to any party for any act or omission taken in accordance with such advice.
- 10. Taxation** – Taxation or tax exemption on income or other yield earned by a Participant from the Fund shall be based on prevailing tax laws and regulations of the relevant taxing authority.

Taxes on investments of the Fund or income earned by the Fund, including assessments for deficiencies, penalties, surcharges, claims and costs for defense or counsel in appropriate proceedings shall be for the account of the Fund.

Notwithstanding anything to the contrary contained herein, in the event that there shall hereafter occur any change in tax laws/rulings or in the interpretation or administration thereof, the Trustee shall not be precluded from collecting the entire amount of additional taxes, including any interest, surcharge or penalties from the Fund or Participant, as the case may be, resulting from the implementation of such change. The Participant/s is/are thus exposed to legal and tax risks since additional taxes, including any surcharge or penalty, may be applied to transactions of the Fund made prior to the Participant/s becoming a unitholder, if any change in tax laws/rulings or in the interpretation or administration thereof is implemented with a retrospective effect.

11. **Reports** – Upon the request of the Participant, the financial reports of the Fund, which are prepared periodically, shall be made available for the Participant's inspection at the Trustee's office during regular office hours on Business Days.
12. **Disclosure of Investment Outlets** – The Trustee shall make available for review by the Participant, a list of prospective and outstanding investment outlets for the Fund, which list shall be updated quarterly.
13. **Compensation** – As compensation for the Trustee's services, it shall be entitled to Trust Fees as provided in the Plan.
14. **Expenses** – The Trustee may charge the Fund for other qualified expenses incurred by it in the management of the Fund, including custody fees, external audit fees, and other similar expenses, as allowed by the BSP. The Trustee may charge the Fund for special expenses, such as attorney's fees should the Fund be involved in litigation, if the same are necessary to preserve or enhance the value of the Fund. Such special expense shall be payable to pertinent third party or parties, covered by separate contract/s, and disclosed to Participants in the quarterly reports.
15. **Term of Agreement** – This Agreement shall continue and remain in force until the full redemption of the Participant's participation or upon termination of the Fund in accordance with the Plan or with Applicable Laws then existing.
16. **Reference Documents** – Incorporated herein by reference are the terms, conditions, rules and regulations in the Plan, Client Suitability Assessment form, Risk Disclosure Statement, and the Confirmation of Participation to be issued pursuant hereto.
17. **Amendments** – The Plan and the Fund Specifications may be amended from time to time by the Trustee and the amendments shall be submitted to the BSP within the period prescribed by the applicable rules and regulations of the BSP. Participants in the Fund shall be immediately notified and may withdraw their participation if they are not in conformity with the amendments made.
18. **Nature of the Agreement** – **The participation in the Fund is a trust product/arrangement and NOT A DEPOSIT ACCOUNT. Neither is it an obligation of, or guaranteed, issued, or insured by ATRAM Trust Corporation or its affiliates or subsidiaries. The Fund is, therefore, not insured or governed by the Philippine Deposit Insurance Corporation (PDIC). The Fund, its yields and potential yields are not guaranteed. Any income or loss arising from market fluctuations and price volatility of the securities held by the Fund, even if invested in government securities, is for the account of the Participant. As such, Participation Units in the Fund, when redeemed, may be worth more or worth less than his/her initial investment/contribution. Historical performance, when presented, is purely for reference purposes and not a guarantee of similar future results. The Trustee is not liable for losses, unless upon willful default, bad faith or gross negligence.**

**ADVISORY:** THE INVESTOR MUST READ THE COMPLETE DETAILS OF THE FUND IN THE PLAN /DECLARATION OF TRUST AND THE FUND SPECIFICATIONS AND SHOULD MAKE HIS/HER OWN INDEPENDENT ASSESSMENT, AND WHEN NECESSARY, MUST SEEK INDEPENDENT PROFESSIONAL OPINION/ADVICE BEFORE MAKING ANY INVESTMENT IN THE FUND.

**BY SIGNING BELOW, I/WE HEREBY WARRANT THAT I/WE HAVE FULLY READ AND UNDERSTOOD, AND ACCORDINGLY ACCEPT AND AGREE TO BE BOUND BY, THE FOREGOING TERMS AND CONDITIONS, THE RISK DISCLOSURE STATEMENT, AS WELL AS THE PLAN AND THE FUND SPECIFICATIONS, ALL OF WHICH WAS EXPLAINED TO ME/US BY AN ACCOUNT OFFICER.**

**Trustor(s):**

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Signature over Printed Name

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Signature over Printed Name

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Signature over Printed Name

\_\_\_\_\_  
Signature over Printed Name

**I ACKNOWLEDGE THAT I HAVE (1) ADVISED THE CLIENT TO READ THIS AGREEMENT AND THE REFERENCED DOCUMENTS, (2) ENCOURAGED THE CLIENT TO ASK QUESTIONS ON MATTERS CONTAINED IN THIS AGREEMENT, AND (3) FULLY EXPLAINED THE SAME TO THE CLIENT.**

**ATRAM Trust Corporation:**

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Signature over Printed Name