

Market Commentary

➔ **The View:** The PSEi slid by 55.41 points or 0.83% and closed at 6,630.68 yesterday. The local bourse succumbed to profit taking after the almost 3% rise last week by the benchmark index. Investors are likely to exercise more caution after the Bangko Sentral ng Pilipinas (BSP) delivered hawkish remarks, stating that it stands ready to impose interest rate hikes anew if 4Q 2023 GDP growth remains strong and overtakes the 5.9% expansion in 3Q 2023. Market watchers project a slower growth last quarter which would mean that the country would miss the government's 6%-7% target full-year target. In the US, the 3 major indices rallied to kick off this week. The Dow and the S&P500 rose to fresh record-highs after gaining 0.59% and 0.76%, respectively. The Nasdaq Composite had the biggest uptick among the 3 with 1.12%. Strong corporate earnings helped lift the major indices with more than 70% of the companies which have reported beating market projections. Members of the "Magnificent Seven" are still due to announced earnings results this week along with General Motors. The US Federal Reserve (Fed)'s meeting begins today (US time) and the central bank is expected to keep policy rates unchanged. Meanwhile, most European markets ended with minor gains as investors continued to digest corporate results and recent comments by the European Central Bank (ECB) on its policy outlook. In the Asia-Pacific, markets mostly had a positive start to the week. South Korea's Kospi and Hong Kong's Hang Seng led the gains in the region with 0.89% and 0.78%, respectively. China's Shanghai Composite bucked the trend as it fell by 0.92%. Regional investors will be looking forward to China's factory activity data this January. In the local bourse, sectors were negative across the board with Mining&Oil (-1.32%) having the biggest decline, while the rest had sub-1% contractions. In the main index, DMC (+0.95%), URC (+0.44%), CNPF (+0.31%), and BDO (+0.07%) were the only gainers in the PSEi. On the other hand, JFC (-3.86%), GTCAP (-3.43%), and MBT (-2.25%) had the most losses among 20 laggards. The market's turnover value normalized to ₱4.22 billion. Foreigners recorded a net inflow of ₱459.98 million, lower than the ₱696.35 million last Friday. The local currency ended 2 cents stronger against the US dollar at ₱56.27. The local bourse remains susceptible to further profit after another big run-up last week. The latest statements by the BSP are likely to balance expectations and prevent a big shock to the market after it previously stated that rate cuts are still possible in the first half. Still, long-term outlook for equities remain positive as the reduction of interest rates are almost certain in the long run with central banks just figuring out when to apply these cuts accordingly.

PSEI INTRADAY



INDICES

Index	Prev	Last	% Chg
PSEi	6,686.09	6,630.68	-0.83%
All Shares	3,508.61	3,487.71	-0.60%
Financial	1,906.95	1,890.67	-0.85%
Industrial	9,093.68	9,015.33	-0.86%
Holding Firms	6,395.01	6,336.08	-0.92%
Property	2,898.18	2,872.46	-0.89%
Services	1,602.61	1,595.24	-0.46%
Mining & Oil	9,245.23	9,123.20	-1.32%

TOP 10

DMC	0.95%	JFC	-3.86%
URC	0.44%	GTCAP	-3.43%
CNPF	0.31%	MBT	-2.25%
BDO	0.07%	AC	-2.07%
SCC	0.00%	NIKL	-1.86%
WLCON	0.00%	BLOOM	-1.64%
LTG	0.00%	BPI	-1.50%
SMPH	0.00%	ALI	-1.47%
ICT	0.00%	JGS	-1.45%
ACEN	0.00%	AEV	-1.23%

BOTTOM 10

Stock Picks

Stock	Date	Initial Price	Current Price	Return since Recommendation	
				Stock	PSEi
TEL	3/13/20	1,029.00	1,284.00	24.78%	14.44%
CNPF	3/13/20	13.10	32.10	145.04%	14.44%
FGEN	9/23/20	24.80	18.22	-26.53%	12.52%
AP	9/23/20	25.55	37.65	47.36%	12.52%
BDO	11/17/20	92.60	144.90	56.48%	-4.15%
BPI	11/17/20	83.00	112.00	34.94%	-4.15%
MBT	11/17/20	44.35	56.50	27.40%	-4.15%
SECB	11/17/20	103.90	72.20	-30.51%	-4.15%
CNVRG	6/13/22	22.50	9.20	-59.11%	2.53%
ALI	6/13/22	30.05	33.50	11.48%	2.53%
SGP	6/13/22	12.06	7.67	-36.40%	2.53%
Ave. Return				17.72%	4.08%

MARKET DATA

Market Volume	303,359,878
Market Turnover (Value)	4,223,051,777
Foreign Buying	2,132,515,299
Foreign Selling	1,672,537,523
Net Foreign Buy / (Sell)	459,977,775

Mandarin Securities Corp.

Hanz Elmer Torres

hanz.torres@mandarinsecurities.com

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Economic Developments

- ➔ **BSP says ready to hike rates if 4Q 2023 growth remained 'strong'.** The Bangko Sentral ng Pilipinas (BSP) is prepared to implement additional policy rate hikes in 2024 if the economic growth in the fourth quarter of 2023 surpasses expectations, according to Governor Eli M. Remolona, Jr. The governor mentioned that the central bank remains hawkish despite easing inflation and talks about potential rate cuts this year. He indicated that if the economic growth is strong, there is room for further rate hikes. However, he acknowledged the imprecision in estimating the natural rate, indicating uncertainty about the effects of further rate hikes. The BSP is closely monitoring GDP growth, with a BusinessWorld poll suggesting a median forecast of 5.7% for 4Q 2023. The BSP anticipates low inflation in January, but it may pick up in the second quarter of 2024. Finance Secretary Ralph G. Recto noted the potential for interest rates to go down in the second half of the year, contingent on the external environment. He emphasized that while policy rate cuts would lower the government's borrowing costs, decisions are not set in stone and depend on global factors. The BSP's aggressive tightening, with the key interest rate at 6.5%, is expected to have a full impact this year, and the central bank is ready to adjust borrowing costs if necessary. Governor Remolona highlighted the risks to the inflation outlook, including higher transport fares, increased electricity rates, oil, and food price upticks due to supply constraints, and the impact of a strong El Niño weather event. The BSP stands ready to adjust monetary policy settings as needed to safeguard price stability and anchor inflation expectations. The first policy meeting of the BSP for 2024 is scheduled for February 15. (*BusinessWorld*)
- ➔ **Treasury raises ₱81 billion from T-bill sale in January.** The Philippines government exceeded its borrowing target in January by raising a total of ₱81 billion (\$1.58 billion) through the issuance of short-term securities, surpassing the programmed target of ₱75 billion (\$1.46 billion). The Bureau of the Treasury conducted a full award of ₱15 billion (\$292 million) in the last T-bill auction for the month, marking the fifth consecutive week of full awards despite mixed T-bill rates as the market awaited the US Federal Reserve's decision on interest rates. The January T-bill rates were generally mixed, with the 91-day short-dated debt papers seeing rates decline to 5.398%, while the 182-day and 364-day offers experienced rate increases to 5.81% and 6.076%, respectively. This successful debt issuance follows the government's strategy of upsizing offers in the new year, with the first two T-bill auctions of the month being increased to ₱17 billion (\$331 million) and ₱19 billion (\$370 million). The demand for T-bills in January exceeded expectations, with an oversubscription rate of 2.54 times, reaching a total bid of ₱38.137 billion (\$741 million). Despite the rise in rates across the board, the market has shown resilience as the government navigates its borrowing strategy amid uncertainties in the global economic landscape. (*Philstar*)

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hanz.torres@mandarinsecurities.com



Corporate Developments

- ➔ **PSE set to implement adjustments to indices.** The Philippine Stock Exchange (PSE) will implement changes to its indices on February 5, affecting various sectoral and thematic indices. The review, in line with the PSE's index management policy, considered trading activity in 2023. Notable changes include: Industrial: additions of ION and PIZZA, removal of AXLM and PHN; Holding Firms: removal of LPZ; Property: additions of DMW and SHNG; Services: addition of SEVN, removal of DFNN, MEDIC, TUGS. Changes to the PSE Dividend Yield index are as follows: additions of CHIB and SGP, removal of AEV and GMA7. As for the PSE MidCap index, PCOR will be added while FILRT will be removed. *(PSE)*
- ➔ **BDO Unibank, Inc. (BDO).** BDO achieved a significant milestone by successfully raising an impressive ₱63.3 billion in its second ASEAN Sustainability Bond issue, surpassing the initial offer of ₱5 billion by more than twelve times. The overwhelming demand from both retail and institutional investors led to a rapid build-up in orders, prompting the shortening of the offer period by a week to January 16, 2024. This issuance stands as the bank's largest single issuance, eclipsing its first ASEAN Sustainability Bonds issue in January 2022, which amounted to ₱52.7 billion. The Peso-denominated Sustainability bonds carry a coupon rate of 6.025% and have a maturity of one-and-a-half (1.5) years, with the issue, settlement, and listing date set for January 29, 2024. The net proceeds from this substantial issuance are earmarked for diversifying the bank's funding sources and financing/refinancing eligible assets as outlined in the Bank's Sustainable Finance Framework. Notably, Standard Chartered Bank served as the Sole Arranger for the issue, with BDO Unibank, Inc. and Standard Chartered Bank acting as the Selling Agents, and BDO Capital & Investment Corporation assuming the role of Financial Advisor. *(BDO Disclosure)*
- ➔ BDO has announced its board's approval of a merger with SM Keppel Land, Inc. (SMKL) as part of its restructuring plans. BDO will be the surviving entity in the merger, subject to stockholders' and regulatory approvals. The transaction will be presented for shareholder approval during the annual shareholders' meeting on April 19. The merger will involve the transfer of assets, rights, and liabilities of SMKL to BDO, and in exchange, common shares of BDO will be issued to SMKL shareholders. The implementation timetable will depend on regulatory approvals from the Bangko Sentral ng Pilipinas, the Securities and Exchange Commission, and the confirmation of non-coverage from the Philippine Competition Commission. The merger follows BDO's complete takeover of Keppel Philippines Properties, Inc. and Opon-KE Properties, Inc.'s combined 50% stake in SM Keppel in December 2023. *(BDO Disclosure, BusinessWorld)*

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Corporate Developments

- ➔ **International Container Terminal Services, Inc. (ICT).** The Philippine Ports Authority (PPA) has awarded a 25-year contract to ICT to operate the Iloilo Commercial Port Complex in Western Visayas. ICTSI, the only bidder for the project, will pay a concession fee of ₱750 million (about \$15 million) over a 6 to 10-year period, excluding taxes. The Iloilo Commercial Port Complex, to be renamed Visayas Container Terminal, has 627 meters of operational quay length and 20 hectares of land for container and general cargo storage. ICT aims to improve terminal productivity and service quality by investing in infrastructure development, rehabilitation, and deploying cargo-handling equipment. The Iloilo Commercial Port Complex serves Iloilo province and the entire Panay Island, and its strategic location in Panay Gulf, protected from storms by Guimaras Island, makes it a crucial hub for maritime trade. ICT's involvement is expected to address capacity efficiency constraints, unlocking the port's economic potential, and contributing to the economic and social growth of the region. The contract is set to begin after the formal signing and issuance of the notice to proceed by the PPA. (*BusinessWorld*)
- ➔ **Union Bank of the Philippines (UBP).** UBP reported a net income of ₱9.2 billion for the year 2023, demonstrating robust growth in topline revenues driven by a strong consumer business, higher margins, and increased customer transaction fees. The bank's net interest margin rose to 5.5%, contributing to a 34% year-on-year increase in net interest income, reaching ₱52 billion. Consumer loans, including credit cards, mortgage loans, personal/salary loans, and vehicle loans, now constitute 58% of the total loan portfolio. Non-interest income surged by 41% to ₱19 billion, with fee-based income climbing 54% to ₱10 billion, attributed to a rise in customer transactions such as bills payments, funds transfers, interchange, and other card-related fees. However, the bottom line was impacted by integration costs related to the acquisition of Citi's consumer business, leading to a 43% increase in operating expenses to ₱45 billion. The bank's total assets as of December 2023 reached ₱1.1 trillion, marking a 5% increase from December 2022. Net loans and receivables experienced a 10% growth, reaching ₱527 billion, while total deposits remained stable at ₱713 billion. Despite challenges posed by integration costs and operating expenses related to new acquisitions, UBP has successfully expanded its customer base to nearly 14 million and demonstrated a strategic shift towards a more predictable, recurring income model. The Chief Financial Officer, Manuel R. Lozano, acknowledged the temporary impact on profitability due to front-loaded costs associated with integrating new businesses but emphasized the necessity of these investments for the sustained growth of the consumer business in the future. President & CEO Edwin R. Bautista expressed confidence in the promising results from investments in new businesses, with the acquired Citi consumer business exceeding expectations and UnionDigital achieving profitability in its first full year of operations. (*UBP Disclosure*)

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hanz.torres@mandarinsecurities.com



Other Developments

- ➔ **Singapore keeps monetary policy unchanged as inflation slows.** Singapore's central bank, the Monetary Authority of Singapore (MAS), has decided to maintain its monetary policy settings, keeping the rate of appreciation of its exchange rate-based policy band, the Nominal Effective Exchange Rate (S\$NEER), unchanged. This decision aligns with expectations as inflation pressures continue to moderate, and growth prospects improve. The MAS mentioned that the Singapore economy is expected to strengthen in 2024, with growth becoming more broad-based. While MAS core inflation is likely to remain elevated in the earlier part of the year, it is expected to gradually decline and step down by 4Q 2024, falling further next year. The central bank is maintaining its current tightening bias, given that both core and headline inflation gauges are above 3%, which is outside historical comfort zones. The decision suggests that MAS is on an extended policy pause, and the earliest window for easing might come later in the year when core inflation eases more convincingly, according to OCBC economist Selena Ling. (*Reuters*)
- ➔ **China's luxury market is bouncing back with new areas of opportunity.** China's luxury sales are rebounding, with domestic purchases playing a significant role, according to recent results from major luxury brands. LVMH reported that fashion and leather goods saw over 30% growth in China in December, and Bernard Arnault, the company's chairman and CEO, highlighted that the size of stores in China now serves twice as many customers as in 2019. The mainland China personal luxury market grew by about 12% in 2023, reaching over CNY 400 billion (\$56.43 billion), according to consulting firm Bain & Company. While not back to 2021 levels, the domestic luxury market is expected to continue growing in the coming years, accounting for at least 20% of the global market in 2030. Luxury brands have been increasingly focusing on online channels to engage with Chinese consumers, and niche brands that consistently invested in building brand desirability have experienced success. One emerging segment in the Chinese consumer market is bedding and fine linen, with at least four investment deals in the category occurring in the last 18 months. Domestic home textile brands are actively exploring the high-end bedding market, as consumer attitudes toward bedding products gradually change, with more consumers willing to pay for high-quality bedding and emphasizing product quality, functionality, and additional services. Despite the potential, the high-end bed and bath textiles market in China is relatively untapped compared to the US, where consumers account for well over 40% of the global market for high-end bed and bath textiles. (*CNBC*)

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hanz.torres@mandarinsecurities.com



CASH DIVIDEND SCHEDULE

*Arranged by ex-date

Ticker	Company	Amount/ Rate	Dividend Type	Share	Ex-date	Record Date	Payment Date
ABA	AbaCore Capital Holdings, Inc.	Php0.01	Cash	Common	06/23/22	06/28/22	TBA
BKR	Bright Kindle Resources & Investments Inc.	Php0.0037	Cash	Common	10/13/23	10/16/23	TBA
TFC	PTFC Redevelopment Corporation	Php2.00	Cash	Common	01/08/24	01/09/24	02/02/24
STI	STI Education Systems Holdings, Inc.	Php0.030	Cash	Common	01/09/24	01/10/24	01/31/24
DDMPR	DDMP REIT, Inc.	Php0.0256820	Cash	Common	01/19/24	01/22/24	02/14/24
8990B	8990 Holdings, Inc.	Php1.375	Cash	Preferred	01/26/24	01/29/24	02/10/24
PSB	Philippine Savings Bank	Php0.75	Cash	Common	02/01/24	02/02/24	02/19/24
MWP2B	Megawide Construction Corporation	Php1.4375	Cash	Preferred	02/06/24	02/07/24	02/27/24
RFM	RFM Corporation	Php0.074194	Cash	Common	02/06/24	02/07/24	03/05/24
TCB2A	Cirtek Holdings Philippines Corporation	US\$0.0228125	Cash	Preferred	02/21/24	02/22/24	03/08/24
TCB2C	Cirtek Holdings Philippines Corporation	Php0.8233	Cash	Preferred	02/27/24	02/28/24	03/14/24
TCB2D	Cirtek Holdings Philippines Corporation	Php0.968825	Cash	Preferred	02/27/24	02/28/24	03/14/24
TCB2B	Cirtek Holdings Philippines Corporation	US\$0.025	Cash	Preferred	02/29/24	03/01/24	03/18/24
PRF3A	Petron Corporation	Php17.17825	Cash	Preferred	02/29/24	03/01/24	03/25/24
PRF3B	Petron Corporation	Php17.84575	Cash	Preferred	02/29/24	03/01/24	03/25/24
PRF4A	Petron Corporation	Php16.76975	Cash	Preferred	03/12/24	03/13/24	04/08/24
PRF4B	Petron Corporation	Php16.99300	Cash	Preferred	03/12/24	03/13/24	04/08/24
PRF4C	Petron Corporation	Php17.71525	Cash	Preferred	03/12/24	03/13/24	04/08/24
SMC2F	San Miguel Corporation	Php1.27635	Cash	Preferred	03/20/24	03/21/24	04/04/24
SMC2I	San Miguel Corporation	Php1.18790625	Cash	Preferred	03/20/24	03/21/24	04/04/24
SMC2J	San Miguel Corporation	Php0.890625	Cash	Preferred	03/20/24	03/21/24	04/04/24
SMC2K	San Miguel Corporation	Php0.84375	Cash	Preferred	03/20/24	03/21/24	04/04/24
SMC2M	San Miguel Corporation	Php1.5703125	Cash	Preferred	03/20/24	03/21/24	04/04/24
SMC2N	San Miguel Corporation	Php1.5649875	Cash	Preferred	03/20/24	03/21/24	04/04/24
SMC2O	San Miguel Corporation	Php1.611300	Cash	Preferred	03/20/24	03/21/24	04/04/24
GTPPB	GT Capital Holdings, Inc.	Php12.73725	Cash	Preferred	04/04/24	04/05/24	04/29/24
TCB2A	Cirtek Holdings Philippines Corporation	US\$0.0228125	Cash	Preferred	05/23/24	05/24/24	06/10/24
TCB2C	Cirtek Holdings Philippines Corporation	Php0.8233	Cash	Preferred	05/29/24	05/30/24	06/14/24
TCB2D	Cirtek Holdings Philippines Corporation	Php0.968825	Cash	Preferred	05/29/24	05/30/24	06/14/24
TCB2B	Cirtek Holdings Philippines Corporation	US\$0.025	Cash	Preferred	05/31/24	06/03/24	06/18/24
GTPPB	GT Capital Holdings, Inc.	Php12.73725	Cash	Preferred	07/04/24	07/05/24	07/29/24

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CASH DIVIDEND SCHEDULE

*Arranged by ex-date

Ticker	Company	Amount/ Rate	Dividend Type	Share	Ex-date	Record Date	Payment Date
TCB2A	Cirtek Holdings Philippines Corporation	US\$0.0228125	Cash	Preferred	08/22/24	08/23/24	09/09/24
TCB2C	Cirtek Holdings Philippines Corporation	Php0.8233	Cash	Preferred	08/29/24	08/30/24	09/16/24
TCB2D	Cirtek Holdings Philippines Corporation	Php0.968825	Cash	Preferred	08/29/24	08/30/24	09/16/24
TCB2B	Cirtek Holdings Philippines Corporation	US\$0.025	Cash	Preferred	09/02/24	09/03/24	09/18/24
GTPPB	GT Capital Holdings, Inc.	Php12.73725	Cash	Preferred	10/04/24	10/07/24	10/28/24
TCB2A	Cirtek Holdings Philippines Corporation	US\$0.0228125	Cash	Preferred	11/21/24	11/22/24	12/09/24
TCB2C	Cirtek Holdings Philippines Corporation	Php0.8233	Cash	Preferred	11/28/24	11/29/24	12/16/24
TCB2D	Cirtek Holdings Philippines Corporation	Php0.968825	Cash	Preferred	11/28/24	11/29/24	12/16/24
TCB2B	Cirtek Holdings Philippines Corporation	US\$0.025	Cash	Preferred	12/02/24	12/03/24	12/18/24

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Stocks Dividends/Property Dividends

Ticker	Company	Amount/Rate	Dividend Type	Share Type	Ex-date	Record Date	Payment Date
PNB	Philippine National Bank	0.156886919 shares of PHC for every 1 share of PNB	Property	Common	05/13/21	05/18/21	TBA
AC	Ayala Corporation	3 ACEN shares per 1 AC common share	Property	Common	05/24/22	05/27/22	01/09/23
ABA	AbaCore Capital Holdings, Inc.	0.0009 PRIDE shares per 1 ABA common share	Property	Common	06/23/22	06/28/22	TBA
GREEN	Greenery Holdings Incorporated	0.0561786222 share of ANI for every 1 share of the company	Property	Common	06/27/22	06/30/22	TBA
BKR	Bright Kindle Resources & Investments Inc.	(1) BHD share for every three (3) common BKR shares	Property	Common	10/13/23	10/16/23	TBA
MACAY	Macay Holdings, Inc.	0.936 common share of ARC for every 1 common share of MACAY	Property	Common	10/20/23	10/23/23	TBA
MFIN	Makati Finance Corporation	0.5435056706%	Stock	Common	08/22/22	08/25/22	TBA
LPC	LFM Properties Corporation	60%	Stock	Common	TBA	TBA	TBA
VMC	Victorias Milling Company, Inc.	100%	Stock	Common	TBA	TBA	TBA
CEI	Crown Equities, Inc.	10%	Stock	Common	TBA	TBA	TBA
SBS	SBS Philippines Corporation	22%	Stock	Common	TBA	TBA	TBA

Note: AC
Sripless shareholders will have a moving payment date for their property dividends

Stocks Rights/Follow-on Offering

Ticker	Company	Offer Price	Ratio	Offer Shares	Ex-date	Offer Start	Offer End	Listing Date
MA	Manila Mining Corporation	Php0.01	1:5	51,917,357,741	04/26/22	05/16/22	05/20/22	TBA
ANI	AgriNurture, Inc.	Php1.00	1:2.5	288,000,027	TBA	TBA	TBA	TBA
LC	Lepanto Consolidated Mining Company	Php0.12	1:3.95	16,803,989,391	TBA	TBA	TBA	TBA
PBB	Philippine Business Bank	Php10.00	1:4.6428	50,000,000	03/07/2023	03/10/2023	03/17/2023	TBA

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28/F LKG TOWER, 6801 AYALA AVENUE, MAKATI CITY : OFFICE: +63 (02) 884-1271 : FAX +63 (02)884-1384