

## **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 Global Allocation Feeder Fund*  
*ATRAM Global Total Return Bond Feeder Fund*  
*ATRAM Peso Money Market Fund*

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

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

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

*ATRAM Asia Equity Opportunity Feeder Fund*  
*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*

# UNIT INVESTMENT TRUST FUND RISK DISCLOSURE STATEMENT

**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.**

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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

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