



## LANDBANK UNIT INVESTMENT TRUST FUNDS (UITF)

### Frequently Asked Questions

#### 1. What is a Unit Investment Trust Fund (UITF)?

A Unit Investment Trust Fund (UITF) is an **open-ended pooled trust fund** denominated in pesos or any acceptable currency, which is established, operated and administered by a trust entity and **made available by participation**. Each UITF product has its set of Plan Rules (Declaration of Trust) which contains the investment objectives of the UITF as well as the process for investing, operating and administering the fund. Most UITFs are considered medium to long term investments, while some are designed for short-term investments. Clients considering to invest in UITFs must have investible funds which can be invested in them for a reasonable period of time in order to maximize earnings potentials.

#### 2. What does “open-ended pooled trust fund” mean?

It means that clients are allowed to invest (place) or withdraw (redeem) their investments at any time; subject to guidelines set forth in the UITF Declaration of Trust. Funds/placements from various clients with similar investment objectives are pooled together into one fund, which the trustee invests in various types of securities with the aim of maximizing returns within reasonable risk levels.

#### 3. What does “made available by participation” mean?

It means that a client can invest in a UITF by purchasing units of participation in the fund. These units represent the investor’s proportionate beneficial share in the total value of the fund. The client as an investor in the fund does not own any specific asset of the fund, only a proportionate share in all of the fund’s assets.

#### 4. At what price may these units of participation be purchased?

Units of participation can be purchased by investors based on the Net Asset Value per Unit (NAVpU) of the fund for the day. The Net Asset Value (NAV) is the sum of the market value of the investments of the fund less expenses such as taxes, fees and other qualified charges. The NAVPU is derived by dividing the fund’s NAV by the number of outstanding units in the fund. To determine how many units of participation a certain amount of investment is equivalent to, simply divide the amount to be invested by the prevailing NAVPU for the day.

*Where: No. of Units = Amount Placed / NAVPU for the day*

#### 5. How different is a UITF from a CTF?

The main difference between a UITF and a CTF, which is the pre-cursor to the UITFs, is the manner in which the NAV is calculated. CTFs were valued using the accrual method (i.e. NAV of the fund takes into account principal and interest accruing from various investments of the fund). This method generally results in a steadily increasing NAVPU. UITFs, on the other hand, follow the marked-to-market valuation method, which calculates the NAV based on the estimated fair market value of the assets of the fund based on prices supplied by independent sources. The marked-to-market value takes into account the accrued interest (and dividends where the fund is invested in equities) plus unrealized gains or losses of the investments given their prevailing market prices. As such, UITF NAVPU may fluctuate depending on the volatility of the prices of various assets held by the fund.

#### 6. Why was there a need to change the valuation methodology?

The marked-to-market valuation provides the investor with a more accurate and fair value of his investments at any given time. It ensures that no participant in the fund is put at a disadvantage as a consequence of new investors coming in or of existing investors getting out of the fund. The marked-to-market methodology is in accordance with international best practices.

#### 7. What documents should a client have as evidence of his investment in a UITF?

The UITF investor and the trust entity shall execute a Participating Trust Agreement to confirm the investor’s desire to participate in the fund and the trust entity’s acceptance thereof, subject to the terms and conditions set forth in the Declaration of Trust. The trust entity shall likewise provide the investor with a Confirmation of Participation which

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documents the amount of funds received by the trust entity, the NAVPU on the date of purchase and the corresponding number of units of participation. These original documents are surrendered to the trust entity upon redemption.

**8. Are all UITF products offered in the market the same?**

No. UITF products differ in terms of the fund’s investment objectives, types of assets invested, portfolio mix, minimum investment amount, minimum holding period, possible benefits and risks, settlement period and charges. These key features should be explained by the trustee in detail to its investors to determine customer suitability. The level of risk to which an investor is exposed to may vary from one UITF to another. Generally, UITFs that aim to deliver higher potential returns are likely exposed to greater risks and need a longer investment time horizon to achieve their potential returns. Conversely, UITFs that aim to deliver lower returns are likely exposed to lower risks and require a shorter investment time horizon to achieve their investment goals. Each UITF product is governed by a specific Declaration of Trust, which contains the product’s investment objectives and mechanics. This Declaration of Trust shall be made available by the trust entity to investors, upon request. Based on these information, the client should choose a UITF product suitable to his investment objectives and risk tolerance.

**9. What are the types of UITFs available in the market?**

UITFs are established and managed based on a set of investment objectives and strategies, and these have varying levels of risks and returns. UITFs may be denominated in Philippine Pesos, US Dollars and acceptable third currencies. Following are the four general major classifications of UITFs listed according to ascending levels of risk, return and investment time horizon:

<b>Money Market Funds</b>	- are invested principally in short term, fixed income deposits and securities with a portfolio duration of one year or less.
<b>Bond Funds</b>	- are mandated to be invested in a portfolio of bonds and other similar fixed income securities with portfolio duration which may exceed one year. These may further be classified into Intermediate Funds (where the fund mandate limits the duration up to 3 years), Medium Term Funds (where the fund mandate allows duration of up to 5 years) and Long Term Funds (where the fund mandate allows duration of greater than 5 years).
<b>Balanced Funds</b>	- are mandated to be invested in a diversified portfolio of bonds and stocks where investments in stocks shall be up to a maximum of 40% to 60% of the fund, with the balance invested in fixed income securities.
<b>Equity Funds</b>	- are mandated to be substantially invested in equities. Cash may be kept for liquidity and portfolio re-balancing purposes.

**10. Can a client invest in more than one type of UITF?**

Yes. Clients may diversify their investments across various UITFs as long as the objectives and mechanics of the funds are suitable to their requirements.

**11. Which type of UITF is suitable to an investor?**

UITF investors should identify their financial needs and goals and match them against the investment features of the product. The following factors have to be considered:

- Investment capacity - the amount available for investment
- Investment horizon - how long a client can stay in the fund
- Risk profile - how much risk the client is willing to take
- Investment objective - refers to the investors’ financial goal e.g. whether client wants income or capital growth

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*The investor should likewise be comfortable with the trustee of the UITF in terms of their expertise and skills in fund management*

#### 12. Who can invest in a UITF?

Any person, association, corporation, entity or firm who/which has the legal capacity to contract or establish a trust may invest in a UITF product.

#### 13. Is there an indicative or guaranteed rate of return for UITF products?

Since UITFs are subject to the marked-to-market valuation method, the NAVPU may fluctuate depending on the volatility of the market. As such, indicative rates cannot be quoted by the trustee. Yields are variable and cannot be guaranteed. **Historical performance of the fund does not guarantee future performance**, it may provide an indication of the nature of the fund and how well the trustee is managing the fund.

#### 14. How do investors keep track of the value of the UITF investment?

The NAVPU of the fund is generally made available on a daily basis (or as prescribed in the Declaration of Trust) at the office of the trustee, its branches, through the TOAP website, the trust entity's website or at [www.uitf.com.ph](http://www.uitf.com.ph). To determine the value of the UITF investment, simply multiply the NAVPU by the number of units of participation acquired.

Where: Value of UITF Investment = No. of Units x NAVPU

#### 15. How much will an investor get when the UITF investment is redeemed?

The investor can calculate the proceeds of his UITF investment by simply multiplying the number of units being redeemed by the applicable NAVPU for the day. Generally, the NAVPU is already net of the trust fees, taxes and qualified charges. However, there may be additional charges to the client such as early withdrawal charges in cases where the client redeems his UITF investment prior to the completion of the minimum holding period required by the trustee.

#### 16. How does a participant determine how much he earned from the UITF?

The difference between the value of the units of participation at the time of purchase and the value at the time the units are redeemed determines how much an investor earned (or the loss incurred) from the UITF investment. As the fund value increases, each participant earns more. Ideally, *the longer a client stays invested in the fund, the better his chances of earning more since the underlying investment outlets become less prone to market volatility over time.*

#### 17. How does an investor determine the return on the UITF investment?

The client's return on investment can be determined using the following formula:

$$\text{Return on Investment} = [ (\text{Proceeds of investment} - \text{Initial investment}) / (\text{Initial investment}) ] * 100$$

Where:

Proceeds of Investment = Applicable NAVPU x number of units of participation *(less early withdrawal charges, if any)*  
Initial investment = Amount invested

#### 18. How can an investor compare the performance of various trust entities?

All trust entities offering UITF products are required to publish the fund's prevailing NAVPU as well as the year-on-year and year-to-date return on investment (ROI) in major dailies at least once a week.

$$\text{Year to Date (YTD) ROI} = \frac{\text{NAVPU (current)} - \text{NAVPU (last year's end figure)} * 100}{\text{NAVPU (last year's end figure)}}$$

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$$\text{Year on Year (YOY) ROI} = \frac{\text{NAVPU (current)} - \text{NAVPU (same date of previous year)} * 100}{\text{NAVPU (same date of previous year)}}$$

The YTD ROI presents the absolute returns of the fund from the end of the previous year. The YTD ROI cannot be compared to rates offered by deposits, government securities or other money market products which are usually expressed on an annualized or per annum basis, unless the returns for a full year (i.e. January 1 to December 31) are being derived. The YOY ROI, on the other hand, compares the NAVPU as of current date against the NAVPU as of the same date in the previous year. This may be considered an annualized return as the period covered is always one full year. It should be noted however that historical returns of a fund are purely for reference purposes and do not guarantee similar future results.

#### 19. When does the investor get the proceeds of the UITF investment?

Payment to the investor will depend on the settlement period prescribed by the trustee (per Plan Rules). This may vary depending on the nature and settlement convention of the investments of the UITF product.

#### 20. In what instruments can a trustee invest the fund?

The character and kind of investments which may be made by the trustee depend on the investment parameters set forth in the UITF Declaration of Trust or Plan Rules. BSP regulations, however, prescribe that UITF fund investments shall be limited to:

- a. Bank deposits
- b. Securities issued by or guaranteed by the Philippine government or the BSP
- c. Tradable securities issued by the government of a foreign country, any political subdivision of a foreign country or any supranational entity
- d. Exchange listed securities
- e. Marketable instruments that are traded in an organized exchange
- f. Loans traded in an organized market and
- g. Such other tradable investments as the BSP may allow.

#### 21. How will the investor know where the fund is invested?

A list of prospective and outstanding investment outlets of the fund shall be made available to the UITF clients. The list of investment outlets shall be updated quarterly.

#### 22. How much do trustees charge UITF investors?

The trustee shall charge the fund for management fees, taxes and qualified expenses. The management fee differs for each type of fund and will cover the costs of investment research, management, marketing and routine administrative expenses of the trustee.

#### 23. Can the UITF Declaration of Trust be changed and how will that affect existing investors of the fund?

The Declaration of Trust of a UITF may be amended by a resolution of the Board of Directors of the trust entity provided that participants in the fund shall be immediately notified of such amendments. Clients who are not in conformity with the amendments shall be allowed to withdraw their participations within a reasonable time but in no case less than thirty calendar days after the amendments are approved. The trustee shall submit the amendments to the BSP for approval, within ten business days from approval of its Board of Directors. Said amendments are deemed approved by the BSP after thirty (30) business days from date of completion of requirements.

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#### 24. What are the risks of investing in a UITF?

A client investing in a UITF product should be prepared to absorb the following potential risks:

- Interest Rate Risk - the potential for an investor to experience losses due to changes in interest rates;
- Market/Price Risk - the potential for an investor to experience losses due to changes in the market prices of securities (e.g. bonds and equities);
- Liquidity Risk - the inability to sell or convert assets into cash quickly or where conversion to cash is possible but at a loss; and
- Credit Risk - the risk of loss due to a borrower or issuer's failure to repay principal and/or interest on securities issued.

Because the assets of the UITF are valued based on the prevailing market prices, yields and potential yields cannot be guaranteed. There is a possibility of incurring losses in the UITF if the client withdraws in a scenario of generally declining market prices, even if the fund is invested in government securities. It should be noted that investments in government securities, although considered credit risk free in the domestic market are also subject to interest rate risk, market risk and under extreme volatile conditions, to liquidity risk. Should this situation arise, clients may, however, opt to defer their withdrawals until market conditions become more favorable.

Being a trust product, there is no guaranty on the principal and income of the investments and losses, if any, shall be for the risk of the UITF investors. UITFs are governed by BSP regulations but are not deposit products, hence are not covered by the Philippine Deposit Insurance Corporation (PDIC). Historical performance of a fund may be used for reference purposes only and do not guarantee similar future results.

#### 25. What are the benefits of investing in a UITF?

Investors in UITFs can avail of the following benefits:

- *Diversification.* By participating in a UITF, risks are spread out across the various investments held by the pooled trust fund. Diversification comes in the form of various types of investments, issuers and tenors. UITFs are required to observe its exposure in a single entity and its related parties to 15% of the market value of the fund, except in the case of government securities.
- *Liquidity.* While it is advisable to stay invested in the UITF for a longer period of time, clients can redeem units of participation at any time. The fund will not have difficulty redeeming such units of participation because UITF investments are limited to marketable or tradable securities.
- *Affordability.* UITFs generally have low minimum investment requirements. Additional investments may be made in tranches as funds become available to the client.
- *Better earnings potential.* Greater earnings potential is achieved without having to invest large sums of money. There are opportunities for potentially higher returns due to possible marked-to-market gains on top of accrued income from investments. UITFs provide access to financial instruments not readily available to retail investors.
- *Exempt from reserve requirements.* UITFs are not subject to reserve requirements imposed on bank deposits and CTFs.
- *Professional fund management.* Participating in a UITF allows clients to gain access to the expertise and services of seasoned fund managers who are able to actively monitor the markets for possible investment opportunities.
- *Transparency.* Trust entities are required to publish the UITF NAVPUs at least weekly, allowing investors to compare investment performance of various fund managers. Each UITF is subject to a separate annual audit by an independent auditor acceptable to the BSP, the results of which may be made available to investors. In addition, each UITF is required to have a BSP accredited third party custodian, who is tasked with safekeeping the securities of the UITF and performing independent marking-to-market of such securities.
- *Regulated product.* The management and administration of UITFs are governed by the BSP.

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# What are the different LANDBANK UITFs?

There are six (6) UITF products, five (5) Peso and one (1) dollar. Each of these UITFs is designed to cater a specific target market, which takes into account the investors' risk profile and investment objectives:

## 1. LANDBANK Money Market Fund

Designed for the entry-level investors who aim for high liquidity and minimal risk but with decent returns on their capital, from short-term and flexible investments with less than one year duration.

The fund is intended for clients with Conservative risk profile.

Fund Classification:	Money Market Fund
Portfolio Mix:	100% Special Savings Deposit Accounts
Initial Investment:	P5,000.00
Minimum Additional Placement:	P1,000.00
Minimum Holding Period:	7 days
Trust Fee:	0.20%p.a. based on total market value of assets of the Fund
Penalty per early withdrawals:	25% of earnings (net of final withholding tax and trust fee), but not less than PhP500.00

## 2. LANDBANK Money Market Plus Fund

A fund that offers investors a relatively liquid investment while providing potential higher income from a portfolio of short-term bonds and fixed income securities.

The fund is intended for clients with Moderate risk profile.

Fund Classification:	Money Market Fund
Portfolio Mix:	100% diversified portfolio of short-term fixed income investments & Special Deposit Accounts
Initial Investment:	P5,000.00
Minimum Additional Placement:	P1,000.00
Minimum Holding Period:	30 days
Trust Fee:	0.50%p.a. based on total market value of assets of the Fund
Penalty per early withdrawals:	25% of earnings (net of final withholding tax and trust fee), but not less than PhP500.00

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#### 3. **LANDBANK Bond Fund** (formerly LANDBANK Government Securities-Fixed Income [GS-FI] Fund)

Suited for individuals and corporate investors with moderate risk appetite. Funds are invested in a portfolio of fixed income government securities and corporate bonds with longer tenors.

The fund is aimed for clients with Moderate risk profile.

Fund Classification:	Bond Fund (Long-Term)
Portfolio Mix:	100% Fixed Income diversified into tradable government bonds and bank deposits, short term fixed income investments
Initial Investment:	P5,000.00
Minimum Additional Placement:	P1,000.00
Minimum Holding Period:	30 days
Trust Fee:	1.0%p.a. based on total market value of assets of the Fund
Penalty per early withdrawals:	25% of earnings (net of final withholding tax and trust fee), but not less than PhP500.00

#### 4. **LANDBANK Growth Fund**

Ideal for individual and corporate investors who are willing to take extra risks for higher returns. Funds are invested through a combination of diversified peso-denominated listed stocks and tradeable fixed income securities.

This is intended for clients with Aggressive risk profile.

Fund Classification:	Balanced Fund
Portfolio Mix:	Min. 40% in Government Securities, tradable private securities; Max 60% in listed stocks
Initial Investment:	P5,000.00
Minimum Additional Placement:	P1,000.00
Minimum Holding Period:	30 days
Trust Fee:	1.25%p.a. based on total market value of assets of the Fund
Penalty per early withdrawals:	25% of earnings (net of final withholding tax and trust fee), but not less than PhP500.00

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**5. LANDBANK Equity Index Fund**

A fund designed for investors who are willing to take extra risks in order to avail of the potential higher investment returns offered by the equities market, minus the hassles of monitoring and analysing each stock.

The fund aims for long term capital growth through investment mainly in peso-denominated listed equities comprising the Philippine Stock Exchange Index (PSEi).

The fund is aimed for clients with Aggressive risk profile.

Fund Classification:	Equity Fund
Portfolio Mix:	Up to 100% shares of stock of corporations listed at the Philippine Stock Exchange diversified in a portfolio of equities comprising the PSEi
Initial Investment:	P5,000.00
Minimum Additional Placement:	P1,000.00
Minimum Holding Period:	30 days
Trust Fee:	1.50%p.a. based on total market value of assets of the Fund
Penalty per early withdrawals:	25% on the net earnings of the redeemed principal amount. At no instance shall the penalty be less than P500.00

**6. LANDBANK Global \$ Fund**

Aimed for individual and corporate investors with moderate risk appetite who are looking for safe, liquid investments with relatively higher returns on their US Dollar funds. Pooled funds are invested in dollar-denominated fixed income securities like \$ROPs (Republic of the Philippines Sovereign Bonds).

The fund is aimed for clients with Moderate risk profile.

Fund Classification:	Bond Fund (Long-Term)
Portfolio Mix:	100% US dollar-denominated fixed income securities diversified into tradable government securities, corporate bonds and bank deposits.
Initial Investment:	US\$ 1,000.00
Minimum Additional Placement:	US\$ 200.00
Minimum Holding Period:	30 days
Trust Fee:	0.50% p.a. based on total market value of assets of the Fund
Penalty per early withdrawals:	25% of earnings (net of final withholding tax and trust fee), but not less than US\$ 10.00

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