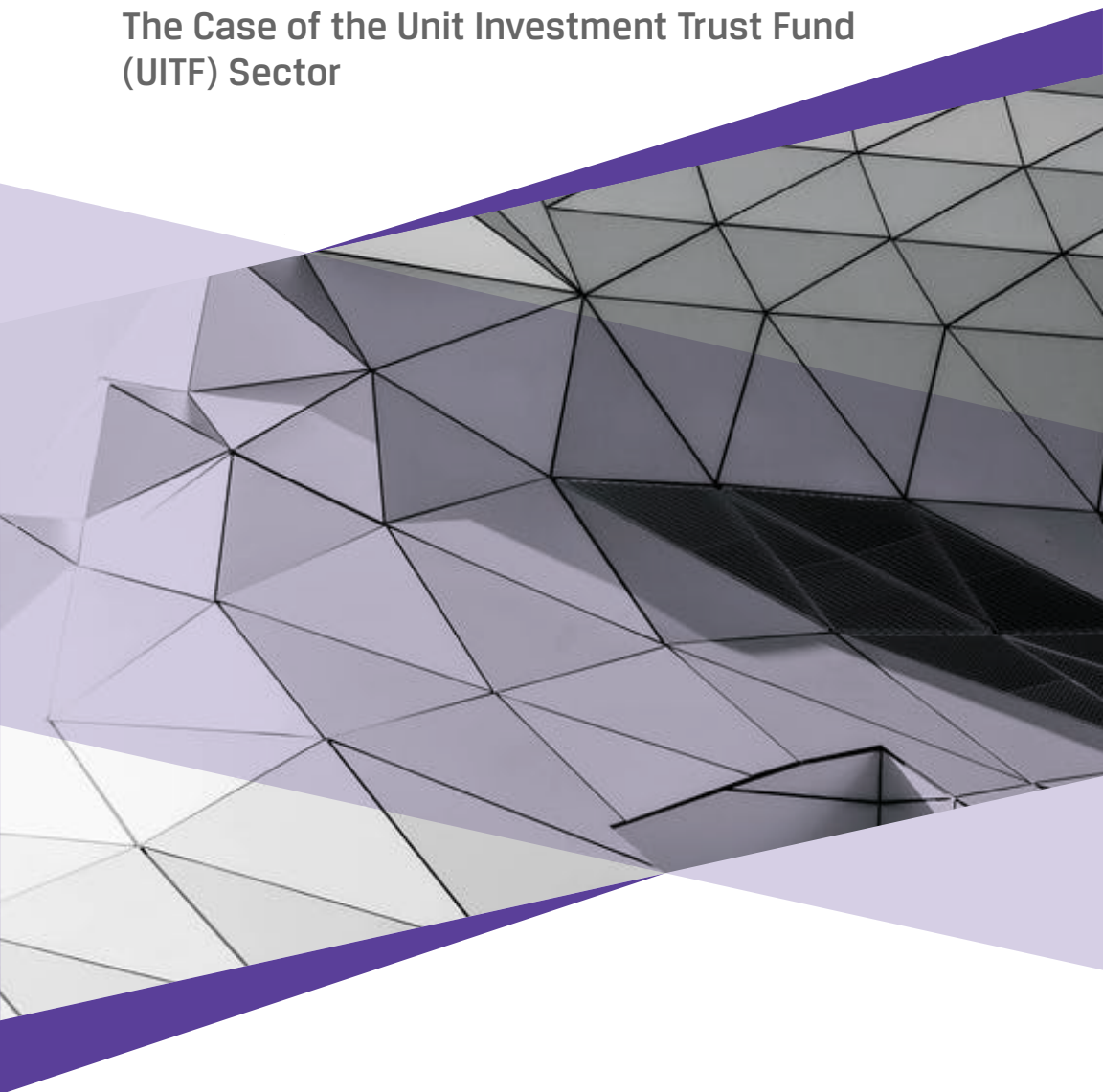


# ASSESSMENT OF THE ASSET MANAGEMENT INDUSTRY IN THE PHILIPPINES

The Case of the Unit Investment Trust Fund  
(UITF) Sector



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## FOREWORD

*The Philippine asset management business has grown by leaps and bounds over the past few years. When I started as a young banker, most of the individual clients I dealt with simply looked for the time deposit with the highest rate. That changed over the years. As the markets developed, so did client investment preferences. Clients moved from time deposits to government and corporate bonds.*

*Moving forward, clients then took a large interest in equities, mutual funds, and unit investment trust funds. We know that there have been a lot of changes as to how clients invest, but what are these?*

*How large has the market become? What products and services are clients most interested in? This study, the first of its kind in the Philippines, seeks to answer some of these questions so that the responses may be used as input to further develop and grow the market.*

*We, at CFA Society Philippines, would like to thank our partners, CFA Institute, Asian Institute of Management (AIM), and Fund Managers Association of the Philippines (FMAP), for their tireless efforts in contributing to the development of this study.*

Dr. Robert B. Ramos, CFA, CAIA, CIPM  
President and Chairman  
CFA Society Philippines

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**LISTS OF ABBREVIATIONS**

AUM	-	Assets-under-Management
CTF	-	Common Trust Fund
FMAP	-	Fund Managers Association of the Philippines
JBF	-	Gov. Jose B. Fernandez, Jr. Center for Sustainable Finance
KIIDS	-	Key Information and Investment Disclosure Statement
NAV	-	Net Asset Value
TOAP	-	Trust Officers Association of the Philippines
UITF	-	Unit Investment Trust Fund
VUL	-	Variable Unit Linked



## ABSTRACT

Central Bank of the Philippines defines a unit investment trust fund (UITF) as “an open-ended pooled trust fund denominated in pesos or any acceptable currency, which is operated and administered by a trust entity and made available by participation.” Due to an absence of research related to the UITF sector in the Philippines, it is worthwhile to look at the sector more closely from the perspective of the players within the industry as well as from the retail investors’ point of view. The general objective of this research is to assess the status, problems, and prospects of the UITF sector in the Philippines. Specifically, the research sought to assess the supply and demand sides of the sector by examining the market landscape through the industry players and the awareness and perception of the retail investors. Results indicate that the industry is being dominated by three large players, namely, BDO Unibank, Inc., BPI Asset Management and Trust Corporation, and Metropolitan Bank and Trust Company. Furthermore, money market fund has the largest share in the total Asset-under-Management for both domestic- and foreign-denominated UITF. On the demand side, the major issue was the low awareness of the retail investors, specifically the youth, towards UITF. In order to address the current challenges in the industry, the players must focus on increasing the awareness of retail investors using digital technology and expanding the distribution channel. To address the demand side issues, product differentiation and a better incentive system for UITF marketing personnel were recommended.

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*Keywords: unit investment trust fund (UITF), Asset-under-Management (AUM), awareness, perception*

### I. Rationale

A 2018 PwC study shows that the global asset and wealth management industry has encountered a rapid growth in assets brought by the regulatory support, digitization, and jurisdiction-wide utilities that change the way investment products are bought and sold in the region (Asset and Wealth Management Research Digest, 2018).

In the Philippines, the trust industry experienced an asset growth in 2017, reaching a total of PHP3.42 trillion, up 15.9% from 2016 as reported by Central Bank of the Philippines. The growth was attributed to the strong macroeconomic fundamentals and favorable investment climate. However, in the same year, unit investment trust funds (UITF) dropped by 8.2% or PHP768 billion. Central Bank of the Philippines claimed that the decrease was not a result of investors losing interest in the product but rather of the decline in the market value of the total assets of UITF (Business World Online 2018).

Given the above, CFA Society Philippines (“Society”) in partnership with Fund Managers Association of the Philippines (FMAP) and Asian Institute of Management Gov. Jose B. Fernandez, Jr. Center for Sustainable Finance (JBF) proposed to conduct an in-depth study on the Philippine asset management industry, primarily focusing on the UITF sector in the country.

# Assessment of the Asset Management Industry in the Philippines

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Central Bank of the Philippines defines a UITF as “an open-ended pooled trust fund denominated in pesos or any acceptable currency, which is operated and administered by a trust entity and made available by participation.” The fund currently gains increasing interest among investors given its simplicity and accessibility, especially for mass retail consumers. Despite the attractiveness of UITF as an investment avenue for consumers, no study has been conducted on the status, problems, and prospects of the industry. Thus, it is worthwhile to look at the sector more closely from the perspective of the players within the industry as well as from the retail investors’ point of view.

## II. Objectives of the Study

The general objective of the research is to assess the status, problems, and prospects of the UITF sector in the Philippines. Specifically, the study aims to:

1. evaluate the market landscape and key characteristics of the UITF sector in the Philippines;
2. determine current problems faced by the key players of UITF in the Philippines;
3. assess the profile of the UITF investors in the Philippines;
4. evaluate level of awareness among Filipino investors about UITF;
5. assess the perception among investors and non-investors towards UITF;
6. recommend strategies to address the challenges and weaknesses of the UITF sector in the Philippines.

## III. Research Design and Methodology

A descriptive research design is used to assess the current status, problems, and prospects for the UITF sector in the Philippines. Data were generated from primary and secondary sources. Specifically, due to the sensitivity of the information from the trust entities, the Asset-under-Management (AUM) data among the UITF providers were collected from the most recent Key Information and Investment Disclosure Statement (KIIDS).

With the objective of assessing the supply side of the industry, a survey was developed and distributed among the 25 trust entities with UITF operations. Among the 25 trust entities, 20 financial institutions returned the survey questionnaire, generating a response rate of 80%. The survey focused on the current status, performance, and problems experienced.

## Assessment of the Asset Management Industry in the Philippines

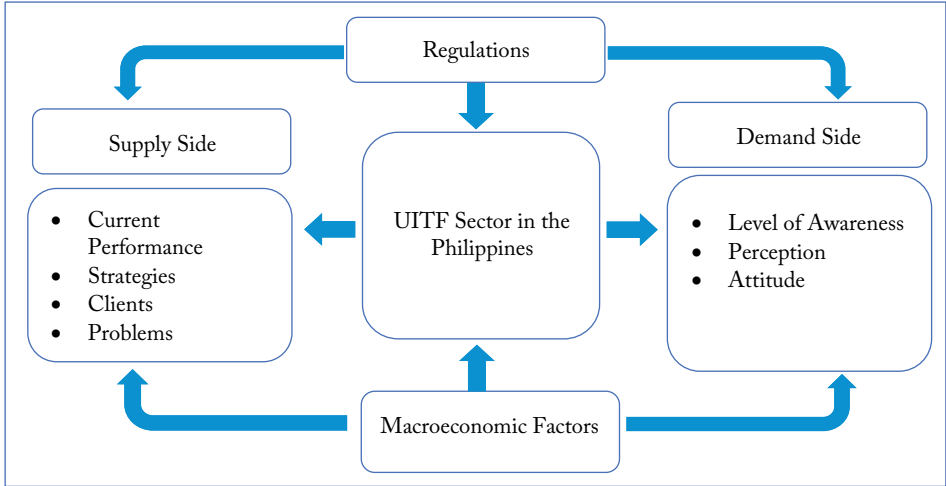
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*Table 1. Member Banks of Trust Officers Association of the Philippines (TOAP)*

1. AB Capital	2. Asia United Bank
3. ATRAM Trust Corporation	4. Bank of Commerce
5. BDO Unibank, Inc.	6. BPI Asset Management and Trust Corporation
7. China Banking Corporation	8. CTBC Bank (Philippines) Corp.
9. Development Bank of the Philippines	10. EastWest Banking Corporation
11. Landbank of the Philippines	12. Manulife Asset Management and Trust Corporation (MAMTC)
13. Maybank Philippines, Inc.	14. Metropolitan Bank and Trust Co.
15. Philippine Bank of Communications	16. Philippine Business Bank
17. Philippine National Bank	18. Philippine Savings Bank
19. Pru Life UK Investments	20. Rizal Commercial Banking Corporation
21. Robinsons Bank	22. Security Bank Corporation
23. Sterling Bank of Asia	24. Union Bank
25. United Coconut Planters Bank	

In addition, in order to analyze the supply side of the UITF sector, a survey focusing on the awareness, perception, and attitude of Filipino retail investors was developed. A convenience sample of 200 respondents was targeted, but a total of 211 responses was collected through online survey distribution. Convenience sampling was used due to absence of data on the total population, thus, those respondents within the network of the researcher and the institute were contacted. The results may not be generalized to the entire population of Filipino adults, but it can be indicative of the behavior of such group of individuals. The sample respondents consist of working professionals, entrepreneurs, and students. For convenience, the student group was purposely selected among the sophomore college students taking BS Agribusiness Management and Entrepreneurship from University of the Philippines–Los Baños. A chi-square test was conducted to identify the significant variables that affect the level of awareness among the respondents towards UITF.

These data will then be analyzed vis-a-vis macroeconomic indicators in order to evaluate the significant factors affecting the industry. The assessment of the macroeconomic environment, together with the information gathered from the survey and historical data, will then be integrated to evaluate the overall outlook for the industry in the next five years.



*Figure 1. Analytical Framework*

## IV. Review of Literature

Over the years, the mutual fund industry in various countries has seen tremendous growth in terms of performance and interest among investors. According to the Investment Company Institute as cited by Parida and Tang (2018), close to 56 million American households or 96 million individuals invested a total of USD16 trillion in US-registered mutual funds in 2016.

Mutual funds are defined as management companies that invest in diversified portfolios of assets and are “open-ended” in that the investor can redeem their shares at net asset value (NAV) at any time upon the request of the shareholder (Khorana, Servaes and Tufano 2005).

According to Khorana et al. (2005), mutual funds are said to be the most suitable investment for retail investors, as the instrument provides an opportunity to invest in a diversified portfolio that is governed by professional fund managers and a good research team. In addition, mutual funds offer an avenue for an individual consumer to invest in various investment vehicles both in the domestic and foreign arena at a relatively low cost.

### *Factors Affecting Mutual Fund Performance in Various Countries*

Several studies have been conducted in relation to performance of the mutual fund industry in several countries. Khorana et al. (2005) examined the factors affecting the development of the industry in 56 countries. Based on the study, the forces affecting the industry can be summarized into three categories: laws and regulations, supply-side forces, and demand-side forces.

Specifically, data on local laws, taxes, and regulations, structure of the financial sector, characteristics of the retail investing public, and trading costs were gathered to properly evaluate the impact of these forces in the development of the industry. Based on the results, the cost and time involved in setting up a fund and obtaining the necessary regulatory approval act as a barrier to entry for new funds, thus leading to a smaller fund industry. Therefore, the fund industry would prosper if laws and regulations make investments attractive to investors. Countries with stronger investor protections are likely to increase investor confidence and consequently increase their willingness to invest in mutual funds (Khorana, Servaes and Tufano 2005).

On the supply side, since mutual funds are commonly distributed by banks in the sampled countries, the regulations and restrictions imposed on the banking sector have an impact on the development of the fund industry. In addition, the presence of a deposit insurance system also affects the attractiveness of the fund to investors. Lastly, a greater variety of available distribution channels, such as banks, broker-dealers, direct sales, insurance companies, financial planners, etc., through which fund companies can sell their products to retail investors, has a positive influence on the size of the mutual fund sector.

In terms of the demand side, it was hypothesized that the development of the fund industry is greatly affected by the characteristics of the potential buyers of mutual funds. Based on the results, investor and wealth education have a positive impact on the size of the industry. In addition, countries with higher internet penetration also have a larger mutual fund industry.

Though the mutual fund is a growing sector in most developed countries, the industry is still in the early stages in developing countries, specifically in terms of retail consumer penetration rate. Research on the opportunities and challenges in the Indian mutual fund industry was conducted by (Kale and Panchapagesan) in 2012. The results showed that mutual funds have not been the investment of choice for Indian households. Real estate and gold remained the investment of choice among Indian retail investors.

The study by Kesavaraj (2013) on the awareness and perception of Indian retail investors towards various types of mutual funds came up with similar findings. The study looked at the perception of customers towards various types of mutual funds and evaluated the awareness of customers towards types of mutual funds. Based on the results, most of the respondents were not aware of the various mutual fund products, types of mutual fund schemes, and the risk associated with the mutual fund products. Thus, it was recommended that mutual fund companies should provide more information on the various offerings to the investors. Furthermore, opening more distribution centers will be an effective way to widen market reach and eventually market size for the mutual fund sector.

### *Unit Investment Trust Fund as an Alternative to Mutual Funds*

A small but growing group of investment products serve as an alternative to actively managed mutual funds that are targeted specifically to retail investors. Among these investment products are unit investment trusts (UITs). A unit investment trust (UIT) is defined as a form of professionally managed investment fund that pools together money from retail and institutional investors who have similar objectives. Investors usually purchase units of the fund, and the fund manager channels the aggregate sum into a diversified portfolio comprising various financial instruments, such as equities and fixed income securities, among others. The unit holders share in the proceeds of the investment according to the number of units held (Abdullah, Noor and Amin 2012). In the US, UITs are regulated by Securities Act of 1933, registered with the Securities and Exchange Commission under the Investment Act of 1940, and classified as investment companies (Comer and Rodriguez 2019).

Among the benefits of unit investment trusts include economies of scale in transaction costs, information and expertise administration, and improved return/risk opportunities as a result of enhanced management skills, in particular, selection, diversification, and timing skills that enhance the gross asset value of the portfolio (Kenneally and Gallagher 1992). In addition, UITs allow the low-income group of investors to participate in professionally managed portfolios of investment without being exposed to the risk of a large sum of money through direct investment in financial securities. UITs also help the investors to broaden their investment portfolio and diversify risk (Othman and Aziz 2017).

For some countries, the terms unit trust and mutual funds are used interchangeably. However, the study by Comer and Rodriguez (2019) highlighted the significant differences between unit trust and mutual funds, specifically between equity unit investment trust and equity mutual fund. According to the study, equity UITs typically terminate within five years of their launch date, with some terminating within one year. Upon termination, the proceeds from the trust were either paid to the unitholder or reinvested into another trust. In addition, since the portfolio of securities remained fixed throughout the life of the portfolio, unitholders of UITs adhere to the buy and hold philosophy. This is in contrast with actively managed mutual funds. Furthermore, unlike index funds, UITs do not track indices or benchmarks, but rather actively select stocks that the fund managers believe will outperform the trust's benchmark over the life of the trust. Finally, mutual funds must hold greater amounts of cash for daily redemptions or potential transactions, while UITs hold limited cash positions throughout the life of the trust.

### *Performance of UITF Sector in Developing Countries*

Because of the benefits and accessibility offered by unit investment trusts, the investment product gains increased attention among retail investors in developing countries. In the Philippines, there is limited research on the unit investment trust segment as an investment vehicle. The studies conducted are limited to the history and development of UITs as a financial instrument and the capital market in general. It was highlighted in the Bank for International Settlement Report in 2005 that the creation of the UITF to replace common trust funds (CTFs) was one of the initiatives of Central Bank of the Philippines to help develop the Philippine capital market (Guingundo 2005).

In addition, Abola (2016) suggested that the rapid increase of mutual funds and UITFs has provided greater understanding and demand for investments among retail buyers. This further addressed the problem of lack of investor interest in the country due to high and volatile interest rates, market liquidity, and lack of market knowledge. Due to the rising interest for unit investment trust funds as an investment instrument, especially among retail investors, it is worthwhile to take a closer look at the sector, specifically on the status, performance, regulations, as well as the perception of investors towards the investment instrument.

Ramos (2016) examined the characteristics and investor preferences of current and potential UITF investors in the Philippines. A sample of 136 investors and non-investors of UITFs were surveyed, and factor analysis was primarily used to analyze the gathered data. Based on the results, a large percentage of the respondents are non-UITF investors. A major hindrance for investing would be the lack of awareness about the UITF products. Based on the factor analysis, the most important factors that respondents value when deciding on UITF investments are fund product qualities, trustee qualities, and investor services. Despite low penetration and low awareness, the respondents signified interest in investing in UITF products in the future.

A number of research was conducted in relation to unit investment trusts in Malaysia. The industry in Malaysia has realized tremendous growth in past decades. The industry grew more than five times from RM43.3 billion in 2000 to RM227.8 billion in 2010. Furthermore, the total NAV grew by 48% from 2010 to 2013 and is expected to sustain this growth in 2020 (Low 2012). The significant growth in the unit investment trust industry in Malaysia was primarily driven by the government's strong commitment and its plan to promote effective management industry through its Capital Market Master Plan 2. In addition, the government allows Islamic funds to invest 100% of their assets abroad, and Islamic fund management companies are allowed 100% foreign ownership. These factors fueled the growth of NAV of unit investment trusts in Malaysia (Kamil, et al. 2015). As of 31 May 2017, there is a total of 528,996,000 units of UITs in circulation in Malaysia, comprising 392,447,000 units of conventional trust funds and 136,549,000 units of Islamic-based funds (Ripain and Ahmad 2018). There are five categories of unit trust fund investments in Malaysia, namely: (1) equity funds, (2) bond funds, (3) balanced funds, (4) money market funds, and (5) capital guaranteed funds. Among these types, investors, especially the risk takers, prefer to invest mainly in the equity trust fund with the objective of long-term investment through capital appreciation (Othman and Aziz 2017).

The study by Othman and Aziz (2017) looked at the macroeconomic factors affecting the performance of unit investment trusts in Malaysia. Based on the results, macroeconomic variables and fundamentals have shown significant influence on the net asset value of Islamic unit investment trust funds in the Malaysian capital market but exhibited various effects based on the type of Islamic UITs. Specifically, the Industrial Production Index and the global oil price have a positive long-run effect on the NAV of Islamic equity funds, bond funds, money market funds, and feeder funds. However, the same factors exhibited a long-run negative effect on the NAV of Islamic balance funds, fixed funds, and mixed funds. Monetary variables, represented by the 3-month Treasury bill rate and money supply, exhibited negative long-run effects on the NAV of Islamic equity funds, bond funds, money market funds, and feeder funds, but the monetary system has long-run positive effects on the NAV of Islamic balance funds, fixed funds, and mixed funds.

The studies by Kamil et al. (2015) and Pin et al. (2019) focused on the factors considered by investors when deciding on UIT investments. According to Kamil et al. (2015), investors look for factors including the fund's objective and strategy, type and size of the fund, management fees and sales charges, and risk profile of the fund. Of these, the fund's objective, strategy, and risk profile were among the most important considerations. Furthermore, the fit between the investor's profile and the characteristics of the fund is important to the investor. Lastly, the perception of past performance is another factor that investors consider when making UIT investment decisions. However, no statistical evidence supports the relationship between past performance and UIT fund performance. The study by Pin et al. (2019) highlighted various behaviors when choosing UIT investments. The research looked at how the investor's past experience, financial knowledge, and judgment affect the decision-making process.

Despite growing interest in unit investment trust products as an alternative investment product specifically for retail investors, little research has been conducted that examines both the supply and demand side of the investment vehicle. Thus, it would be worthwhile to investigate the status, problems, and prospects of the industry in a developing country, such as the Philippines.

### *Financial Inclusion in the Philippines*

The status of the investment sector in the Philippines has been highly affected by the status of financial inclusion, education and regulation in the country. According to the 2017 Financial Inclusion survey conducted by the Central Bank of the Philippines, only 22.6% of the total adult population in the country or around 15.8 million people have a formal account. In terms of providers, Filipinos usually keep their money in the bank, non-bank microfinance non-government organizations, cooperatives and e-money accounts. Furthermore, saving for emergency remained to be the primary reason for Filipino adults in keeping the account while 12% of the adults consider this as a form of investment (Bangko Sentral ng Pilipinas 2017).



Among the 52.8 million Filipino adults who do not have a formal account, 60% cited that their primary reason for not having such is driven by not having enough money to keep in the formal account (Bangko Sentral ng Pilipinas 2017). In addition, 33% of the cities and municipalities in the Philippines remained unbanked (Bangko Sentral ng Pilipinas 2018).

Furthermore, 22.5% of the Filipino adults cited that they have some form of investment with contribution to Social Security System having the most share. Only 3% of Filipino adults invest in financial instruments such as stocks bonds, UITFs, mutual funds and other managed investment schemes. Among the reasons why Filipino adults do not invest include lack of money due to unemployment, perception of high cost, lack of awareness and perceived lack of need (Bangko Sentral ng Pilipinas 2017).

On the other hand, the Central Bank of the Philippines saw some opportunities in increasing financial inclusion using digital technology. The survey results also showed that 38% of Filipino adults own a smartphone of which 86% is connected to the internet via mobile data. This provided awareness to online payment schemes and eventually digital banking (Bangko Sentral ng Pilipinas 2017).

As a result, the main strategy implemented by the Central Bank of the Philippines to improve financial inclusion include building the digital financial infrastructure, fostering trust and financial literacy and creating compelling value propositions for a transaction account (Bangko Sentral ng Pilipinas 2019).

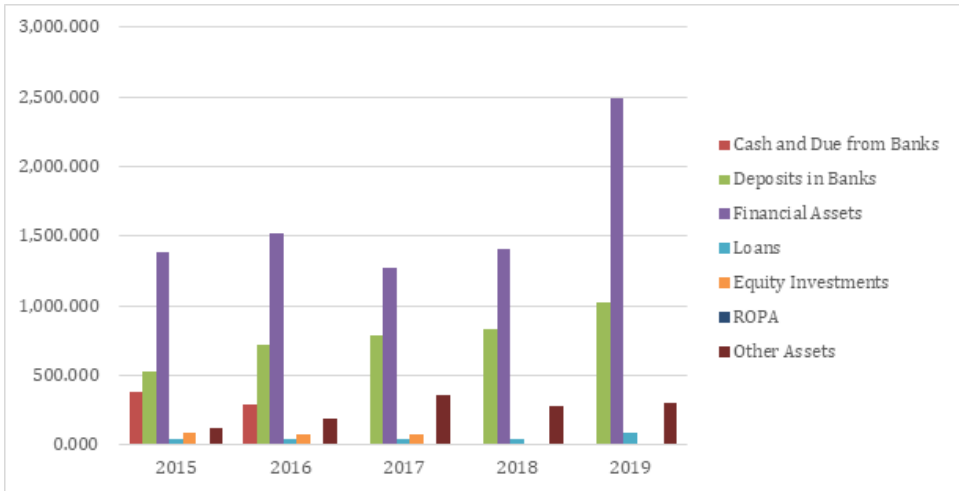
## V. Results and Discussion

### A. *The Unit Investment Trust Fund (UITF) Industry in the Philippines*

The history of the trust industry in the Philippines was rooted in an entity called Philippine Trust Company, which was created in 1918 to manage the properties owned by Americans in the country and to promote the trust and investment management industry. Trust services grew in terms of popularity since then.

As of June 2019, there are 31 financial institutions with active trust operations. The trust industry's assets comprise 21.5% of the Philippine banking system's total assets as of June 2019. The bulk of the total trust assets, which amounts to PHP2,231.9 billion or 60.3% of the total assets, was contributed by 14 universal banks. The total assets/accountabilities of the trust industry grew by 14.2% to PHP3,702.8 billion as of June 2019 from PHP3,243.6 billion as of June 2018. In terms of composition, trust entities placed their funds mostly on liquid instruments, such as financial assets and bank deposits. Highly marketable financial assets constitute 63.9% or PHP2,367.1 billion of the total assets of the industry, while deposits in banks had a share of 26% or PHP962.5 billion. Meanwhile, the net income of trust entities decreased by 8.8% to PHP2.6 billion in June 2019 from PHP2.8 billion in 2018. The decline was primarily driven by increase in total expenses—specifically compensation/fringe benefits and other administrative expenses (Bangko Sentral ng Pilipinas 2019). In terms of regulatory restrictions, the decline in income was driven by the implications of the discontinuance of access of trust entities to Central Bank's deposit facilities which took effect in 2017. Furthermore, stiff interest rates in 2018 prompted investors to put their money in US stocks, thus withdrawing funds from emerging markets including the Philippines (Punongbayan 2018).

## Assessment of the Asset Management Industry in the Philippines



*Figure 2. Breakdown of Trust Assets of the Philippine Banking System (2015–2019)*

Among the 31 trust entities in the Philippines, 25 financial institutions are currently offering UITFs. UITF is defined by Central Bank of the Philippines as “open-ended pooled trust funds denominated in pesos or any acceptable currency, which are operated and administered by a trust entity and made available by participation.” The UITF was created in 2004 to replace the common trust fund (CTF), which is a collective investment scheme similar to a mutual fund that pools the investments of small investors into a larger fund under professional management and is able to access more superior investment opportunities that are not normally available to individual retail players (Bangko Sentral ng Pilipinas 2004).

UITFs intended to replace CTFs in order to align the operations of pooled funds under management by trust entities with international best practices, ensure differentiation from bank deposits and other direct liabilities of the financial institution, improve the operations in order to enhance credibility among retail investors, and provide clients with free choice on what suits their financial objectives. Unlike CTFs, UITFs are not subject to reserve requirements and are not considered in single borrowers’ limit calculations (Bangko Sentral ng Pilipinas 2004).

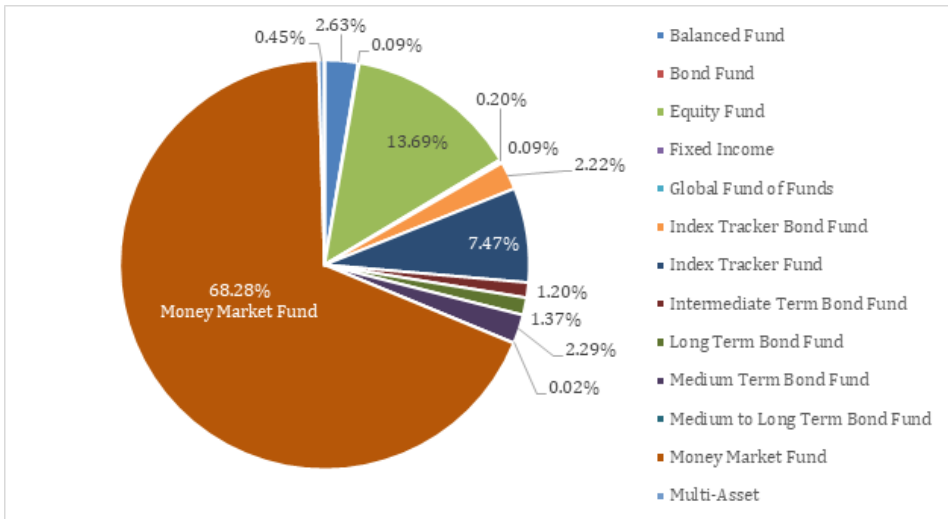
Another key improvement is the unitization of investor participation expressed in terms of NAV per unit. NAV will be market-determined based on the daily mark-to-market of the asset pool divided by the number of units outstanding. The investors can buy as many units as they desire and can freely join or exit based on the NAV per unit. In order to provide greater flexibility to investors, UITFs are also allowed to be offered in dollar-denominated forms (Bangko Sentral ng Pilipinas 2004).

## Assessment of the Asset Management Industry in the Philippines

UITFs can be invested in liquid investments and tradable financial instruments, including bank deposits, government securities, tradable securities issued by the government of a foreign country, exchange-listed securities, marketable instruments that are traded in an organized exchange, loans traded in an organized market, and other tradable investment outlets/categories that are allowed by Central Bank of the Philippines (Bangko Sentral ng Pilipinas 2004).

Another key feature of UITFs is that Central Bank requires all personnel involved in the sales of UITF to be certified as UITF marketing personnel through a UITF certification program administered by a reputable financial services industry association/organization acceptable to Central Bank. The certification program must have a qualifying examination, a requirement for continuing education, and a requirement for registration of the certified UITF marketing personnel. This is done to ensure the competence and integrity of all duly designated UITF marketing personnel (Bangko Sentral ng Pilipinas 2018).

The various types of UITFs available in the market include feeder funds, multi-class-UITFs, and UITFs with a unit-paying feature that allows for a non-guaranteed stream of income to its participants. The AUM providers in the Philippines were gathered through an online survey as well as from secondary sources, including the latest KIIDS of the various UITF entities. The Philippine peso-denominated UITFs amounted to a total AUM of PHP657.6 billion as of the third quarter of 2019. Among the different types of UITFs, the money market fund remained the most preferred by investors, accounting for 68.28% or PHP449.05 billion as of the third quarter of 2019, followed by equity fund with 13.69% share or PHP90.03 billion.



*Figure 3. Breakdown of Philippine Peso-Denominated UITF Asset-under-Management according to type of UITF*

## Assessment of the Asset Management Industry in the Philippines

In terms of trust entity, BDO Unibank, Inc. dominated the industry with 40.9% share of the total AUM, amounting to PHP268.9 billion for the Philippine peso-dominated UITF as of the third quarter of 2019. This is followed by the Bank of Philippine Islands Asset Management and Trust Corporation with 30.1% share or PHP198.2 billion and Metropolitan Bank and Trust Co. with 11.4% share or PHP74.8 billion.

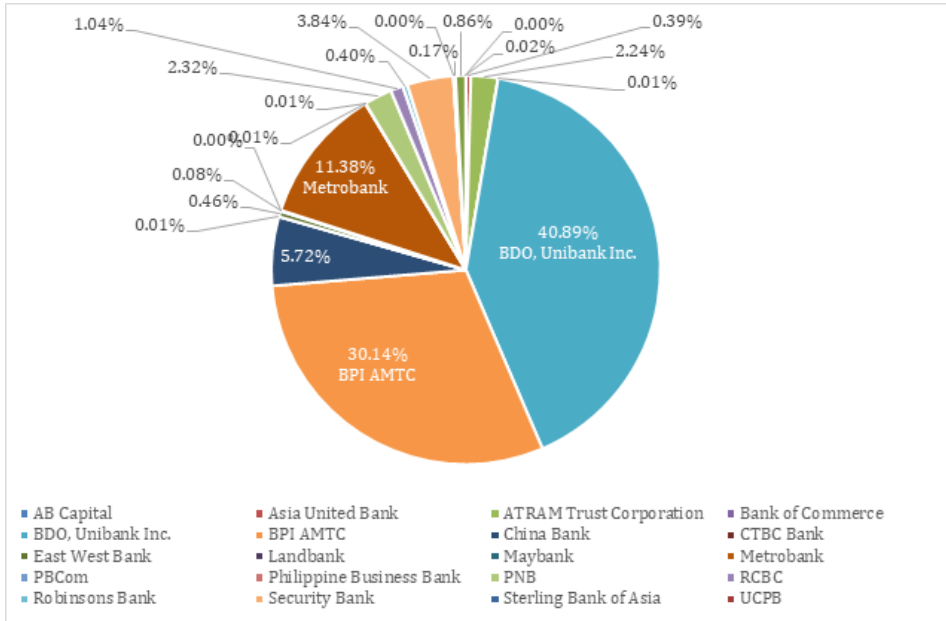


Figure 4. Breakdown of Peso-Denominated UITF Asset-under-Management according to Trust Entity Provider

Meanwhile, the total AUM for US dollar-denominated UITFs amounts to USD2.2 billion as of the third quarter of 2019. Similar to the Philippine peso-denominated UITFs, the money market fund remained the preferred fund among investors with 67.4% share or USD1.5 billion. This is followed by the equity fund with 11.4% share or USD248.2 million. In terms of trust entity, BDO Unibank, Inc. still dominates the industry with 40.1% share or USD869.2 million followed by BPI AMTC with 38% share or USD824 million and Metropolitan Bank Trust and Co. with 11.1% share or USD240.1 million.

# Assessment of the Asset Management Industry in the Philippines

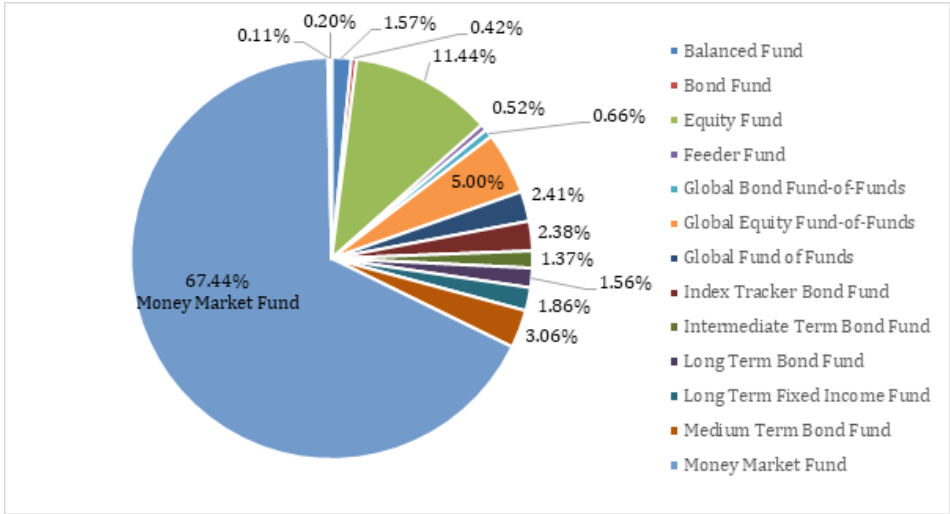


Figure 5. Breakdown of US Dollar-Denominated UITF Asset-under-Management according to type of UITF

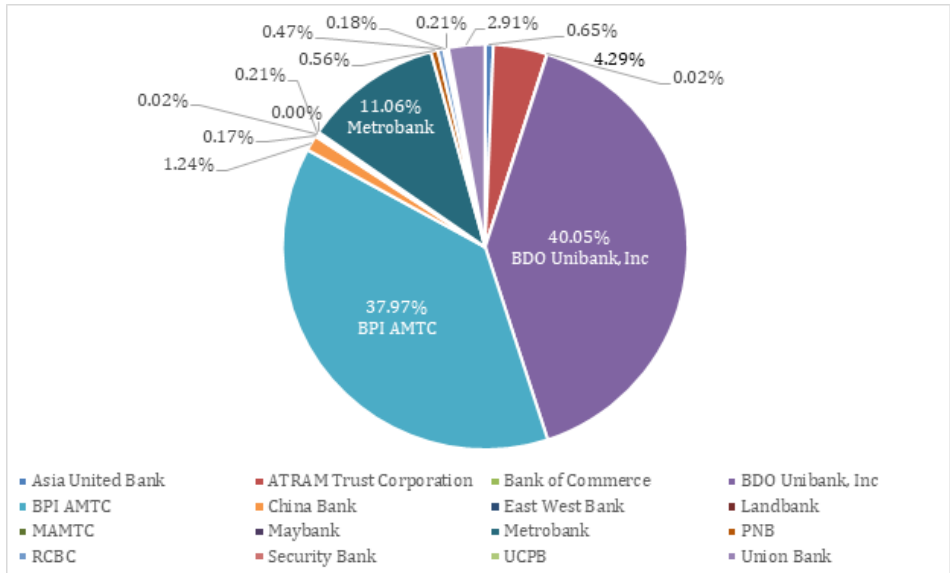


Figure 6. US Dollar-Denominated UITF Asset-under-Management according to Trust Entity Provider

## Assessment of the Asset Management Industry in the Philippines

In terms of historical performance, the UITF industry in the Philippines, across the different types of funds, exhibited fluctuating performance from 2013 to 2018. The AUM of Philippine peso-denominated UITF realized an average year-on-year growth of -8.4% from 2013 to 2018. The negative growth was consistent across the different types of funds, with intermediate bond funds realizing the highest year-on-year decline of 44.6%, followed by long-term bonds with 35.3% average year-on-year decline.

In terms of AUM composition, the money market fund remained the preferred fund among investors, with an average share of 71.2% over the same period. Despite the decline in performance, the number of accounts still grew by 15.1% annually from 2013 to 2018. The highest contributor of growth in the number of accounts was the money market fund, with an average year-on-year growth of 26.1%, followed by the equity fund, with an average year-on-year growth of 17.2%.

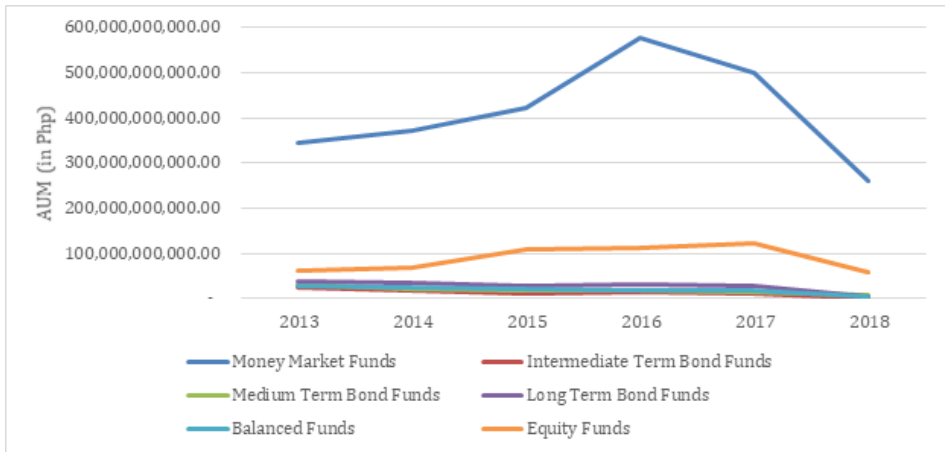


Figure 7. End of the Year AUM of PHP-Denominated UITF (2013–2018)

# Assessment of the Asset Management Industry in the Philippines

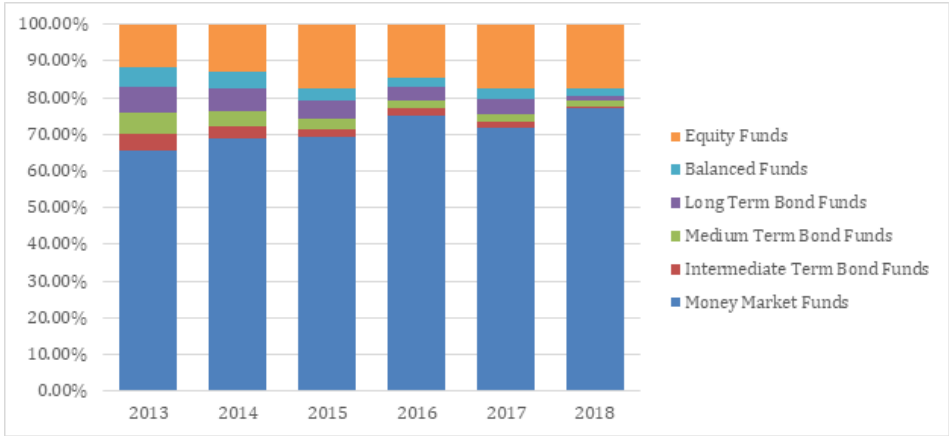


Figure 8. Breakdown of the Total AUM of Peso-Denominated UITFs (2013–2018)

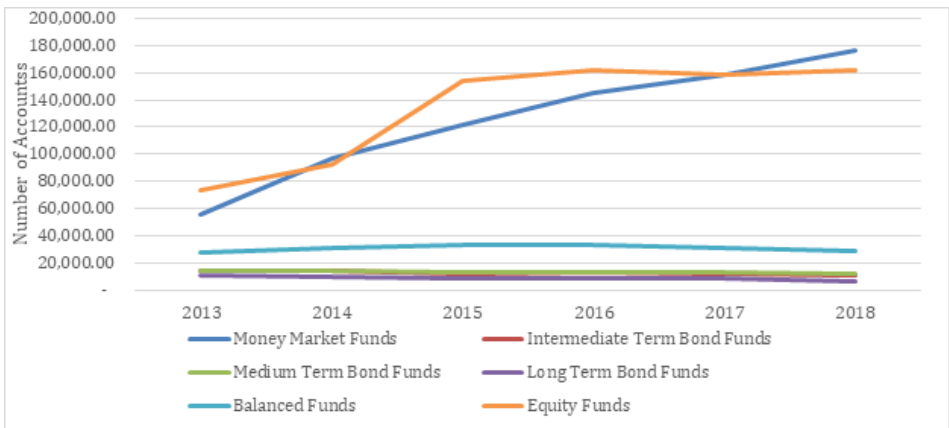


Figure 9. Number of PHP-Denominated UITF Accounts according to UITF Type (2013–2018)

In terms of the US dollar-denominated UITFs, the sector’s Asset-under-Management was able to realize an average year-on-year growth of 4.2% from 2013 to 2018. The positive growth was primarily driven by the money market fund, which recorded an average year-on-year growth of 11.7%, and equity fund, which was able to realize an average YoY growth of 15%. The bond funds consistently realized a negative growth over the same period. In terms of UITF composition, the money market fund dominated the total AUM with an average share of 60.2% over the same period. Similarly, the number of accounts also grew by an average of 14.1% from 2013 to 2018 with the equity fund recording the highest growth of 63% annually over the same period.

# Assessment of the Asset Management Industry in the Philippines

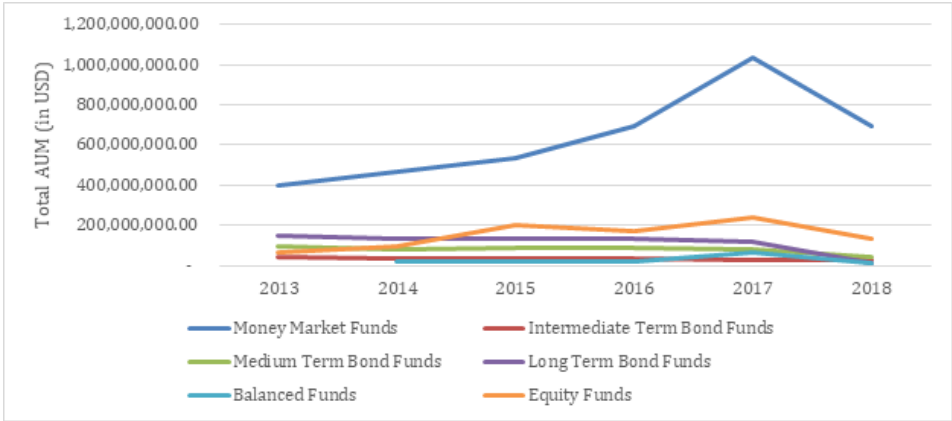


Figure 10. End of Year AUM of USD-Denominated UITFs according to Fund Type (2013-2018)

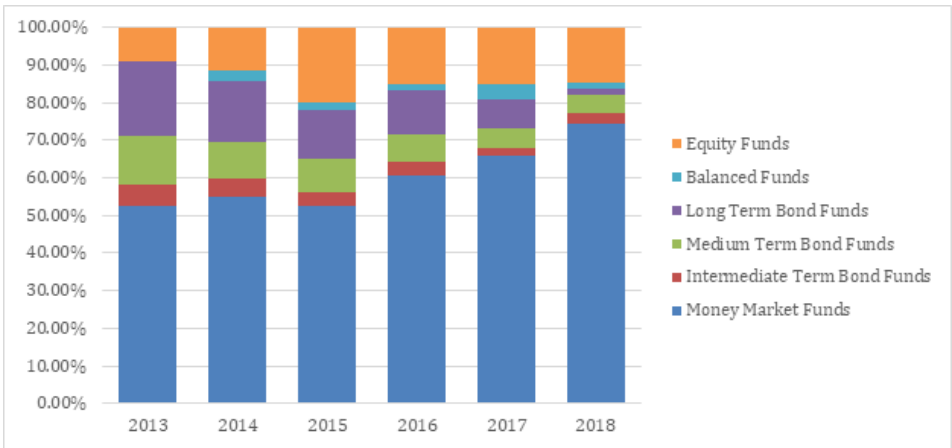


Figure 11. Breakdown of the Total AUM of US Dollar-Denominated UITFs (2013-2018)



# Assessment of the Asset Management Industry in the Philippines

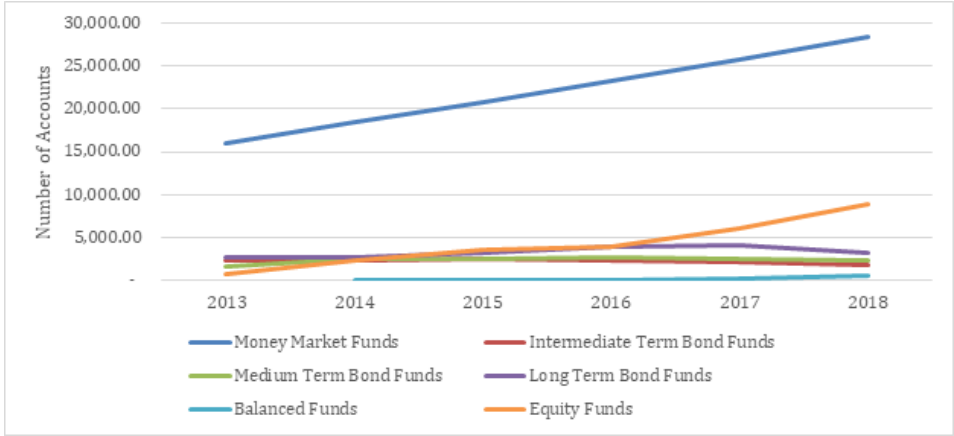


Figure 12. Number of US Dollar-Denominated UITF Accounts according to UITF Type (2013-2018)

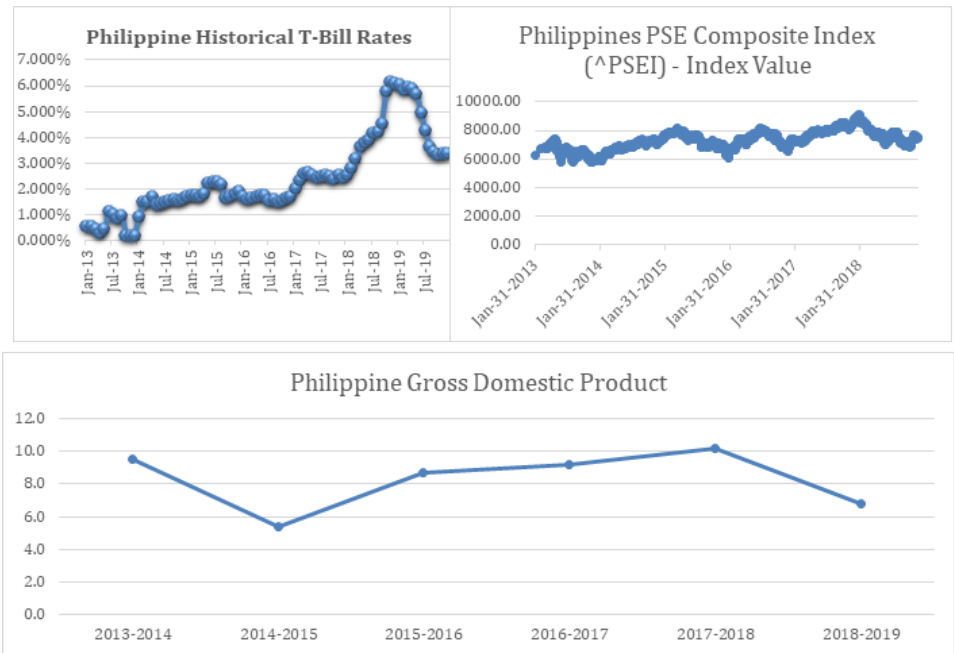


Figure 13. Historical Performance of Various Macroeconomic Indicators

## Assessment of the Asset Management Industry in the Philippines

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However, comparing the performance of the UITF products with the various benchmarks, such as the historical Treasury bill rates, PSEi data, and Philippine Gross Domestic Product, it can be observed that the trend in the UITF performance did not exactly resemble that of the macroeconomic indicators. The performance of Treasury bill and PSEi were increasing in 2018, whereas UITFs across different types of funds were consistently declining during the same period. The trend in performance of UITFs more likely resembles that of the general economic trend represented by the Gross Domestic Product.

### *B. Status and Performance of UITF Entities in the Philippines*

In order to further assess the current status of the trust entities in the UITF sector in the Philippines, a survey was conducted among the players. Among the 25 UITF providers in the Philippines, 20 trust entities responded to the survey. The respondents include the top players in the industry in terms of AUM and were mostly either chief investment officers or heads of the trust operations of their respective financial institutions.

The results of the survey were quite consistent with the secondary data as well as the data collected from the retail investors discussed in the next section. The trust entities offered a variety of UITF products, but almost all of them offered the basic types, including the equity fund, money market fund, bond fund, and balanced fund. Additional types of funds offered by some of the trust entities include feeder funds, index funds, and REITs. Furthermore, 89% of the respondents offer UITF products in Philippine peso and US dollar, while the remaining 11% offer only in Philippine peso.

*Table 2. Types of UITF Products Offered by the Respondents*

Type of Fund	Percentage of UITF providers that offer the type of fund
Equity Fund	88.9%
Money Market Fund	100.0%
Bond Fund	88.9%
Balanced Fund	72.2%

In terms of the UITF products that are most preferred by investors, it was common among the players to identify money market funds. Money market funds are popular among investors primarily due to the flexibility, accessibility, and simplicity of the fund. According to the trust entities, it is easier for the investor to understand how money market funds work relative to the other types of funds. Furthermore, since the majority of their clients do not have wide experience in investing, looking at short-term horizons and preferred investment products that have low volatility, the money market fund fits them well.

## Assessment of the Asset Management Industry in the Philippines

*Table 3. UITF Products That Are Mostly Preferred by Investors*

Type of Fund	Percentage
Stock/Equity Fund	20.0%
Money Market Fund	73.3%
Bond Fund	20.0%

*\*multiple responses*

The respondents were also asked about the characteristics of the majority of their clients in terms of socio-demographics, investment profile, and risk appetite. The average number of clients a trust entity has is 51,910, with ATRAM Trust Corporation having the highest number of clients at 200,742 and Asia United Bank having the lowest number of clients at 600. Among the trust entities, 61% of them mentioned that the majority of their clients is female.

In terms of age group, 80% of the respondents mentioned that the majority of their clients is within the 35 to 50 year age range. This is somewhat reflective of the fact that Filipino investors do not really start at a young age, but most start investing when they start working or when they reach the age of 30. However, this also reflects that the trust entities do not focus on the younger segment of the population. The product offerings are not matched with the needs of the younger segment, which further results in low awareness among the younger group.

In terms of income class, the clients are distributed from Class A to Class D, with a large number of clients clustered in Class A and C. In terms of profession, the dominant group among the respondents were senior managers or officers. Furthermore, 50% of the respondents mentioned that the majority of their clients belong to the services sector. The next dominating sector where the clients belong would be in banking and finance. From this, it could be observed that the industry is not diverse in terms of industry penetration, as they only drew clients from a few sectors.

With regards to investment experience, 52.9% of the clients have some experience in investing, meaning they have prior experience in indirect investments such as mutual funds, pooled funds, or variable unit linked. Similarly, in terms of risk appetite, the respondents characterized the majority of their clients as moderate. In terms of investment horizon, 53% of the trust entities mentioned that a great number of their clients prefer a short-term horizon (less than 3 years) when investing. The risk characteristics of the majority of the clients explained why the most preferred type of fund would be the money market fund. Lastly, 52.9% of the trust entities mentioned that the main purpose of investing among their clients would be to have passive income.

## Assessment of the Asset Management Industry in the Philippines

*Table 4. Socio-Demographic Characteristics and Investor Profile of Clients as Perceived by the Trust Entities*

Classification	Percentage
<b>Sex</b>	
Female	61.5%
Male	38.5%
<b>Annual Income</b>	
Class A (annual income of PHP3,000,000 and above)	35.3%
Class B (annual income between PHP1,200,000 and PHP2,999,999)	17.6%
Class C (annual income between PHP720,000 and PHP1,199,999)	35.3%
Class D (annual income between PHP360,000 and PHP719,999)	11.8%
<b>Age</b>	
24–34 years old	13.3%
35–50 years old	80.0%
50 years old and above	6.7%
<b>Profession</b>	
Entrepreneurs	29.4%
Manager/Senior Officer	35.3%
Middle Managers	23.5%
Rank and File Employees	11.8%
<b>Industry</b>	
Banking and Finance	37.5%
Government	6.25%
Institutional	6.25%
Services	50.0%
<b>Risk Appetite</b>	
Aggressive	23.6%
Conservative	17.6%
Moderate	58.8%
<b>Preferred Investment Horizon</b>	
Long term (more than 3 years)	47.1%
Short term (less than 3 years)	52.9%
<b>Investing Experience</b>	
Not very familiar (primarily invested in bank deposits)	35.3%
Some experience (with some prior experience investing in mutual funds, VUL, or other pooled funds)	52.9%
Wide experience (with some prior experience investing in mutual funds, VUL or other pooled funds, and direct investments such as equities, bonds, financial derivatives, etc.)	11.8%
<b>Primary Reason for Investing</b>	
Growth	35.3%
Passive Income	52.9%
Retirement	11.8%

## Assessment of the Asset Management Industry in the Philippines

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In addition, the respondents cited that the most common problems they have experienced with their clients include limited knowledge or understanding about the UITF products. Since the clients do not fully understand the products, they are not satisfied with the returns, especially if these do not exceed their expected returns.

*Table 5. Common Problems Encountered with the Clients*

<b>Problems Encountered</b>	<b>Percentage</b>
Lack of understanding of the UITF products	60.0%
Complaints on returns	20.0%
System-related problems	20.0%

In terms of the main distribution strategy of the trust entities, 82% of the respondents mentioned that they use bank-based front-facing UITF marketing personnel. This explained why the younger demographics were not able to access or were not even aware of the UITF products. Students, for instance, just visit a bank primarily for ATM withdrawals, thus they do not have a chance to interact with bank personnel.

*Table 6. Main Distribution Strategy of the UITF Providers*

<b>Main Distribution Strategy</b>	<b>Percentage</b>
Bank-based front-facing UITF marketing personnel	82%
Digital/mobile	24%
Private networks	18%
Retail location	24%
One-on-one referrals	53%

The trust entity representatives were also asked about their current workforce, specifically the UITF marketing personnel. There are no defined general characteristics of the marketing personnel based on the survey. They are quite diverse in terms of age and experience. The only commonality among them is the high percentage of personnel who are certified UITF marketing personnel, which is at 76% to 100% of the total personnel. This is understandable because it is a requirement of Central Bank to have the employees certified before they can sell UITF products.

However, the respondents cited some skill gaps within their current UITF marketing personnel. These include awareness in the direct competitors' offerings, deeper understanding of risk appetites of clients, knowledge of financial instruments, and deeper understanding of the features of the different UITF product offerings, especially the risk characteristics of these products. The problems are quite connected with the problems encountered by clients. Gaps in terms of product knowledge translated to limited understanding of clients about the UITF products.

## Assessment of the Asset Management Industry in the Philippines

*Table 7. Skills Gaps among UITF Marketing Personnel*

Skill Gaps among UITF Marketing Personnel	Percentage
Lack of knowledge of the technicalities of UITF products	55%
Deeper understanding of the risk appetite of clients	27%
Innovative approaches to sales and marketing	27%

*\*multiple responses*

The respondents were also asked to rate the skills necessary to succeed in the UITF industry in the Philippines. The respondents strongly agreed that knowledge of financial instruments and relationship management are among the most important skills to succeed in the industry. This finding is reflective of the nature of the sector—a relationship and knowledge-driven products.

*Table 8. Most Important Skills Needed to Succeed in the UITF Sector as Rated by the Respondents*

Skills	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Knowledge of Financial Instruments	62%	38%	0%	0%	0%
Portfolio Management	0%	75%	25%	0%	0%
Financial Analysis	0%	63%	25%	12%	0%
Knowledge of Foreign Languages	0%	38%	50%	12%	0%
Relationship Management	50%	38%	12%	0%	0%
Securities Research	12%	50%	38%	0%	0%
Digital Advice	12%	50%	38%	0%	0%

In terms of outlook on the future direction of the UITF sector in the Philippines, a big percentage of the trust entities are positive about the sector. They are expecting the sector to grow in the future. In the next five years, it is expected that more Filipinos will become financially savvy, thus they will look for potential investments and financial products. Furthermore, with the advent of more sophisticated digital technology, financial products would be more accessible to retail investors. The young population that would demand faster and more convenient transactions would be one of the most important driving forces of the sector.

However, some constraints must be addressed in order for the industry to realize this future growth. These include opening up the UITF industry to more flexible regulations and more asset classes that will be allowed by Central Bank of the Philippines. Other pressing trends that must be addressed by the industry players include competition with local UITF providers, competition with variable-unit-linked (VUL) products, digitization, and changing demographics of Filipino investors.

## Assessment of the Asset Management Industry in the Philippines

Because UITF offerings of the industry players were somewhat commoditized, there is little to no differentiation among the offerings of the local players. This results in a stiffer rivalry among the competing firms in the industry. Furthermore, VUL, which are being offered primarily by insurance companies, becomes a threat to UITF providers. Lastly, digitization and the changing demographics of Filipino investors were among the inevitable changes in the industry that the industry players must prepare for. With the rise of social media, and as consumers value convenience and faster transactions, they would demand a more convenient way to transact and invest in financial instruments.

*Table 9. Trends in the UITF Sector as Rated by the Respondents*

Trends in the UITF Sector	Ave. Rating
BSP Regulations	5.00
Competition with local banks offering UITF products	4.20
Competition with foreign banks offering UITF products	3.80
Competition with VUL	4.20
Competition with other mutual fund products	3.50
Digitization	4.00
Changing demographics of Filipino investors	4.30

### *C. Awareness and Perception of Retail Investors towards Unit Investment Trust Fund (UITF)*

A total of 211 Filipino respondents were surveyed with the objective of evaluating their level of awareness, perception, and attitude towards UITF. Due to the absence of the data on the total population of respondents, convenience sampling was used in selecting the survey respondents. Among the 211 respondents, 55.5% are working professionals, 31% are college students, 5% are graduate students, 4% are entrepreneurs, and the remaining 2% are unemployed.

Most of the respondents are employed and are working in the National Capital Region and Region IV-A. Common industries where the respondents currently work include education, banking and finance, manufacturing, and agriculture. In the case of the entrepreneurs, a lot of them have been in business for 3 to 10 years. The students are all sophomores taking BS Agribusiness Management and Entrepreneurship from the University of the Philippines – Los Baños.

Of the 211 respondents, 60% came from Region IV-A, 25% from the National Capital Region, 7% from Region III, and the remaining 9% came from other regions, including Region II, Cordillera Administrative Region, and Region VIII. In terms of sex, 127 out of 211 respondents, or 60.2%, are female, while the remaining 84 respondents, or 39.8%, are male. The average age of respondents was 26 years, broken down as follows: 92.9% of the respondents belong to Generation Y or the Millennial Age Group (18–24 years old), 5.2% of the respondents are considered Generation X (35–51 years old), and the remaining 1.9% are considered Baby Boomers (52–68 years old). Among the respondents, 59% belong to the middle-income classification with an estimated annual income of between PHP200,000 to PHP800,000. The summary of the socio-demographic profile of the respondents is summarized in Table 10.

## Assessment of the Asset Management Industry in the Philippines

*Table 10. Socio-Demographic Profile of the Respondents*

<b>Classification</b>	<b>Frequency</b>	<b>Percentage</b>
College Student	66	31.28%
Entrepreneur	10	4.74%
Graduate Student	12	5.69%
Unemployed	6	2.84%
Working Professional/ Employee	117	55.45%
<b>Age Group</b>		
Generation Y (18–34 years old)	196	92.89%
Generation X (35–51 years old)	11	5.21%
Baby Boomers (52–70 years old)	4	1.90%
<b>Home Address</b>		
NCR	52	24.64%
Region IV-A	127	60.19%
Region III	14	6.64%
Others	18	8.53%
<b>Civil Status</b>		
Single	179	84.83%
Married	31	14.70%
Separated	1	0.47%
<b>Sex</b>		
Male	84	39.81%
Female	127	60.19%
<b>Highest Educational Attainment</b>		
High School Graduate	8	3.80%
College Undergraduate	62	29.38%
College Graduate	97	45.97%
Master's Degree	39	18.48%
Doctoral/ Professional Degree	5	2.37%
<b>Annual Income</b>		
Less than P100,000	12	8.63%
P100,000 - 200,000	10	7.20%
P200,000 - 400,000	46	33.09%
P400,000 - 600,000	25	17.99%
P600,000 - 800,000	11	7.91%
P800,000 - 1,000,000	11	7.91%
More than P1,000,000	24	17.27%



*Table 10. Socio-Demographic Profile of the Respondents*

Classification	Frequency	Percentage
<i>Working/College Address</i>		
National Capital Region	80	37.91%
Region IV-A	110	52.13%
Others	13	6.16%
Unemployed	8	3.80%
<i>Industry of Current Work</i>		
Education	22	15.83%
Banking and Finance	20	14.39%
Sales and Advertising	7	5.04%
Manufacturing	17	12.23%
Management Consulting	6	4.32%
Agriculture	17	12.23%
Property and Construction	10	7.19%
Power	3	2.16%
Government	7	5.04%
Healthcare	6	4.32%
IT	5	3.60%
Logistics	2	1.44%
Research	4	2.88%
Services	6	4.32%
Others	7	5.04%

The respondents were also asked about their familiarity with financial asset investments. Out of 211 respondents, 45.97% mentioned that they had some experience in financial asset investments, meaning at some point they have already done some indirect investments, such as unit investment trust funds, mutual funds, variable unit links, managed funds, among others. It is consistent across the respondent group, except for college students. Eighty-nine respondents, or 42.2%, have zero experience in investing in financial assets. These mostly belong to the student group. Meanwhile, 11.9% of the respondents have wide experience in investing, meaning they have already done both direct and indirect investments including stocks, bonds, foreign exchanges, and financial derivatives. The respondent group with the greatest percentage of experienced investors would be the entrepreneur group.

## Assessment of the Asset Management Industry in the Philippines

*Table 11. Familiarity on Financial Asset Investment*

Familiarity in Financial Asset Investment	College Student	Entrepreneur	Graduate Student	Unemployed	Working Professional	Total
Zero experience, no investment at all	74.24%	0.00%	16.67%	50.00%	29.91%	42.18%
Some experience, indirect investments (UITF, mutual fund, VUL, managed funds, etc)	24.24%	60.00%	66.67%	50.00%	54.70%	45.97%
Wide experience, both direct and indirect investments (mutual funds, UITF, time deposit, bonds, stocks, forex, derivatives, etc.)	1.52%	40.00%	16.67%	0.00%	15.38%	11.85%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Those respondents who had experience with financial investments were asked about their level of knowledge as an investor. The majority of the respondents (51.9%) believed that they have some knowledge about investing. Only 4.1% of the respondents believed that they are very knowledgeable about investing. In terms of the number of years in investing, a great number of the respondents have been investing for 1 to 2 years and more than 7 years. The most common type of financial asset that the respondents are currently invested in would be cash and deposit products (68.03%) followed by stocks or equities (8.2%) and mutual funds (7.4%). The respondents have various reasons about why they invest. But based on the results, 39.34% of the respondents mentioned that the main purpose of investing would be to have an additional source of income.

*Table 12. Level of Investment Knowledge among the Respondents*

Level of Investment Knowledge	Percentage
I am a new or novice investor	20.49%
I have some knowledge about investing	51.64%
I am generally knowledgeable about investing	23.77%
I am very knowledgeable about investing	4.10%
<b>Grand Total</b>	<b>100.00%</b>

## Assessment of the Asset Management Industry in the Philippines

*Table 13. Number of Years in Investing*

Number of years	Percentage
Less than 1 year	18.85%
1-2 years	27.05%
3-5 years	21.31%
5-7 years	5.74%
7 years and up	27.05%
<b>Grand Total</b>	<b>100.00%</b>

*Table 14. Main Purpose of Investing*

Main Purpose of Investment	Percentage
Future retirement	1.64%
To generate significant capital appreciation	23.77%
To have a regular source of income	3.28%
To have an additional source of income	39.34%
To keep my funds intact	20.49%
To prevent capital loss while generating income	11.48%
<b>Grand Total</b>	<b>100.00%</b>

*Table 15. Types of Financial Assets the Respondents Currently Invest In*

Types of Financial Assets	Percentage
Bonds	0.82%
Cash and Deposit Products	68.03%
Corporate Bonds	0.82%
Mutual Funds	7.38%
Stocks	8.20%
Treasury Bills	1.64%
Unit Investment Trust Fund (UITF)	2.46%
Variable Unit Linked (VUL)	10.66%
<b>Grand Total</b>	<b>100.00%</b>

*\*multiple responses*

The risk and return expectations of the respondents were also an area of inquiry. Based on the results of the survey, a bigger percentage of the respondents preferred moderate returns with moderate risks. This is consistent across respondent groups except for the college students.

For the student group, the respondents are mostly concerned with safety of funds and returns are only secondary. This is primarily driven by the fact that students have no source of income, thus they are more concerned about keeping their current capital intact and they cannot tolerate losses from possible investments.

## Assessment of the Asset Management Industry in the Philippines

This is consistent with the returns and losses expectations among the respondent group. A larger percentage of the respondents targets an annual return of 10% to 15% from their investment and can tolerate annual losses of up to 10%. This is consistent among the respondent groups except for the college students. Because they are more concerned with the safety of funds, they are not targeting a high return from their investment. Among the respondents from the college student group, 52.94% expect that the annual return from their investments will be less than 10%.

*Table 16. Return and Risk Expectations among the Respondent Groups*

Risk and Return Expectation	College Student	Entrepreneur	Graduate Student	Unemployed	Working Professionals	Grand Total
Safety of funds, returns are secondary only	41.18%	0.00%	20.00%	0.00%	12.20%	15.57%
Low returns, low risks	17.65%	0.00%	10.00%	33.33%	7.32%	9.02%
Moderate returns with moderate risks	35.29%	70.00%	60.00%	66.67%	65.85%	61.48%
High returns but with high risks	5.88%	30.00%	10.00%	0.00%	14.63%	13.93%
<b>Grand Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

*Table 17. Return Expectations among Respondent Groups*

Return Expectations	College Student	Entrepreneur	Graduate Student	Unemployed	Working Professionals	Grand Total
Less than 10%	52.94%	0.00%	30.00%	0.00%	24.39%	26.23%
10% - 15%	41.18%	80.00%	50.00%	100.00%	53.66%	54.92%
15% - 20%	0.00%	0.00%	20.00%	0.00%	13.41%	10.66%
above 20%	5.88%	20.00%	0.00%	0.00%	8.54%	8.20%
<b>Grand Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

*Table 18. Loss Tolerance among Respondent Groups*

Range of Losses	College Student	Entrepreneur	Graduate Student	Unemployed	Working Professionals	Grand Total
0	17.65%	10.00%	20.00%	0.00%	14.63%	14.75%
Up to 10%	76.47%	40.00%	60.00%	100.00%	68.29%	67.21%
Up to 15%	5.88%	40.00%	10.00%	0.00%	13.41%	13.93%
More than 15%	0.00%	10.00%	10.00%	0.00%	3.66%	4.10%
<b>Grand Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

After assessing the investment characteristics of the different groups of respondents, they were then asked about their level of awareness and perception regarding unit investment trust funds. The researcher classified awareness into four levels: Level 1 (Not Aware), Level 2 (Have heard of the term “UITF” but do not understand what it is and how it works), Level 3 (Understand what a “UITF” is and how it works) and Level 4 (Understand how “UITF” works and I have invested/currently investing in UITF).

Out of 211 respondents surveyed, 49.2% are completely unaware of UITFs. This was primarily driven by the high percentage of unaware respondents from the college student group, which is 80.3% of the total respondents. Around one-third of the respondents from the other respondent group were not aware of UITFs. Meanwhile, 26.54% of the respondents mentioned that they have heard the term UITF but have no idea what it is or how it works. A small percentage of the respondents completely understand UITF, and even a smaller percentage are currently invested in UITF.

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*Table 19. Level of Awareness towards UITF among the Respondent Groups*

Level of Awareness	College Student	Entrepreneur	Graduate Student	Unemployed	Working Professionals	Grand Total
Not aware	80.30%	20.00%	33.33%	33.33%	36.75%	49.29%
Have heard of the term "UITF" but do not understand what it is and how it works	16.67%	40.00%	33.33%	66.67%	28.21%	26.54%
Understand what a "UITF" is and how it works	3.03%	20.00%	25.00%	0.00%	17.95%	13.27%
Understand how "UITF" works and I have invested/currently investing in UITF	0.00%	20.00%	8.33%	0.00%	17.09%	10.90%
<b>Grand Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

To further analyze the data, the level of awareness was then cross-tabulated with the socio-demographic characteristics and investment profile of the respondents. Based on the results, those who are not aware are mostly female, aged 18 to 34 years, college undergraduates, and have zero experience in investing. Thus, the young population in general were not exposed to anything about UITF until they reached working age. This should be one of the considerations of industry players in order to ensure consumer lifetime value for UITF product offerings.

*Table 20. Level of Awareness vs. Sex*

Level of Awareness	Female	Male	Grand Total
Not aware	31.3%	18.0%	49.3%
Have heard of the term "UITF" but do not understand what it is and how it works	16.1%	10.4%	26.5%
Understand what a "UITF" is and how it works	6.2%	7.1%	13.3%
Understand how "UITF" works and I have invested/currently investing in UITF	6.6%	4.3%	10.9%
<b>Grand Total</b>	<b>60.2%</b>	<b>39.8%</b>	<b>100.0%</b>

*Table 21. Level of Awareness vs. Age*

Level of Awareness	18-34 yrs old	35-51 yrs old	52-68 yrs old	Grand Total
Not aware	46.92%	1.42%	0.95%	49.29%
Have heard of the term "UITF" but do not understand what it is and how it works	25.59%	0.95%	0.00%	26.54%
Understand what a "UITF" is and how it works	11.37%	1.90%	0.00%	13.27%
Understand how "UITF" works and I have invested/currently investing in UITF	9.00%	0.95%	0.95%	10.90%
<b>Grand Total</b>	<b>92.89%</b>	<b>5.21%</b>	<b>1.90%</b>	<b>100.00%</b>

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*Table 22. Level of Awareness vs. Highest Educational Attainment*

Level of Awareness	College Graduate	College Undergraduate	Doctoral/ Professional Degree	High School Graduate	Master's Degree	Grand Total
Not aware	16.11%	23.22%	0.95%	3.32%	5.69%	49.29%
Have heard of the term "UITF" but do not understand what it is and how it works	14.69%	4.74%	1.42%	0.47%	5.21%	26.54%
Understand what a "UITF" is and how it works	8.53%	1.42%	0.00%	0.00%	3.32%	13.27%
Understand how "UITF" works and I have invested/currently investing in UITF	6.64%	0.00%	0.00%	0.00%	4.27%	10.90%
<b>Grand Total</b>	<b>45.97%</b>	<b>29.38%</b>	<b>2.37%</b>	<b>3.79%</b>	<b>18.48%</b>	<b>100.00%</b>

*Table 23. Level of Awareness vs. Investment Experience*

Level of Awareness	Some experience	Wide experience	Zero experience	Grand Total
Not aware	14.69%	2.37%	32.23%	49.29%
Have heard of the term "UITF" but do not understand what it is and how it works	16.59%	1.42%	8.53%	26.54%
Understand what a "UITF" is and how it works	7.11%	4.74%	1.42%	13.27%
Understand how "UITF" works and I have invested/currently investing in UITF	7.58%	3.32%	0.00%	10.90%
<b>Grand Total</b>	<b>45.97%</b>	<b>11.85%</b>	<b>42.18%</b>	<b>100.00%</b>

In order to assess the statistical significance of the socio-demographic characteristics and the level of awareness, a chi-square test was conducted with a 5% significance level. Thus, if the P-value is less than 5%, that means there is a significant relationship between the two variables. Based on the results, the only variable that has significant relationship with the level of awareness is the investment experience with a P-value of 0.000000695. The rest of the variables have no significant relationship on the level of awareness towards UITF products.

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*Table 24. Chi-Square Test of Level of Awareness and Various Variables*

Variable	Chi Square Test P-Value
Sex	0.999797844
Age	0.898209664
Educational Attainment	0.124380829
Profession	0.104118976
Investment Experience	0.000006945

In order to assess the level of knowledge of those respondents who said that they understand UITF and how it works, the researcher asked several questions in the survey about the basic features of a UITF. These include the types of UITF available in the market, where investors can go if they want to invest in UITF, minimum initial investment required, and the unit of measure of UITF. Based on the results, a lot of the respondents who said they understand how UITF works know the basic features of UITF. Only a small percentage of the respondents mentioned that they have no idea or they do not know the basic features of UITF.

*Table 25. Level of Knowledge on the Basic Features of UITF among the Respondents*

Basic Features of UITF	Correct Answer	No Answer
Types of UITF available on the market	70.93%	29.07%
Where to go to invest in UITF	82.56%	17.44%
Minimum initial investment required	82.56%	17.44%
Unit of measure	60.71%	39.29%

The profile of the respondents who currently are investing in or have invested in UITF were further assessed. Based on the data, the respondents are dominated by single civil status, aged between 18 to 34 years, with an average age of 31 years old and female. The industry of work varied, but it can be noted that out of the 20 respondents who work in the banking and finance sector, only 6 respondents or 30% have investments in UITF.

The respondents who are currently investing in or have invested in UITF were asked about their experience investing in the financial asset. The most popular type of UITF among the respondents is the equity fund, wherein 60.9% of the respondents are invested into this type. This is followed by balanced fund, in which 26.1% of the respondents are invested. This is quite ironic because 69.6% of the respondents are moderate risk takers. The results were also inconsistent with the supply side data, wherein the most preferred UITF products among investors would be the money market fund.

Based on their risk characteristics, it would be more logical if the balanced fund or the money market fund would be the UITF of choice. The results could also be due to the level of familiarity towards the product. They might be more familiar with how equity works, thus preferring the equity fund over others.

In terms of frequency of monitoring, most of the respondents monitor their investment on a monthly basis. Meanwhile, the most common frequency of buying new units were never, monthly, then yearly.

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*Table 26. Types of UITF Respondents Current Invest In*

Types of UITF	Percentage
Balanced Fund	26.09%
Bond Fund	4.35%
Equity Fund	60.87%
Money Market Fund	8.69%
<b>Grand Total</b>	<b>100.00%</b>

*Table 27. Frequency of Monitoring of UITF Investment*

Frequency of Monitoring	Percentage
Daily	4.35%
Monthly	39.13%
Never	4.35%
Quarterly	17.39%
Weekly	21.74%
Yearly	13.04%
<b>Grand Total</b>	<b>100.00%</b>

*Table 28. Frequency of Buying New Units of UITF*

Frequency of Buying New Units	Percentage
Every after settlement date	4.35%
Monthly	26.09%
Never	26.09%
Quarterly	17.38%
Yearly	26.09%
<b>Grand Total</b>	<b>100.00%</b>

When the respondents are asked what is the main reason for investing in UITF, 47.8% of them pointed out capital preservation and growth of funds as their main motivation. Furthermore, the major influencer among the respondents on why they invest in UITF would still be the bank, followed by family and peers.

*Table 29. Primary Reason for Investing in UITF*

Primary Reason for Investing in UITF	Percentage
Capital preservation	47.8%
Growth of funds	47.8%
Passive income	4.4%
<b>Grand Total</b>	<b>100.00%</b>



*Table 30. Primary Motivation for Investing in UITF*

Primary Motivation	Percentage
Bank	39.13%
Family	21.74%
Helps me not to spend on various items	4.35%
Peers	21.74%
Working environment	13.04%
<b>Grand Total</b>	<b>100.00%</b>

The respondents were also asked what UITF features they liked the most. Based on the survey, 60.9% of the respondents valued accessibility as an important feature of UITF, followed by professional fund management and liquidity. When the respondents were asked about what the current problems are that they experience with their UITF investment, more than half of the respondents said they have no problems so far.

However, some respondents pointed out uncertainty of returns, paper losses, and no regular subscription feature as their main problem. This can be traced to the level of understanding of respondents towards the features of UITF products, specifically on the risk characteristics of the investment and how the market will affect the performance of their investments.

*Table 31. UITF Features That the Investors Deemed as Important*

UITF Features	Percentage
Accessibility	60.87%
Affordability	4.35%
Better earnings potential	4.35%
Diversification	4.35%
Liquidity	8.69%
Professional fund management	17.39%
<b>Grand Total</b>	<b>100.00%</b>

Lastly, the investors were asked if they will continue investing in UITF and if they will recommend UITF to other investors. Among the 23 respondents, 22 of them, or 95.65%, indicated that they will recommend investing into UITF for these reasons: the opportunity to have passive income, affordability, convenience, and growth of fund. Only one respondent did not recommend investing into UITF due to his experience of not reaching the proposed return of the investment.

*Table 32. Willingness to Recommend UITF as an Investment*

Response	Percentage
No	4.35%
Yes	95.65%
<b>Grand Total</b>	<b>100.00%</b>

## *D. Integration and Discussion*

The results suggest that there are gaps between the demand side and supply side of the unit investment trust fund sector in the Philippines.

From the demand side, the low awareness among the Filipino retail investors of the various UITF products is evident, especially among the young population. The low awareness translates to low penetration or usage rate among this group of respondents. Furthermore, this is a result of limited knowledge among the young population towards investment in general and the perception that big capital is needed in order to start investing. This result is also consistent with the low level of financial inclusion among Filipino adults as well as the low percentage of Filipinos who currently invest on financial assets such as UITF.

In addition, a major problem is still the limited knowledge of investors towards UITF products. Even those who are currently investing did not have enough understanding about the UITF products they invested in. As a result, some of the investors become unsatisfied with the performance of their investment.

From the supply side, it is evident that the focus of the UITF providers is not specifically on the retail investors and not on the young segment of the population. The marketing strategies implemented by the trust entities are still traditional in nature, with bank-facing UITF personnel being the primary strategy to reach customers. Since around 33% of the municipalities and cities in the Philippines remain unbanked, this serves as one of the limitation to further increase the penetration rate for UITFs. Though the industry players recognize the digitization and changing Filipino demographics as some of the most important factors affecting the industry, the approach of the industry players still did not match the characteristics of the target clients. The regulatory restrictions of the Central Bank also prevent the supply side to fully exhaust all the possible channels in marketing UITFs.

Furthermore, trust entities offering UITF products still face various problems with regards to its marketing personnel, specifically on their knowledge about the different forms of products as well as the risks associated with each. This further explained the low level of awareness among the investors. The skill gaps among the UITF marketing personnel can be addressed by the full implementation of Central Bank's requirement to certify the UITF marketing personnel before they can sell UITF products.

The moderate risk-taking characteristics among the investors explained the dominance of money market funds in all the UITF providers in the industry. The limited knowledge and low awareness among consumers also drive UITF marketing personnel to recommend money market funds, because they are easily understandable and simpler compared to the other types of funds.

Lastly, the results suggest that the direction of the UITF sector in the Philippines will be driven by a stiffer competition between UITF and other pooled-investment products, digitization, changing Filipino demographics, and more stringent regulations from Central Bank of the Philippines. Thus, strategies must be focused on addressing these challenges and taking advantage of the changing Filipino demographics and digitization to increase the number of retail investors who will invest in UITF.

## VI. Conclusion and Recommendation

These findings support the previous studies conducted on the awareness of investors toward UITF products as well as the underlying factors that drive industry growth and performance.

It is suggested that the gaps between the demand and supply side of the industry must be addressed in order to fuel growth of the sector. Specifically, strategies should be focused on targeting the young population and addressing the low level of awareness towards UITF products.

These strategies include: (1) information and education drive on UITFs; (2) utilizing the digital platform to make UITFs more accessible to retail investors; (3) expanding the distribution channel to reach a wider segment of the market; (4) improving relationships between the UITF marketing personnel and retail investors; (5) product differentiation to address competition among UITF providers; and (6) an improved incentive system in order to increase the motivation among UITF marketing personnel to understand the products as well as relate to clients better.

Lastly, the support of the regulatory bodies is paramount to the success of UITFs in the Philippine capital market. An open architecture that will allow UITFs to be offered in various platforms would help the sector to increase the awareness and eventually investments among Filipino investors.

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