

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

FUND FACTS

Classification:	Money-Market Fund	Net Asset Value per Unit (NAVPU):	1.1265
Launch Date:	November 28, 2013	Total Fund NAV:	43,584,661.75
Min. Investment:	Php50,000	Dealing:	Daily up to 12:00 noon
Add'l Investment:	Php25,000	Redemption Settlement:	T + 1 day
Min. Holding Period:	None	Early Redemption Charge:	None

FEES*

Trustee Fees: 0.095% AB Capital - Trust and Investments Division	Custodianship Fees: 0.000% Phil. Depository & Trust Corp.	External Auditors Fees: 0.113% SGV & Co.
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*As a percentage of average daily NAV for the quarter valued at Php 43,396,890.52.

INVESTMENT OBJECTIVE AND STRATEGY

Aims to prevent loss of principal at all times and generate stable income by investing in a diversified portfolio of short term fixed income marketable securities allowed under the plan and under regulations issued by the BSP. The Fund aims to surpass its benchmark (gross of fees) equivalent to 91-day PDS Treasury Reference Rate PM (PDST R-2).

**As of October 26, 2018, the Philippine Dealing & Exchange Corporation (PDEX) officially ceased performing the daily calculation and publication of the PDST Reference Rates. Effective October 29, 2018, the PHP BVAL Reference Rate shall be used in lieu of the discontinued PDST Reference Rate. The Fund's plan rules shall be amended accordingly to reflect this change and the appropriate advisory will be made upon the approval of such amendments. This change is not expected to have a material impact on the features and the performance of the Fund.*

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 SHORT TERM FUND is suitable for individual and corporate investors who are at least classified as moderate based on their risk profile and who are looking for investments with yields relatively higher than those of savings and time deposit accounts.
- In order to minimize risks and maximize returns, the participants are recommended to stay invested in the Fund for at least one (1) year.

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.

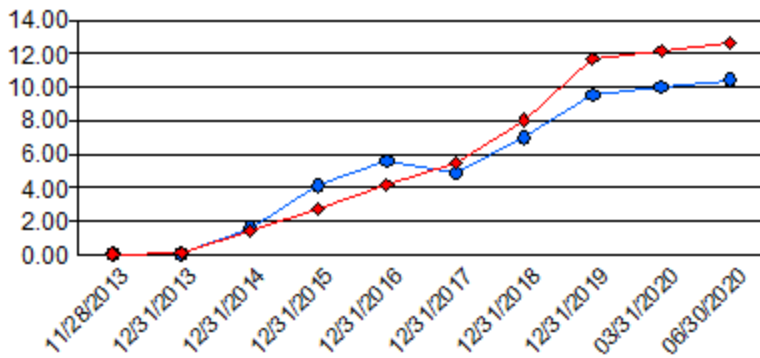
Interest Rate Risk	Possibility for an investor to experience losses due to the changes in interest rate. The purchase and sale of a debt instrument may result in profit or loss because the value of a debt instrument changes inversely with prevailing interest rates.
Market/Price Risk	This is the possibility 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.
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 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.
Credit/Default Risk	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

Short-Term Fund vs Benchmark ²



◆ Short-Term Fund YTD Return 1 ● Benchmark YTD Return

Source: Bloomberg and AB Capital and Investment Corp.

NAVPU over the past 12 months

Highest	1.1265
Lowest	1.1030

STATISTICS

Volatility, Past 1 Year (%) ³	0.07
Sharpe Ratio ⁴	-47.3003
Information Ratio ⁵	4.4164
Weighted Ave. Duration	0.05

¹ Returns are net of fees

² Since Inception

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

⁴ 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.

⁵ 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
Fund	0.08	0.40	0.84	2.14	7.58
Benchmark	0.10	0.34	0.77	1.72	5.92

TOP TEN HOLDINGS (%)

STERLING BANK OF ASIA TD	15.06
METROBANK TD	14.93
WEALTH BANK PESO TD	14.80
BANCO DE ORO PESO TIME DEPOSIT	14.78
TBILL 09.02.20	11.44
TBILL 07.22.20	10.77
PHILIPPINE NATIONAL BANK TIME DEPO	7.42
UNIONBANK OF THE PHILIPPINES PES	6.20
TBILLS 01.13.2021	3.41

PORTFOLIO COMPOSITION

Allocation	% Of Fund
Time Deposits	73.19
Fixed Income Securities	25.62
Cash and Other Receivables (Payables)	1.19

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 6,451,150.61

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.

AB Capital Short Term Fund Performance

The AB Capital Short Term Fund posted a return of 0.84% for the first half of 2020. The Net Asset Value Per Unit (NAVPU) increased to 1.1265 in June 2020 from 1.1171 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. The Fund will continue to focus its investments on time deposit placements, treasury bills and short-term commercial papers.

LIST OF PROSPECTIVE INVESTMENTS

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

- a) Fixed-income securities issued by the government of the Republic of the Philippines with maximum remaining maturities of one (1) year and are traded in an organized exchange or market;
- b) Deposits with local banks and branches of foreign banks operating in the Philippines.
- 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 fixed income 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 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. 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).