

1. GENERAL RISK WARNING

The prices of securities fluctuate as a result of market conditions and any individual security may experience upward or downward movements and may even become valueless. There is a risk that losses may be incurred as a result of buying and selling securities. Past performance is not indicative of future performance.

There is a risk of losing money when securities are bought from smaller companies. There may be a difference between the buying price and the selling price of these securities. An investor deals in a range of investments each of which may carry different levels of risk.

2. PRUDENCE REQUIRED

The risk disclosure statement does not purport to disclose all the risks and other significant aspects of investing in these securities. Investors should undertake their own research and study of the trading of securities before commencing any trading activity. They may request information on the securities and the issuer thereof from the applicable regulator which are available to the public.

3. PROFESSIONAL ADVICE

Investors should seek professional advice if they are uncertain of or have not understood any aspect of or the nature of risks involved in trading of securities, especially high-risk securities.

4. SECURITIES TRADING

The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities.

5. MARGIN TRADING

The risk of loss in financing a transaction by deposit of collateral is significant. Investors may sustain losses in excess of their cash and any other assets deposited as collateral. They may be called upon at short notice to make additional margin deposits or payments. If the required margin deposits or payments are not made within the prescribed time, the collateral may be liquidated. Moreover, investors remain liable for any resulting deficit in the account and interest charged on the account. Investors should carefully consider whether such a financing arrangement is suitable in light of their own financial position and investment objectives.

6. SAFEKEEPING

Securities held by the Broker for safekeeping are at the risk and expense of the investor. There may be risks in leaving securities in the Broker for safekeeping. For example, if the Broker becomes insolvent, investors may experience significant delay in recovering the securities.

7. TRADING FACILITIES

Electronic trading facilities are supported by computer-based component systems for the order-routing, execution, matching,

registration, or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. The investor's ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market, the clearing house and/or participant firms.

8. ELECTRONIC TRADING

By trading on an electronic trading system, investors will be exposed to risks associated with the system including hardware and/or software failure. The result of any system failure may be that the order is either not executed according to the investor's instructions or is not executed at all.

Some or all of the online services may not be available at all times due to maintenance and/or computer telecommunication, electrical, or network failure, or any other reasons beyond the Broker's control. Further, there are attendant risks related to online transactions, including discrepancies in the data displayed and technical glitches.

9. ELECTRONIC INSTRUCTIONS

Facsimile, email, and other electronic means of sending messages, such as sms or instant messaging software applications, are not a secure means of communication and it may be difficult for the Broker to verify whether the document sent is genuine and has not been altered. By agreeing to receive instructions by electronic means, the Broker is not liable for any omission, error, misstatement, non-receipt, intercalation, interception, diversion, fraud, forgery or unauthorized intervention by any third party in or pertaining to any instruction received by the Broker and which the Broker may rely upon in good faith. Further, the Broker retains the right to refuse to act upon such instructions if it has any reason to doubt the authenticity of the same or the authority of the person providing such instructions and may require investors to submit originally signed documents.

10. TRADING MUTUAL FUNDS AND UITFS

- a. In General:** There are risks involved in investing because the value of the investment is based on the net asset value of a fund which uses a marked-to-market valuation and therefore may fluctuate daily.
- b. No Guaranteed Returns:** There are no guaranteed returns even if the fund's assets are invested in government securities and high-grade prime investment outlets. The principal and earnings from investment in the fund can be lost in whole or in part when the net asset value at the time of redemption is lower than that during the time of subscription. Gains are only realized when the net asset value at the time of redemption is higher than the net asset value at the time of subscription.
- c. Net Asset Value:** The net asset value will fluctuate with changes in the market value of the applicable fund's investments. The prices of the securities held by a fund may fluctuate based on factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

- d. Market Risk:** Market risk is the risk of possible decline in the value of a fund due to fluctuations in prices of its assets.
 - e. Interest Rate Risk:** Interest rate risk is the risk that the value of a financial asset will fluctuate because of changes in market interest rates.
 - f. Credit Risk:** Investment in bonds carry the risk that the issuer of the bonds might not be able to meet its interest and principal payments, which adversely affects the value of the bonds and may result in a write-off of the concerned asset held by a fund, resulting to a significant decrease in its net asset value.
 - g. Fund Manager Risk:** The performance of a fund is also dependent on the skills of its fund manager. Hence, a fund may underperform in the market and/or in comparison with similar funds or fail to meet its investment objectives due to investment decisions made by the fund manager.
 - h. Operational Risk:** This is the risk of loss resulting from inadequate or failed internal processes, controls, people, and systems. Categories of operational risks may fall under: sales and distribution, human resources, information technology, processes and people, accounting and finance, model risk, legal and regulatory, and third-party relationships.
 - i. Dilution Risk:** In case of an open-end mutual fund, various investors may effectively subscribe to any number of units or shares. As such, investors face the risk of their investments being diluted as more investors subscribe.
 - j. Liquidity Risk:** A fund is usually able to service redemptions of investors within the time specified in their respective prospectuses by paying out redemptions from available cash or cash equivalents. When redemptions exceed these liquid holdings, a fund will have to sell less-liquid assets, and during periods of extreme market volatility, it may not be able to find a buyer for such assets. As such, it may not be able to generate sufficient cash from its sale of assets to meet the redemptions within the normal periods.
 - k. Large Transaction Risk:** If an investor makes a large transaction in a fund, the fund's cash flow may be affected. For example, if an investor redeems a large number of units, the fund may be forced to sell securities at unfavorable prices to pay for the proceeds of redemption. This unexpected sale may have a negative impact on its net asset value.
 - l. Non-Guarantee:** Unlike deposits made with banks, an investment in a fund is neither insured nor guaranteed by the Philippine Deposit Insurance Corporation. Hence, investors carry the risk of losing the value of their investment, without any guaranty in the form of insurance. Moreover, as with any investment, it is important to note that past performance does not guarantee future success.
 - m. Regulatory Risk:** A fund's operations are subject to various regulations such as those affecting accounting of assets and taxation. These regulations change and, as a result, investors may experience lower investment returns or even losses depending on what the regulatory change entails. For example, higher taxes would lower returns and mandated precautionary loan loss provisions could result in a fund experiencing a loss in the value of assets.
 - n. Taxation Risk:** Gains realized by investors upon redemption of shares in a mutual fund are not subject to personal income tax (R.A. 8424). In case of funds issuing participation units, investors are advised to consult their own professional advisers as to the tax implications of subscribing, purchasing, holding, and redeeming units.
 - o. Foreign Exchange Risk:** A fund may at times invest in foreign securities allowable by the law or regulation. Significant fluctuations in exchange rates may affect a fund's financial position.
 - p. Index-Tracking Risk:** Specifically for index-tracker investments, this is the risk of the portfolio not matching or not achieving a high degree of correlation with the return of an index because of operating and other fund-management related expenses.
- ## 11. INVESTING IN PREFERRED SHARES
- a. In General:** Issuers may buy back preferred shares at a predetermined price after a certain period. Preferred shares may also be deprived of voting rights.
 - b. Dividends Risk:** Issuers may suspend dividend payments, resulting to investors not receiving expected income or having such deferred to a later date. By default, preferred shares are noncumulative, thus investors have the right to receive payment of current dividends but not back dividends.
 - c. Liquidity Risk:** Preferred shares may be less liquid as they are not as frequently traded as common shares.
 - d. Market Risk:** Although generally less volatile than common stocks (also limiting capital appreciation), preferred shares are still subject to market risks.