

**AB CAPITAL AND INVESTMENT CORPORATION**  
**AB CAPITAL BALANCED FUND**  
**KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT**  
**As Of June 30, 2020**

**FUND FACTS**

<b>Classification:</b>	Balanced Fund	<b>Net Asset Value per Unit (NAVPU):</b>	0.9617
<b>Launch Date:</b>	March 20, 2013	<b>Total Fund NAV:</b>	16,137,020.68
<b>Min. Investment:</b>	Php25,000	<b>Dealing:</b>	Daily up to 12:00 noon
<b>Add'l Investment:</b>	Php10,000	<b>Redemption Settlement:</b>	T + 3 days
<b>Min. Holding Period:</b>	30 days	<b>Early Redemption Charge:</b>	1.00% of principal

**FEES\***

Trustee Fees: 0.316% AB Capital - Trust and Investments Division	Custodianship Fees: 0.016% Phil. Depository & Trust Corp.	External Auditors Fees: 0.310% SGV & Co.
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\*As a percentage of average daily NAV for the quarter valued at Php 15,754,891.44.

**INVESTMENT OBJECTIVE AND STRATEGY**

Intends to achieve for its participants long-term capital growth and income by investing in a diversified portfolio of high-grade marketable securities allocated in fixed income and equity securities (up to 50% of the portfolio). The Fund aims to surpass its benchmark (gross of fees) which is the combination of 60% 1 yr T-Bill rate and 40% Philippine Stock Exchange Index (PSEi).

**CLIENT SUITABILITY**

- A client profiling process should be performed prior to participating in the Fund to guide the prospective investor if the Fund is suited to his/her investment objectives and risk tolerance. Clients are advised to read the Declaration of Trust/Plan Rules of the Fund, which may be obtained from the Trustee, before deciding to invest.
- The AB CAPITAL BALANCED FUND is suitable for individual and corporate investors who are at least classified as balanced based on their risk profile and who are aware of the opportunity for high yields that portfolios with stock market investments may provide but are also knowledgeable of the possibility of capital losses that such investments may entail.
- In order to minimize risks and maximize returns, the participants are recommended to stay invested in the Fund for more than three (3) years.

**KEY RISKS AND RISK MANAGEMENT**

**You should not invest in this Fund if you do not understand or are not comfortable with the accompanying risks.**

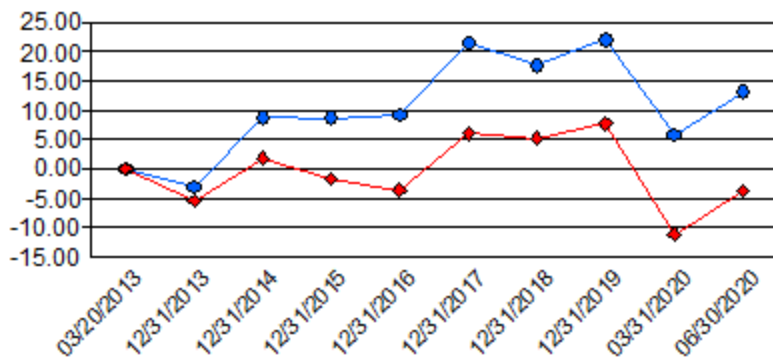
<b>Interest Rate Risk</b>	Possibility for an investor to experience losses due to the changes in interest rate. The purchase and sale of a debt instrument may result in profit or loss because the value of a debt instrument changes inversely with prevailing interest rates.
<b>Market/Price Risk</b>	This is the possibility for an investor to experience losses due to the changes in market prices of securities (e.g., bonds and equities). It is the exposure to the uncertain market value of a portfolio due to price fluctuations. It is the risk of the UITF to lose value due to a decline in securities prices, which may sometimes happen rapidly or unpredictably. The value of investments fluctuate 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 Net Asset Value per Unit (NAVPU) may increase to make profit or decrease to incur loss.
<b>Liquidity Risk</b>	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 the UITF portfolio may be difficult or impossible to sell at a particular time which may prevent the redemption of investment in UITF until assets can be converted to cash.
<b>Credit/Default Risk</b>	Possibility for an investor to experience losses due to borrower's failure to pay principal and/or interest in a timely manner on instruments such as bonds, loans, or other forms of security which the borrower issued. 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 security, and consequently lowering the price (market/price risk) which contributes to the difficulty in selling such security. It also includes risk on a counterparty (a party the UITF Fund Manager trades with) defaulting on a contract to deliver its obligation either in cash or securities. This is the risk of losing value in the UITF portfolio in the event the borrower defaults on his obligation or in the case of a counterparty, when it fails to deliver on the agreed trade. This decline in the value of the UITF happens because the default/failure would make the price of the security go down and may make the security difficult to sell. As these happen, the UITF's NAVPU will be affected by a decline in value.

**\* THE UIT FUND IS NOT A DEPOSIT AND IS NOT INSURED BY THE PHILIPPINE DEPOSIT INSURANCE CORP. (PDIC).**  
**\* RETURNS CANNOT BE GUARANTEED AND HISTORICAL NAVPU IS FOR ILLUSTRATION OF NAVPU MOVEMENTS/ FLUCTUATIONS ONLY.**  
**\* WHEN REDEEMING, THE PROCEEDS MAY BE WORTH LESS THAN THE ORIGINAL INVESTMENT AND ANY LOSSES WILL BE SOLELY FOR THE ACCOUNT OF THE CLIENT.**  
**\* THE TRUSTEE IS NOT LIABLE FOR ANY LOSS UNLESS UPON WILLFUL DEFAULT, BAD FAITH OR GROSS NEGLIGENCE.**

(Purely for reference purposes and is not a guarantee of future results)

**NAVPU GRAPH**

**Balanced Fund vs Benchmark <sup>2</sup>**



◆ Balanced Fund YTD Return <sup>1</sup> ● Benchmark YTD Return

Source: Bloomberg and AB Capital and Investment Corp.

**NAVPU over the past 12 months**

Highest	1.1185
Lowest	0.8479

**STATISTICS**

Volatility, Past 1 Year (%) <sup>3</sup>	13.46
Sharpe Ratio <sup>4</sup>	-1.1886
Information Ratio <sup>5</sup>	-0.8096
Weighted Ave. Duration	0.78

<sup>1</sup> Returns are net of fees

<sup>2</sup> Since Inception

<sup>3</sup> Measures the degree to which the Fund fluctuates vis-a-vis its average return over a period of time

<sup>4</sup> Used to characterize how well the return of a Fund compensates the investor for the level of risk taken. The higher the number, the better.

<sup>5</sup> Measures reward-to-risk efficiency of the portfolio relative to the benchmark. The higher the number, the higher the reward per unit of risk.

**CUMULATIVE PERFORMANCE**

	1 mo	3 mos	6 mos	1 yr	3 yrs
<b>Fund</b>	2.16	8.33	-10.73	-11.26	-4.75
<b>Benchmark</b>	2.66	6.95	-7.32	-7.48	-2.28

**TOP TEN HOLDINGS (%)**

STERLING BANK OF ASIA TD	12.38
METROBANK TD	8.07
SMC GLOBAL POWER SERIES G BOND	5.79
RTB 03-09	5.70
WEALTH BANK PESO TD	5.43
VISTA LAND FIXED RATE BOND DUE 20	5.36
SM INVESTMENTS	4.39
SM PRIME HOLDINGS, INC.	3.25
METROBANK REISSUANCE FIXED RAT	3.16
AYALA CORP.	2.89

**PORTFOLIO COMPOSITION**

Allocation	% Of Fund
Equities	41.67
Fixed Income Securities	32.67
Time Deposits	25.87
Cash and Other Receivables (Payables)	-0.22
<b>SECTOR HOLDING</b>	
HOLDING FIRMS	7.28
PROPERTY	3.25

**RELATED PARTY TRANSACTIONS**

The Fund has transactions and outstanding investments including deposit, investments in the share/s of stock, and/or debt issuances of the following companies related to AB Capital and Investment Corporation —Trust and Investments Division (ABCIC -TID):

WEALTH BANK PESO TD (WEALTH) - Php 876,493.82

Investments in the said outlets were approved by the Trust Committee. Likewise, all related party transactions are conducted on an arm's length and best execution basis and within established limits.

## OUTLOOK AND STRATEGY

### Fixed-Income Market

The Bangko Sentral ng Pilipinas (BSP) cut the benchmark policy rate by a total of 100 bps in the second quarter of 2020, bringing the cumulative policy rate reduction for the year by 175 bps to 2.25% in order to support the economy and provide ample liquidity to the financial system. The Reserve Requirement Ratio (RRR) remained at 12%, still with room for further reduction for the rest of the year. The BSP is also set to issue its own securities in the third quarter of 2020, which will provide the BSP an additional policy instrument at its disposal.

Inflation rate in June 2020 increased to 2.5% from 2.1% in May 2020 but lower than the 2.7% level recorded in June 2019. This was within the 1.9-2.7% forecast range for the month. The uptick in inflation in June 2020 was primarily due to transport, whose index increased at an annual rate of 2.3%. Annual increases in the indices of alcoholic beverages and tobacco at 18.5% and housing, water, electricity, gas, and other fuels at 0.4% also pushed up the June 2020 inflation.

The government plans to borrow P205 billion for July 2020, 21% higher than the P170 billion borrowing program from the previous month of June. P145 billion will be raised from the sale of Treasury Bills while P60 billion will be raised from the sale of Treasury bonds. For Treasury Bills, it will be comprised of 35-day, 91-day, 182-day and 364-day papers. For Treasury bonds, the offerings would include tenors of 7 and 10 years, with offer size of P30 billion per auction.

### Stock Market

The Philippine Stock Exchange Index (PSEi) ended the first half of 2020 at 6,207.72, representing a 20.6% year to date decline. Quarter on quarter, however, the market showed some signs of strength, rising by 16.7% from end-March levels. Global stock market rallies helped fuel optimism for the local bourse as well as the easing of restrictions when President Duterte placed the National Capital Region under General Community Quarantine effective June 1. As the economy continues to grapple with the effects of the quarantine, the Development Budget Coordination Committee (DBCC) also updated its 2020 GDP forecast for the Philippines with a range of -3.4 to -2.0%. Foreign investors remained net sellers, bringing YTD net outflows to P68.44 billion as of end-June, a stark contrast from the P21.26 billion net inflows in the same period last year. Foreign investor participation stood at 51% of total market value. The Philippine Peso strengthened against the US Dollar by 1.59% in the first half, closing at a three-year high level of P49.83 on the back of a generally weak US Dollar, narrowing trade deficit and strong macro fundamentals.

### AB Capital Balanced Fund Performance

The AB Capital Balanced Fund posted a return of -10.73% for the first half of 2020. The Net Asset Value Per Unit (NAVPU) decreased to 0.9617 in June 2020 from 1.0773 in December 2019.

### Fund Strategy

Bond yields may continue to move sideways with a downward bias as global central banks continue to provide liquidity and stability in the financial system. In addition, inflation expectations locally remain well-anchored due to low oil prices and as supply chain challenges are addressed. On monetary policy, BSP has guided that it will likely remain on hold in the short-term after it delivered a surprise 50 bps cut in June. However, the BSP also alluded to accommodative monetary policy over a period of 2 years as it acknowledges the headwinds the economy is facing. Further cuts in the policy rate and the Reserve Requirement Ratio may still be on the table if necessary. The government and the private sector are also expected to continue borrowing as the low interest rate environment is conducive for raising fresh funds and refinancing debt maturities.

We still expect volatility ahead as investors continue to assess the economic impact of COVID-19. The 2Q 2020 earnings reporting season will provide more details on the hit to corporate earnings but may also reveal some bright spots on the road to recovery. The continuing rise in COVID-19 cases will likely keep investors more circumspect, which may potentially lead to a range bound market in the short term. However, positive news on the much-awaited additional stimulus measures and progress on vaccine development may also inspire confidence back into the market. The economic recovery will be uneven and it is important to focus on sectors and companies that are resilient and likely to bounce back first. It would still be prudent to have some cash available to prepare for volatility while keeping in mind that opportunities may arise when valuations become more compelling.

## LIST OF PROSPECTIVE INVESTMENTS

Pursuant to the foregoing objectives, the Fund may be invested and reinvested in:

- a) Listed and soon to be listed (Initial Public Offering) common stocks, preferred stocks, and securities convertible into or exchangeable to common stocks;
- b) Fixed-income securities issued by the government and corporations such as but not limited to commercial papers, promissory notes, bonds, non-convertible preferred shares and other marketable securities that are traded in an organized exchange or market;
- c) Other investments allowed under regulations issued by the BSP.

The combined exposure of the Fund to any entity and its related parties shall not exceed fifteen percent (15%) of the market value of the Fund. Provided, that Fund investments, partially or substantially, in exchange traded equity securities shall be subject to the fifteen percent (15%) exposure limit.

AB Capital is regulated by the Bangko Sentral ng Pilipinas (BSP). For any inquiries and complaints relating to our services and products you may call our hotline: 898-7555, or send an email at [trust@abcapitalonline.com](mailto:trust@abcapitalonline.com) or write a letter addressed to AB Capital—TID, Units 1210-1212, 12th Floor, PSE Tower, 5th Ave., cor. 28th St., Bonifacio Global City, Taguig City, Philippines 1634. You may also file your complaints at BSP Financial Consumer Department at (632)708-7087 or [consumeraffairs@bsp.gov.ph](mailto:consumeraffairs@bsp.gov.ph). To know your rights under BSP Circular No.857 and as revised by Circular 1048 (regulations on Financial Consumer Protection), please access a copy at the BSP website([www.bsp.gov.ph](http://www.bsp.gov.ph)).