



# Client Suitability Assessment (For Individual Investors)

Please fill out this form completely. Details provided herein will form the basis of all future transactions on your Mutual Fund (MF) Account/s. A notice in writing should be received by the Bank of the Philippine Islands (BPI) in case you wish to change any information/instruction herein. **Please write heavily or consider typing your entries as we require two (2) copies.**

**OBJECTIVE:** This Client Suitability Assessment (CSA) is being conducted to help the marketing personnel/investment solicitor determine the client's understanding of the risks related to investing. The marketing personnel/investment solicitor shall:

1. Make a reasonable inquiry into the client's financial situation, investment experience, and investment objectives prior to making any investment recommendations, and shall update this information as necessary;
2. Consider the appropriateness and suitability of investment recommendations or actions for the client;
3. Make a recommendation only if he reasonably believes that the recommendation is suitable for the client based on the facts disclosed as to the client's financial situation, needs, and risk appetite.

## A. Investment Needs

**1. Investment Objective:** What is your key investment objective?

- (a) To protect the principal amount of investments and earn a steady stream of interest income.
- (b) To preserve capital or real value of investments.
- (c) To achieve growth through a balance between interest income and capital gain over a medium term period.
- (d) To achieve significant growth or capital appreciation over the medium to long term period.

**2. Investment Horizon:** What portion of your investment can be placed in medium or long term investments, i.e., more than 3 years?

- (a) 10% to 30%
- (b) 40% to 60%
- (c) 70% to 80%
- (d) 90% to 100%

**3. Liquidity:** Do you have regular liquidity requirements?

- (a) I need to draw regular income from my investments and may use a portion of the principal in the short term.
- (b) I do not need to draw regular income from my investments nor do I see the immediate need to use any portion of the principal in the short term.
- (c) I have other sources of liquidity and do not see a real need to use the funds for the next 5 to 10 years.
- (d) I have other sources of liquidity and do not see a real need to use the funds for the next 10 years.

## B. Risk Appetite

### 1. Risk Tolerance

a. What is your tolerance for risk?

- (a) I accept steady and minimal returns without any fluctuation in the principal amount of my investments.
- (b) I accept minimal fluctuations in the principal amounts of my investments for commensurate returns.
- (c) I accept a fair amount of fluctuation in the principal amount of my investments in order to achieve above average returns and capital growth over the medium term.
- (d) I am prepared for a high degree of volatility and possibly losses in the principal amount of my investment for certain periods in order to achieve high returns or capital growth over a period of 5 years or more.

b. If the value of your portfolio decreased by 20% in one year, how would you react?

- (a) I will be very concerned and will immediately put my investment back to cash (i.e. in the form of deposits and/or short-term government securities).
- (b) I will be very concerned and will find safer investment outlets, which are not necessarily cash.
- (c) I will be concerned and will review the aggressiveness of my portfolio.
- (d) I will NOT be concerned about the short-term fluctuation of certain investments in my portfolio.

c. What is your average net worth (assets less liabilities) for the last 2 years?

- (a) P5M (USD100K) and below
- (b) Over P5M (USD100K) - P30M (USD600K)
- (c) Over P30M - P60M (USD1.2M)
- (d) Over P60M

### 2. Investment Knowledge and Experience

a. What is your knowledge and experience on investments?

- (a) Minimal. I know bank deposits, BSP SDA, T-bills and money market placements.
- (b) Low. Outside deposits and short-term government securities, I have experience investing in money market funds such as corporate bonds and fixed income bonds.

- (c) Medium. I have experience investing in mutual funds, UITFs, foreign currencies and direct investment in listed stocks and bonds.
- (d) High. I have extensive experience in investing and have a broad understanding of the domestic and global capital markets in general.

b. How many years of experience do you have with regards to investing in securities, either directly or through a fund manager?

- (a) 1 year or less
- (b) More than 1 year up to 5 years
- (c) More than 5 years up to 10 years
- (d) More than 10 years

**C. Client Suitability Results - Risk Profile :** \_\_\_\_\_

\*See back page for risk profile guide

**Risk Rating** (To be accomplished by the BPI Group Personnel)

Total Risk Score : \_\_\_\_\_ where,

Answer	No. of Answers	x Points	= Total Score per Answer
(a)		5	
(b)		10	
(c)		15	
(d)		20	
Total Risk Score			

## CLIENT ACKNOWLEDGMENT

I hereby certify that the responses indicated herein have been made directly by me and represent the best information about myself. I understand that the facts which I disclosed shall be used by the marketing personnel/investment solicitor as basis to present and recommend the investment suitable for me. I am aware that this type of investment does not provide guarantee against losses.

I have been informed of the result of the CSA and I agree with the investment profile indicated above and the recommendation of the marketing personnel/ investment solicitor on the investment outlet suitable for me based on my financial situation, needs, and risk appetite. The salient features and the terms of the Mutual Funds (MFs) have been explained to me fully, and I have likewise read and understood the terms and conditions thereof. The various fees involved in this transaction have been discussed to me and I agree to being charged such fees. I have made an informed decision to invest or consider future investments in these MFs, considering my risk profile.

This is also to confirm that I shall formally notify the marketing personnel/investment solicitor should there be any change in my risk profile.

For Joint Accounts, I fully understand and expressly agree that the results of the CSA shall apply to all of my accounts maintained with members of the BPI Group whether held singly in my name or jointly with another account holder in an "and" or "or" capacity, where I am designated as primary account holder

\_\_\_\_\_  
Client's Signature over Printed Name

\_\_\_\_\_  
Date

Notice to Clients Investing in Products with Lower Risks: At any time, clients may independently/directly invest in any one or more of the investment products falling within or below the stated investment risk profile. All such investments made shall be understood as duly implemented out of the client's investment preference and/or direction. Any claim, suit, action, loss, damage or expense, including loss of possible profit, shall be understood to be the result of the client's decision to invest in products with lower risks.

Reminder: The CSA shall be subject to review every three (3) years or should there be any change in the client's financial circumstance or preferences, whichever comes earlier.

## ACKNOWLEDGMENT (for BPI Group use only)

We have inquired as to the client's financial situation and investment experience, ascertained his/her real identity, and fully explained to him/her the: (1) results of the CSA; (2) basis of our recommendation; (3) terms and conditions of the recommended investment outlet; and (4) fees involved in the transaction.

**Checked by :** \_\_\_\_\_

**UP TO 70 POINTS CONSERVATIVE** - an investor who, when faced with two investments with a similar expected return (but different risks), will prefer the one with lower risk. A conservative investor dislikes risk and would settle for lower but fixed returns. The overriding concern is to protect the principal amount of investments and earn a steady stream of interest income.

**75 TO 100 POINTS MODERATELY CONSERVATIVE** - an investor who seeks a relatively stable return on investment that is slightly higher than traditional term deposit and who is willing to take minor negative fluctuations in returns. Moderately conservative investors usually have to settle for modest investment growth which might make it difficult to meet long-term goals.

**105 TO 130 POINTS MODERATELY AGGRESSIVE** - an investor who seeks a balance between growth in capital and income and who is willing to take negative fluctuations in returns. Moderately aggressive investors want to increase the value of their portfolios while protecting their assets from the risk of minor losses.

**OVER 130 POINTS AGGRESSIVE** - growth and earning the highest returns are the main concerns of this investor. An aggressive investor is willing to take negative fluctuations in return including possible loss of the initial investment.

## RISK DISCLOSURE STATEMENT

Prior to making an investment, the Bank of the Philippine Islands is hereby informing you of the nature of Mutual Funds and the risks involved in investing therein. As investments generally carry different degrees of risk, it is necessary that before you make any investment, you should have:

1. fully understood the nature of the investment in any of the Mutual Funds and the extent of your exposure to risks;
2. read this Risk Disclosure Statement completely; and
3. independently determined that the investment in any of the Mutual Funds is appropriate for you.

Enumerated and defined below are the various risks you are normally exposed to when investing. The level of risk is dependent on several factors including type of underlying assets of the portfolio. Investing in Mutual Funds do not provide guaranteed returns and are not covered by the Philippine Deposit Insurance Corporation (PDIC).

Specifically for Mutual Funds, there are risks involved in investing because the value of your investment is based on the Net Asset Value per Shares/Unit (NAVPS/U) of the Mutual Funds which uses a marked-to-market valuation and therefore may fluctuate daily. The NAVPS/U is computed by dividing the Net Asset Value (NAV) of the Mutual Fund by the number of outstanding shares / units. The NAV is derived from the summation of the market value of the underlying securities of the Mutual Fund plus accrued interest income less liabilities and qualified expenses.

**INVESTMENT IN MUTUAL FUNDS DOES NOT PROVIDE GUARANTEED RETURNS EVEN IF INVESTED IN GOVERNMENT SECURITIES AND HIGH-GRADE PRIME INVESTMENT OUTLETS. THE PRINCIPAL AMOUNT AND EARNINGS FROM INVESTMENT IN THE MUTUAL FUNDS MAY BE LOST IN WHOLE OR IN PART WHEN THE NAVPS AT THE TIME OF REDEMPTION IS LOWER THAN THE NAVPS/U AT THE TIME OF PARTICIPATION. GAINS FROM INVESTMENT IS REALIZED WHEN THE NAVPS AT THE TIME OF REDEMPTION IS HIGHER THAN THE NAVPS/U AT THE TIME OF PARTICIPATION.**

**Your investment in any Mutual Fund exposes you to the various types of risks enumerated and defined hereunder:**

### Interest Rate Risk

This is the possibility for an investor to experience losses due to changes in interest rates. 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.

A Mutual Fund's portfolio, being marked-to-market, is affected by changes in interest rates thereby affecting the value of fixed income investments such as bonds. Interest rate changes may affect the prices of fixed income securities inversely i.e. as interest rates rise, bond prices fall and when interest rates decline, bond prices rise. As the prices of bonds in a portfolio adjust to a rise in interest rate, the portfolio's market value may decline.

### Market/Price Risk

This is the possibility for an investor to experience losses due to changes in market prices of securities. It is the exposure to the uncertain market value of a portfolio due to price fluctuations.

It is the risk of the Mutual Fund or portfolio to lose value due to a decline in securities prices, which may sometimes happen rapidly or unpredictably. The value of investments fluctuates 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, for Mutual Funds, the Net Asset Value per Share/Unit (NAVPS/U) 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. This 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 Mutual Fund or portfolio may be difficult or impossible to sell at a particular time which may prevent the withdrawal/redemption of investments until their assets can be converted to cash. Even government securities which are the most liquid of fixed income securities may be subject to liquidity risk particularly if a sizeable volume is involved.

### Credit Risk/Default Risk

This is the possibility for an investor to experience losses due to a borrower's failure to pay the principal and/or interest in a timely manner on instruments such as bonds, loans, or other forms of security which the borrower issued. This 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 of a counterparty (a party the 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 Mutual Fund or portfolio in the event the borrower defaults on its obligation or in the case a counterparty fails to deliver on the agreed trade. This decline in the value of the Mutual Fund or portfolio happens because price of the security goes down and may make the security difficult to sell. As this happens, for Mutual Funds, its NAVPS/U will be affected by a decline in value.

### Reinvestment Risk

This is the risk associated with the possibility of having lower returns or earnings when maturing Mutual Funds or the interest earnings of Mutual Funds are reinvested.

Investors who withdraw/redeem and realize their gains run the risk of reinvesting their Mutual Funds in an alternative investment outlet with lower yields. Similarly, BPI is faced with the risk of not being able to find good or better alternative investment outlets as some of the securities in the Mutual Fund portfolio matures.

In case of a foreign-currency denominated Mutual Fund or portfolio or a peso-denominated Mutual Fund or portfolio allowed to invest in securities denominated in currencies other than its base currency, the Mutual Fund or portfolio is also exposed to the following risks:

### Foreign Exchange Risk

This is the possibility for an investor to experience losses due to fluctuations in foreign exchange rates. The exchange rates depend upon a variety of global and local factors, e.g. interest rates, economic performance, and political developments.

It is the risk of the Mutual Fund or portfolio being subject to currency fluctuations, such as when the value of investments in securities denominated in currencies other than the base currency of the Mutual Fund or portfolio depreciates. Conversely, it is the risk of the Mutual Fund or portfolio to lose value when the base currency of the Mutual Fund or portfolio appreciates. For Mutual Funds, the NAVPS/U of a Philippine Peso-denominated Mutual Fund invested in foreign currency-denominated securities may decrease when the Philippine Peso appreciates. For Mutual Funds, the returns of a foreign currency denominated Mutual Fund invested in foreign currency-denominated securities may decrease when translated in Philippine Peso terms when the Philippine Peso appreciates.

### Country Risk

This is the possibility for an investor to experience losses arising from investments in securities issued by/in foreign countries due to the political, economic and social structures of such countries. There are risks in foreign investments due to the possible internal and external conflicts, currency devaluations, foreign ownership limitations and tax increases of the foreign country involved which are difficult to predict but must be taken into account in making such investments.

Likewise, brokerage commissions and other fees may be higher in foreign securities. Government supervision and regulation of foreign stock exchanges, currency markets, trading systems and brokers may be less than those in the Philippines. The procedures and rules governing foreign transactions and custody of securities may also involve delays in payment, delivery or recovery of investments.

For complex investment products, said instruments can be subject to sudden and sharp falls in market value such that you may lose your entire investment and extra funding may be required, as necessary.

### 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.

### Other Risks

Your Mutual Fund or portfolio may be further exposed to the risk of any actual or potential conflicts of interest in the handling of in-house or related party transactions by BPI. These transactions may include own-bank deposits; purchase of own-institution or affiliate obligations; purchase of assets from or sales to own institution, directors, officers, subsidiaries, affiliates or other related interests/parties; or purchases or sales between fiduciary/managed accounts.