

EASTWEST PHILEQUITY FEEDER FUND FUND SPECIFICATIONS

I. Investment Objective (Art. II, Sec. 3)

The EastWest PhilEquity Feeder Fund (the “Fund”) seeks to provide its participants long-term capital appreciation by participating in the growth of share values of corporations listed on the Philippine Stock Exchange. It is ideal for investors with a long-term investment horizon of at least five years who want to have exposure in Philippine stocks and who understand the investment risks involved when investing in equity securities.

Return Objective. The Fund aims to match or exceed the return of the Philippine Stock Exchange Composite Index (PSEi).

II. Investment Policy (Art. II, Sec. 3)

- A.** Pursuant to the foregoing objectives, the Fund is structured as a feeder fund in compliance with BSP Circular No. 767, Series of 2012 and shall invest at least ninety percent (90%) of its assets in PhilEquity Fund, Inc., the target fund, which is an open-end mutual fund invested primarily in equity securities of listed Philippine corporations.
- B.** The uninvested portion of the Fund may be invested and reinvested in the following:
 - 1. Securities issued by or guaranteed by the Philippine government or the Bangko Sentral ng Pilipinas;
 - 2. Marketable fixed-income securities issued or guaranteed by corporations and traded in an organized exchange;
 - 3. Securities issued or guaranteed by any government of a foreign country or any political subdivision of a foreign country;
 - 4. Securities issued or guaranteed by any supranational entity;
 - 5. Loans traded in an organized market;
 - 6. Savings/checking accounts and time deposits in any bank or financial institution, including East West Bank provided that the principle of best execution shall be observed at all times and no bookings shall be made with related counterparties without considering at least two (2) competitive quotes from other sources as provided in Subsection X410.12.a of the MORB;
 - 7. Such other tradable investment outlets/categories as the BSP may allow.
- C.** The Fund may avail of financial derivative instruments from time to time solely for the purpose of hedging risk exposures of the existing investments of the Fund in accordance with the Bank’s risk management and hedging policy duly approved by the Trust Committee.

III. Qualified Participants: Requirements, Restrictions and Risk Profile (Art. III, Sec. 1)

- A.** Participation in the Fund shall be open to all individuals of legal age and corporations that share the general investment objective of the Fund who want to have exposure in Philippine stocks and who understand the investment risks involved when investing in Philippine equities. Investment in the fund shall be subject to a thirty (30) calendar day minimum holding period from the date of participation.
- B.** Risk profile of participants suitable to invest in the Fund: Aggressive. Such client wants a portfolio which may provide appreciation of capital over time and client is willing to accept higher risks involving volatility of returns and even possible loss of investment in return for potential higher long-term results. HOWEVER, it must be noted that the effect of participation in the Fund on an investor’s total portfolio risk will vary greatly, depending on the percentage of the portfolio invested in the Fund, the nature and riskiness of the other components of the portfolio and the correlation of these other components to Philippine stocks. It is therefore not uncommon for investors who would not characterize themselves as Aggressive or have a high risk tolerance questionnaire score to invest a measured portion of their portfolio in the Fund whilst maintaining an overall conservative or moderate portfolio.

IV. Risk Factors

The value of the investment is based on the Net Asset Value per unit (NAVpu) of the Fund which uses a marked-to-market valuation and therefore may fluctuate daily. Investment in a UITF does not provide guaranteed returns. Principal and earnings from investment in the Fund 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.

The Fund which shall be substantively invested in a diversified portfolio of listed Philippine shares of stock is exposed to the following risks:

- **Business Risk.** Stockholders as fractional owners of corporations share in the fortunes of the business. The rise and fall of stock prices often reflect the market's perception of the prospects of corporations and their management to reward stockholders for taking risks unique to each business. Business risk can be reduced through diversification.
- **Country/ Political Risk.** Securities can be affected by the political, economic and social structures within the countries of their issuers, such as internal and external conflicts, currency devaluations, foreign ownership limitations, trading costs and tax increases.
- **Market Risk.** Market risk is the risk that the value of the fund investment will be negatively affected by the fluctuations in the price level of its underlying instruments.
- **Inflation Risk.** Affecting all investments, inflation reduces the purchasing power of money.
- **Liquidity Risk.** Liquidity is a measure of how easy it is for a security to be converted into cash. A liquid security is widely held and is frequently traded by many buyers and sellers every day. This is minimized by investing in marketable securities.
- **Interest Rate Risk.** The value of fixed-income investments such as notes and bonds generally fall when interest rates rise. The potential for loss is typically greater for securities that have a longer term to maturity, have a longer duration or have a lower yield or coupon rate.
- **Reinvestment Rate Risk.** This is the risk of reinvesting interest earnings at a rate lower than the original investment.
- **Credit Risk.** Bonds represent a loan made to the issuer of the bond. The credit worthiness of the bond issuer is the issuer's ability to pay interest and principal on time, which can change during the life of the bond. Issuers with a higher risk of defaulting pay the highest yields.
- **Risks specific to Feeder Funds:**

As Feeder Funds invest substantially all of their assets in shares of other collective investment schemes, unitholders are exposed to other unique risks of feeder funds. The success of Feeder Funds will be significantly dependent upon the Target Funds' portfolio managers and their expertise and ability to attract and retain suitable staff. There is also the risk of loss due to intentional or inadvertent deviations from the portfolio managers' communicated investment strategy, including excessive concentration, directional investing outside pre-defined ranges, fraud, excessive risk taking or simply poor judgment. The portfolio managers may use proprietary investment strategies or complex models that are not fully disclosed to EastWest Bank. Redemptions and contributions may be delayed due to disruption or delay in transmission of data and funds between Feeder Funds and Target Funds.

V. Admission and Redemption (Art. III)

A. Policies of Admission and Redemption.

1. **Minimum Initial Participation.** The minimum initial investment/participation in the Fund is Php10,000.00 and succeeding investment/s is at least Php1,000.00. There is a minimum maintaining balance of Php10,000.00 for participants to maintain in the Fund. Any redemption to the participant's fund which triggers the balance to fall below the minimum maintaining balance of Php10,000.00 shall be subject to the redemption policy stated below.
2. **Minimum Holding Period.** The minimum holding period is thirty (30) calendar days from the date of participation. Any redemption made earlier than the required thirty (30) calendar day holding period shall be subject to an early redemption fee as stipulated herewith.
3. **Admission and Redemption Cut-off Time.** Admission and/or notice of redemption may be accepted on any banking day subject to a 12:00 noon cut-off time. The cut-off time may

be amended by the Trustee, in accordance with Article IX Section 1 of the Declaration of Trust and subject to BSP approval, upon which all branches distributing the said UITF will be advised. However, admission/notice of redemption received after the cut-off time shall be considered as transaction for the next applicable banking day.

4. Admission and Redemption Prices. Admission and redemption prices shall be based on the prevailing market value of underlying investments of the Fund at that time, in accordance with existing BSP rules and regulations on marking to market valuation of investment instruments.
5. Admission and Redemption Conditions.
 - a) Participation Conditions: Application to purchase are subject to confirmation as to the amount of units and the applicable NAVpu. The Trustee reserves the right to accept or reduce the amount of units indicated in the Application Form at its sole discretion. When admitted, the Participating Trust Agreement (Appendix X) shall be made available to the participant on the day of transaction (T+0) and/or the Confirmation Notice (Appendix VI) shall be made available to the participant within five (5) banking days after the transaction date (T+5).
 - b) Redemption Notice Period. When redeeming, the notice of redemption is also the transaction date (T+0). The participant in the Fund may redeem its participation on any banking day subject to the redemption cut-off procedure provided that notice of redemption, in any form acceptable to the Trustee, is acknowledged/received by the Trustee four (4) banking days prior to settlement date. Requests for redemption shall be dealt with by the Trustee in chronological order according to the day that notice is received. Such conditions are also applicable for partial redemptions. The surrender of Confirmation Notice is not required for redemptions.
 - c) Redemption Proceeds. Proceeds of full or partial redemption shall be paid out of the Fund on the redemption settlement date of four (4) banking days after transaction date (T+4). The NAVpu on the transaction date shall be used to compute the value of the redeemed units.
 - d) Early Redemption. Redemptions made prior to the completion of the minimum thirty (30) calendar day holding period shall be subject to an early redemption fee.
 - e) Early Redemption Fee. An early redemption fee equivalent to: FIVE HUNDRED PESOS (Php500.00) OR 0.25% of the redemption proceeds, whichever is higher, shall be charged to the concerned Participant in case of redemption prior to the completion of the minimum thirty (30) calendar day holding period.
 - f) Policy for Partial Redemption. A new Confirmation Notice reflecting the NAVpu at the time of original contribution will be issued to the participant for the remaining unredeemed units. There is no need to compute for the NAVpu of the remaining unredeemed participation since it will not be affected by the partial redemption.
 - g) Redemptions Resulting in the Account Falling Below the Required Maintaining balance of Php10,000.00. The required maintaining participation to stay in the Fund is Php10,000.00. Any redemptions made by the participant that shall result in the account falling below the required maintaining balance of Php10,000.00 shall trigger an automatic withdrawal of the entire account of the participant from the Fund. However, maintaining balance that fall below Php10,000.00 which is caused by market movements or price fluctuations shall not trigger an automatic withdrawal by the system.
6. Suspension of Admission and Redemptions. The trustee of the Fund may temporarily suspend calculation of the NAV/NAVpu of the Fund, as well as admission to and redemption from the Fund, due to suspension of the target fund, or due to any fortuitous event, such as fire, natural calamity, public disorder, or national emergency affecting the financial market resulting in the suspension of trading and consequently, the absence of available market prices of securities/instruments.

VI. Net Asset Value Per Unit (Art. V, Secs. 1 and 2)

- A. All assets of the Fund shall be marked to market daily in accordance with existing BSP rules and regulations on marking to market valuation of investment instruments.
- B. Valuation Day shall mean any day in which banks are open for business in Metro Manila.
- C. The value of the NAVpu at the start of the Fund's operation shall be One Thousand Philippine Pesos (Php 1,000.00).
- D. The NAVpu is computed by dividing the Net Asset Value (NAV) of the 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. Gains from investment is realized when the NAVpu at the time of redemption is higher than the NAVpu at the time of participation.
- E. As a feeder fund invested substantially in the target fund, the end-of-day net asset value per share (NAVps) of the target fund shall be used in determining the marked-to-market value of the feeder fund. The cut-off time for pricing the target fund is 3:30pm or the current closing time of trading hours of the Philippine Stock Exchange. The trustee shall calculate the NAVpu upon receipt of the target fund's NAVps which shall be made available to unitholders by 8:00pm. In the event that the target fund is unable to send the NAVps before 7:00pm, the feeder fund's NAVpu shall be made available to participants not later than 9:30am the following business day (Declaration of Trust, Article V, Section 2.c).

VII. Trust Fee (Art. V, Sec. 3)

- A. The Trustee shall collect from the Fund a trust fee of 1.00% per annum based on the NAV of the Fund which shall be accrued daily and shall be collectible from the Fund at the end of each month. (Art. V, Sec. 3)

The Trustee reserves its right to amend its trust fee accordingly, in accordance with Article IX Section 1 of the Declaration of Trust, for reasons including but not limited to persistently adverse market conditions, or the need to attract investment to achieve a critical mass for optimum investing. At no time shall the trust fee exceed 1.00% without properly informing the investors within thirty (30) calendar days prior.

An early redemption fee equivalent to Php500 or 0.25% of the redemption proceeds, whichever is higher, shall be charged to the investor in cases of redemption prior to completion of the minimum thirty (30) calendar day holding period.

- B. PhilEquity Fund Inc has a contingent management fee of 1.5% per annum based on the average net asset value of investment, computed on a daily basis, and deducted from the investment's gross value. Thus, the daily published net asset value per share of the PhilEquity Fund is already net of the management fee.

For this Feeder Fund arrangement, the Target Fund is waiving their customary front load fee (ranging from 0.25% to 3.5% and deducted outrightly from capital investment); and likewise waiving the exit fee (ranging from 1.5% to 2% of investment for redemptions of two (2) years or earlier from time of investment).

C. Summary of Fees

Below table contains a summary of the fees and fee waiver for the investor:

	PhilEquity Fund Inc	EastWest PhilEquity Feeder Fund
Sales Load Fee	0.25%-3.5%	waived for the feeder fund
Holding Period	2 years	30 calendar days
Early Redemption Fee	2% if investment is <1 year; 1.5% if investment is 1-2 years; none if investment is > 2 years	Php500 or 0.25%, whichever is higher
Annual Management Fee	1.5% p.a.	none for the feeder fund; target fund, however, imposes the annual fee
Trust Fee	None	1% p.a.

D. Other Terms and Conditions

Investments in target funds of a unit investment trust fund structured as an investor fund shall be held for safekeeping by an institution registered, authorized and approved by a relevant regulatory authority in its home jurisdiction to act as a third party custodian. HSBC is the third party custodian of the feeder fund. The target fund's custodian bank is the Philippine Depository Trust Corporation while their transfer agent is Banco de Oro Universal Bank.

APPENDIX III

TARGET FUND
PHILEQUITY FUND, INC

PhilEquity Fund, Inc is a mutual fund engaged in the sale of its shares of stock and in the investment of the proceeds from the sale of its shares into a well-selected portfolio of securities, both debt and equity. The fund was incorporated in the Philippines on February 21, 1994 under the Investment Company Act (R.A. 2629) as a diversified, open-end investment company. It is regulated by the Securities and Exchange Commission (SEC).

Directors and Officers

Chairman/President	Ignacio B. Gimenez	Director	Felipe U. Yap
Treasurer	Violeta O. Luym	Independent Director	Bert C. Hontiveros
Directors	Aurora L. Shih	Independent Director	Gregorio U. Kilayko
Directors	Ramon Y. Sy		

Investment Objective, Policy and Strategy

The mutual fund's investment objective is to seek long-term capital appreciation through investment primarily in equity securities of listed Philippine companies while taking into consideration the liquidity and safety of its investments to protect the interest of its investors.

The mutual fund intends to invest its assets in a variety of Philippine industries to achieve diversification.

A. Fixed Income Portfolio

A portion of the mutual fund's investment portfolio shall be invested in short to medium term corporate debt papers registered with the SEC and has been approved by the Board of Directors of the mutual fund management company.

The mutual fund shall allocate at least 10% of its assets in short-term government securities, bonds or other evidences of indebtedness issued by the Philippine government or any of its instrumentalities, savings or time deposits with commercial banks.

B. Equity Portfolio

The mutual fund shall invest its assets in a variety of selected and listed Philippine industries. These companies must have shown a record of profit growth, dividend payment and stability. While it is expected that the mutual fund will invest principally in securities of established companies, investments may also be made in securities of newly listed companies. The mutual fund intends to purchase and hold securities for long-term gain, except on a case-to-case basis.

PhilEquity Management Inc (PEMI)

PEMI is the fund management company of PhilEquity Fund Inc. It was established in 1994 to achieve consistent and long-term above-average returns for investors. It is 51% owned by Vantage Equities, a PSE-listed company. PEMI's Investment Committee is composed of: Wilson Sy, Roberto Lorayes, Edmundo Bunyi, Jr., and Jerome Gonzalez.

Investment Limitations / Restrictions

1. The mutual fund shall not participate in any underwriting or selling group in connection with public distribution of securities, except for its own capital stock.
2. The maximum investment in any single enterprise shall not exceed 10% of the fund's net asset value, and in no case shall the total investment of the fund exceed 10% of the outstanding securities of any one investee company.
3. The mutual fund shall not incur any further borrowings unless at the time of its occurrence or immediately thereafter there is an asset coverage of at least 300% for all its borrowings. If coverage falls below 300%, the fund shall within 3 days thereafter reduce the amount of borrowings to an extent that the asset coverage shall be at least 300%.

4. Operational expenses shall not exceed 10% of its total investment fund or total net worth as shown in previous year's audited financial statements.
5. The mutual fund shall not make any investment for the purpose of exercising control of management.
6. The SEC, by order, unless it provides otherwise, the fund may not engage in any of the following: margin purchase of securities; commodity futures contracts; precious metals; unlimited liability investments; short selling of currencies; short selling of investments.

Risk Factors

1. *Market Risk* is the risk that the value of the investment will be adversely affected by the fluctuations in the price level or volatility of one or more of the underlying instruments of the mutual fund.
 - a. *Systematic Risk* – the variability in price caused by factors that affect all securities across all markets (e.g. significant economic or political events)
 - b. *Unsystematic Risk* – the variability in price caused by factors which are specific to the particular issuer (corporation) of the shares of stock. Through proper portfolio diversification, the risk can be minimized as losses on one particular stock may be off-set by gains in another.
2. *Liquidity Risk* is the risk that an investment may not find a ready buyer. This is minimized by the fact that the fund only invests in listed, marketable equities.

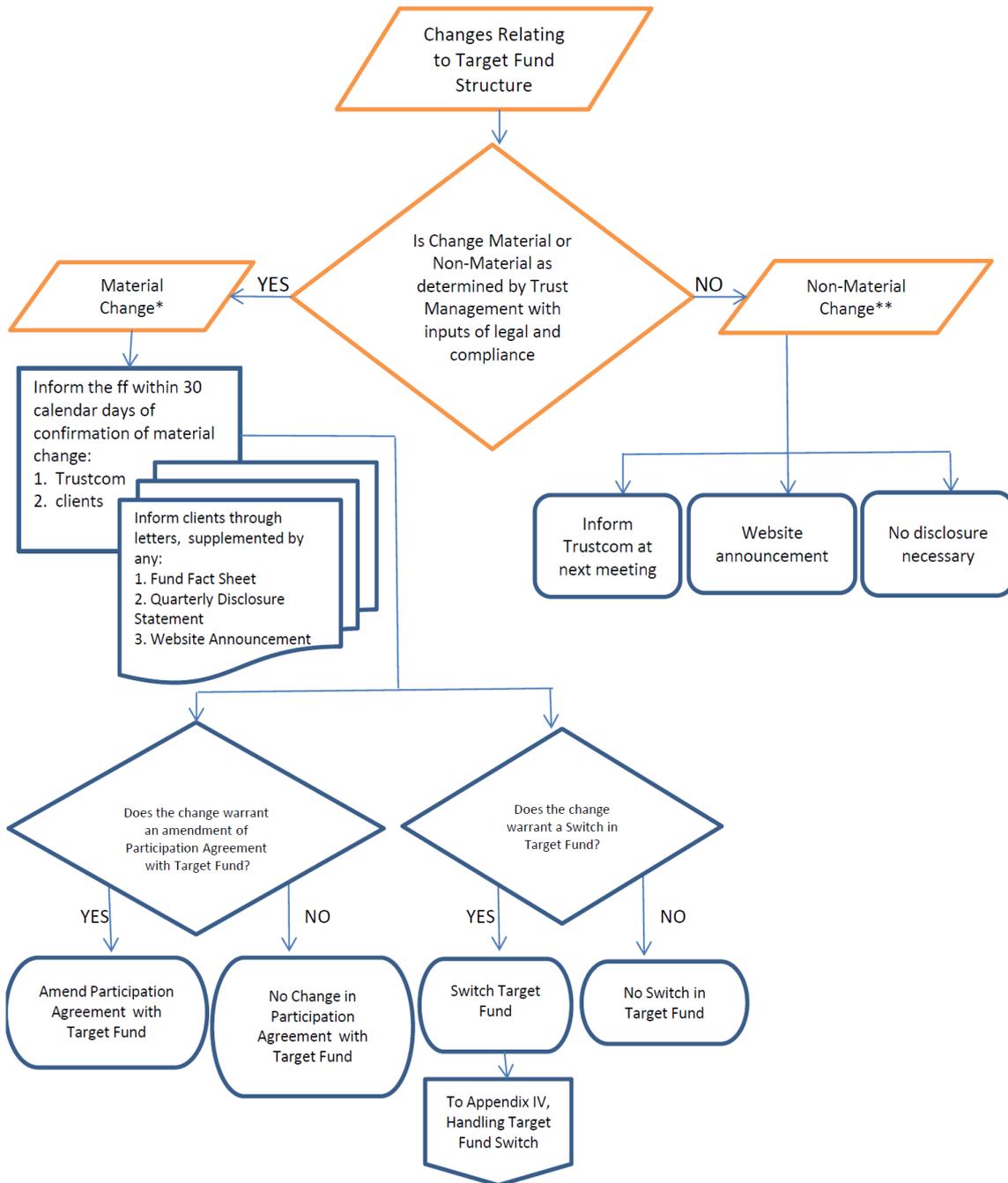
SOURCE: PHILEQUITY FUND INC PROSPECTUS

SWITCHING OF TARGET FUND/S

EAST WEST BANK – TRUST DIVISION, as Trustee of the EastWest PhilEquity Feeder Fund (the Fund), shall follow the following procedures and guidelines in the event of switching of target fund/s:

1. Management shall approve to terminate the agreement with the existing target fund.
2. Fund Trustee shall give written notice to the target fund of its intent to terminate feeder fund agreement. Termination of agreement with the target fund shall be within 90 calendar days prior written notice.
3. Prior to termination of agreement with target fund, the Trustee shall send written notice to clients regarding any material changes in the feeder fund. No change in the Fund shall be implemented within 30 calendar days or less of initial notification of existing investors. Notice to clients shall be through a formal letter and may be supplemented by any of the following:
 - a. E-mail notification;
 - b. Notification in sales premises; or
 - c. Announcement in website
4. The grounds of switching of target fund shall be fully disclosed, including but not limited to the following reasons:
 - a. Performance vis-à-vis expectations;
 - b. Change in target fund's investment objective or risk profile;
 - c. Resignation of fund managers;
 - d. Closure of target funds or its maximum AUM capacity has been reached;
 - e. Prolonged suspension of subscription/redemption to/from the target fund; or
 - f. Market condition which in the reasonable opinion of the trustee warrant a change in the target fund
5. The Trustee may subscribe to a new target fund/s within 30 calendar days or less from client notification.
6. While the Fund is in the process of switching target fund/s, the Fund shall have temporary holdings in cash and cash equivalents.
7. Management shall approve subscription to a new target fund.
8. Trustee shall subscribe to and finalise agreement/s of the new target fund/s.
9. Trustee shall file an application with BSP to rename the Fund.
10. Trustee shall inform the public of the Target Fund switch through announcement in website.
11. Client notification through registered mail or through their preferred method of communication shall be deemed sufficient evidence of client's receipt of notification.

PROCEDURE IN HANDLING MATERIAL AND NON-MATERIAL CHANGES
IN TARGET FUND STRUCTURE (Art. II, Sec. 3)



***MATERIAL CHANGES IN TARGET FUND STRUCTURE**

Material Changes in Target Fund structure may include, but not limited to the following changes:

- a. portfolio management team
- b. objective or investment style
- c. fees that will significantly affect total expense ratio of investor fund
- d. regulatory change in the jurisdiction where target fund is domiciled that would significantly affect its operations
- e. significant legal disputes
- f. other changes that would necessitate a change in investor fund's Declaration of Trust

****NON-MATERIAL CHANGES IN TARGET FUND STRUCTURE**

Non-Material Changes in Target Fund structure may include, but not limited to the following changes, as enumerated. Disclosure of these changes shall be at Trustee's discretion.

- a. change in target fund's benchmark
- b. non-significant legal disputes
- c. fees that will not significantly affect total expense ratio of investor fund
- d. regulatory change in the jurisdiction where target fund is domiciled that will not significantly affect its operations