

AB CAPITAL AND INVESTMENT CORPORATION
AB CAPITAL BALANCED FUND
KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT
As Of June 30, 2021

FUND FACTS

Classification:	Balanced Fund	Net Asset Value per Unit (NAVPU):	1.0537
Launch Date:	March 20, 2013	Total Fund NAV:	8,963,554.75
Min. Investment:	Php25,000	Dealing:	Daily up to 12:00 noon
Add'l Investment:	Php10,000	Redemption Settlement:	T + 3 days
Min. Holding Period:	30 days	Early Redemption Charge:	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: -0.520% SGV & Co.
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*As a percentage of average daily NAV for the quarter valued at Php 8,747,550.03.

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.

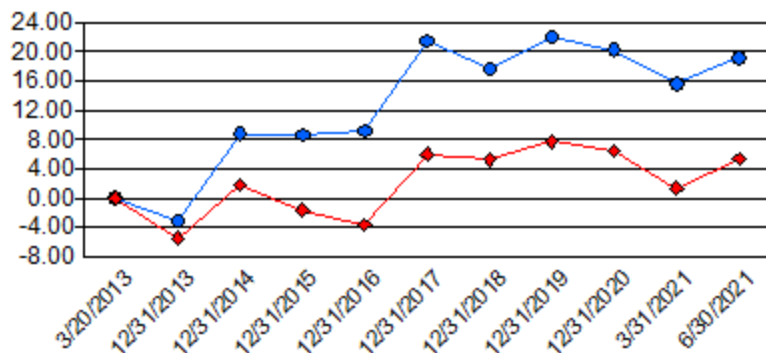
Interest Rate Risk	Possibility for an investor to experience losses due to the changes in interest rate. The purchase and sale of a debt instrument may result in profit or loss because the value of a debt instrument changes inversely with prevailing interest rates.
Market/Price Risk	This is the possibility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

Balanced Fund vs Benchmark ²



◆ Balanced Fund YTD Return ¹ ● Benchmark YTD Return

Source: Bloomberg and AB Capital and Investment Corp.

NAVPU over the past 12 months

Highest	1.0797
Lowest	0.9389

STATISTICS

Volatility, Past 1 Year (%) ³	8.19
Sharpe Ratio ⁴	0.9041
Information Ratio ⁵	1.2447
Weighted Ave. Duration	0.95

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	1.90	4.00	-1.03	9.56	8.95
Benchmark	1.70	3.03	-0.88	5.38	3.98

TOP TEN HOLDINGS (%)

STERLING BANK OF ASIA TD	16.35
SMC GLOBAL POWER SERIES G BOND	10.22
VISTA LAND FIXED RATE BOND DUE 20	9.25
AYALA LAND INC.	5.83
PHOENIX PETROLEUM PHILIPPINES, I	5.56
SM INVESTMENTS	5.01
RTB 05-12	4.83
AYALA CORP.	4.55
SM PRIME HOLDINGS, INC.	3.62
FXTN 05-76	3.52

PORTFOLIO COMPOSITION

Allocation	% Of Fund
Equities	49.53
Fixed Income Securities	36.16
Time Deposits	16.74
Cash and Other Receivables (Payables)	-2.43
SECTOR HOLDING	
HOLDING FIRMS	9.56
PROPERTY	9.45

RELATED PARTY TRANSACTIONS

----- NO RELATED PARTY TRANSACTION -----

OUTLOOK AND STRATEGY

Fixed-Income Market

Inflation during the second quarter tempered from the high of 4.7% in February this year as supply side pressures on the food basket waned along with transportation costs being largely contained. Inflation in June settled at 4.1%, just slightly above the BSP's full year forecast for 2021 of 4%. The BSP kept its monetary policy unchanged at 2% in its June meeting in order to support the economic recovery. Bond yields during the quarter declined by an average of 28 bps with yields on 10-year bonds declining by 48 bps. Long-term bond yields remained stable as demand focused on the short-end and the belly of the curve. The Bureau of Treasury increased its pace of issuance of bonds across tenors during the quarter amid ample liquidity and strong demand from investors.

Stock Market

The Philippine Stock Exchange Index (PSEi) posted strong gains of 7.12% during the second quarter of 2021 to close at 6,901.91. Early weakness in the quarter was evident due to a reversion to more stringent quarantine measures in April as Covid-19 cases surged to a peak of 13k in a single day. However, the impact of the lockdown on new cases was evident with average daily cases declining to less than 5k by the second week of May. The index then staged a recovery from the final week of May all the way up to the end of June driven by improving investor sentiment and soft indications that the economy had already weathered the worst of the pandemic. Furthermore, the vaccine effort was turning into a compelling tailwind for investors as more than 17 million doses had come into the country as of June and LGU led inoculation showed it was gaining momentum over the quarter. Investors were also quick to do bargain hunting at the lows of the market with a key short-term overhang being hurdled with the conclusion of the MSCI Rebalancing which was anticipated to serve as another catalyst for foreign investors to sell Philippine equities. However, once the rebalancing concluded, some foreign investors turned into net buyers again and helped fuel the market rally.

AB Capital Balanced Fund Performance

The AB Capital Balanced Fund posted a return of 4.00% for the second quarter of 2021. The Net Asset Value Per Unit (NAVPU) increased to 1.0537 in June 2021 from 1.0132 in March 2021.

Fund Strategy

With inflation expected to be contained over the next quarter and with ample liquidity driving demand for the short-end of the curve, yields will likely stay low over the short-term with a possible continuation of the steepening of the yield curve. The Fund's Fixed Income portfolio remains defensively invested in short-term government securities in order to minimize the impact of a potential rise in yields over the medium-term and selectively invests in high-quality corporate bonds.

Risks remain in the equity market as investor sentiment continues to be heavily driven by the health crisis. The wider rollout of vaccination to the general population and as a result, a faster pace of economic recovery, underpins our constructive view on local equities over the medium and long-term. However, key risks over the short-term such as a resurgence of cases and the reimposition of lockdowns continue to linger as the vaccine effort has yet to build up scale. The Fund has selectively positioned in sectors and stocks that are expected to benefit from the reopening of the economy but has also maintained an ample allocation in cash to take advantage of buying opportunities that may become available. Allocation to equities has been increased to reflect the positive view on the equity market.

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 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).