
Investing in the Philippines Resilience amid Uncertainty

Opportunities, Challenges and the Future.

By: Jonathan L. Ravelas



Why Invest in the Philippines?

- **The Long-term story of the Philippines remains solid.**
- **Strong investments in infrastructure to support industries.**
- **Young population, Cash remittances and Outsourcing revenue support consumption.**



Pearl of the Orient Seas



The Philippines is located in Southeast Asia, on the eastern rim of the Asiatic Mediterranean. It is bounded in the west by the South China Sea; in the east by the Pacific Ocean; in the south by the Sulu and Celebes Seas; and in the north by the Bashi Channel. Its capital and main port of entry is Manila. Cebu, which is some 562 kilometers to the south of Manila, is the second largest international gateway to the country.

The Philippines is an archipelago consisting of 7,100 islands with a total land area of approximately 300,000 square kilometers. It has three major island groups-Luzon in the north, Visayas in the middle and Mindanao further down in the South.



PH- At a glance

Still Shining through..

| | | | | |
|--|--|---|---|---|
| POPULATION 114 mn (as of 2021) | Underemployment Rate 15.90% (as of July) | GDP 4.30% (as of 2Q23) | GDP-SERVICES 6.00% (as of 2Q23) | Inflation Rate 5.30% (as of August) |
| Average Age 25.30 (as of 2020) | Unemployment Rate 4.80% (as of July) | GDP- 2022 FY Growth Rate 7.60% (as of 2022) | GDP-INDUSTRIAL 2.10% (as of 2Q23) | Policy Rate 6.25% (as of Sept) |
| Literacy Rate 96.50 (as of 2019) | Labor Force Participation 60.10% (as of July) | Per Capita \$3,623 (as of 2022) | GDP- AGRICULTURE 0.20% (as of 2Q23) | Forex 56.950 (as of 27 Sept) |



The Road Ahead

PH strategic location is an advantage that no other country has. It is time to leverage this and aspire to be a major logistic hub in the region.- PBBM



Ensure Food Security



Improve infrastructure



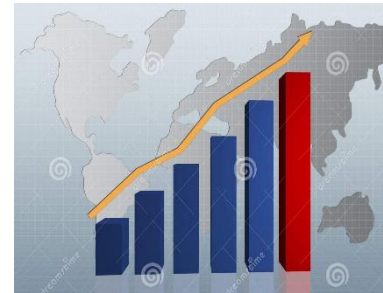
Promote Investments



Reduce transport and logistics cost



Store System
Ensure the availability of affordable and accessible food.

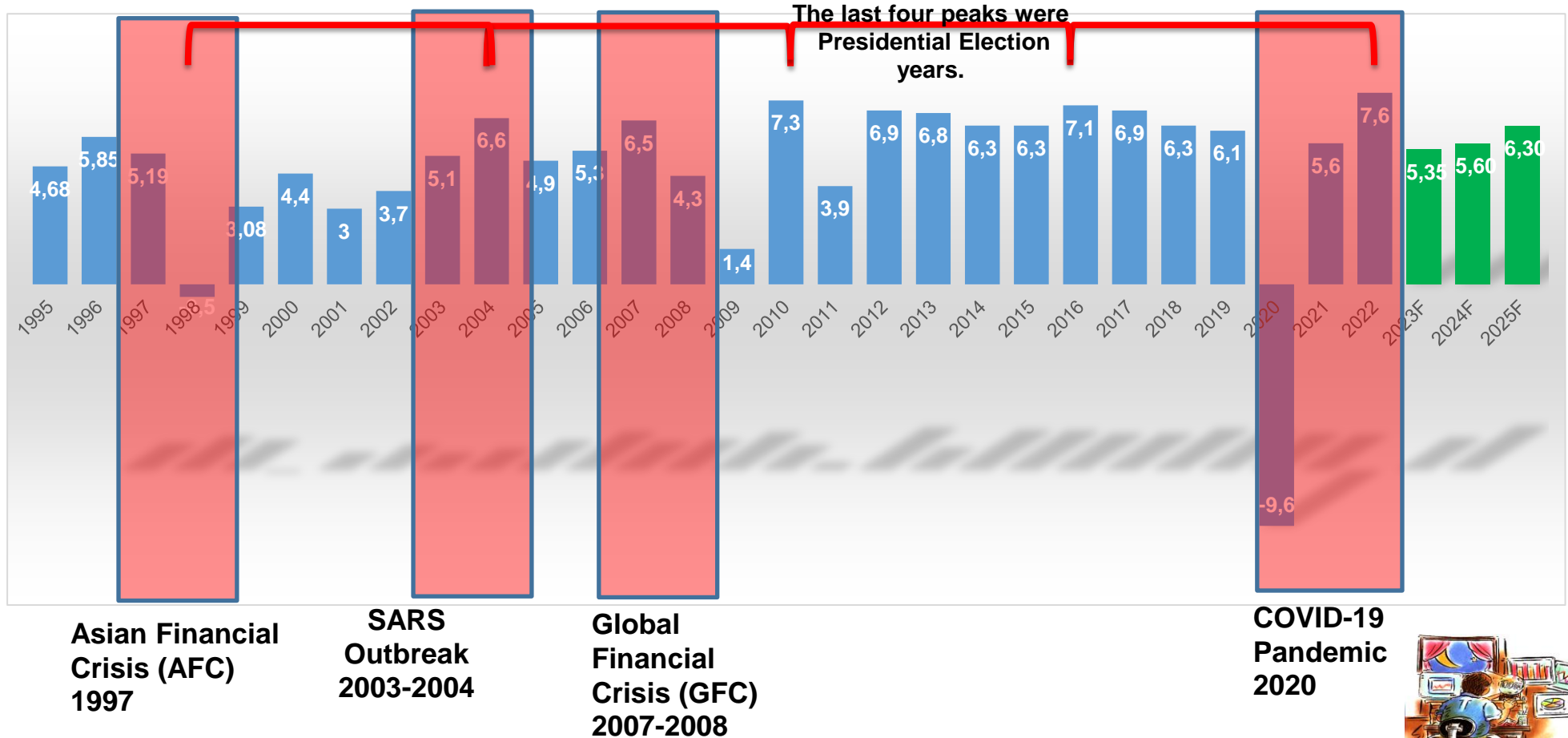


Attract Investments and Expand Exports



PH GDP Growth Rate

From 1997 – 2022 (Annual)



Long Term Trends

Three years average

| | 2019-2021 | 2022-2024 | 2025-2027 |
|-----------------------------------|--------------|--------------|--------------|
| Population(million) | 109 | 113 | 117 |
| GDP (US\$ bn) | 378 | 443 | 581 |
| GDP per Capita (US\$) | 3,471 | 3,925 | 4,975 |
| GDP growth (%) | 0.50 | 6.30 | 6.30 |
| Fiscal Balance (% of GDP) | -6.50 | -6.20 | -3.90 |
| Public Debt (% of GDP) | 51.50 | 61.50 | 59.10 |
| Inflation (%) | 2.90 | 5.00 | 3.10 |
| Current Account (% of GDP) | 0.30 | -3.60 | -2.50 |
| External Debt (% of GDP) | 25.50 | 25.70 | 22.50 |



Build Build Build/Build Build More Updates

Status Of BBB Projects in the Pipeline



Metro Manila Subway

36 km railway linking Valenzuela up to NAIA Terminal 3
Target Completion Date: 2027
Status: 26% Completed



North-South Commuter Railway

110km line with 27 stations, comprising the 55km southern section from Tutuban to Calamba, in Laguna province, and the 51km northern section from Malolos to Clark International Airport, in Pampanga province.
Target Completion Date: 2029



Samal Island - Davao City Bridge

3.98 km cable-stayed bridge (extradosed)
Target Completion Date: August 2027



Laguna Lakeshore Road Network

51 km Road Network along Laguna Lakeshore
Target Completion Date: 2026
Status: DED - 70% complete



Bataan - Cavite Interlink Bridge

32 km bridge connecting Mariveles, Bataan and Naic, Cavite
Target Completion Date: 2028
Status: DED - 60% completed



Panguil Bay Bridge

3.17 km bridge connecting Tangub City, Misamis Occidental to Tubod, Lanao del Norte
Target Completion Date: December 2023
Status: 61% complete



Davao City Bypass Construction Project

46 km highway including two 2.3 km mountain tunnels
Status: 21% complete



Road Network Development Project in Conflict-Affected Areas in Mindanao

175 km access roads
Target Completion Date: December 2028
Status: 4 contract packages on-going
Proposed for inauguration in May 2023



Philippine National Railways Bicol line

560 km railway consisting 36 stations running from Manila through Laguna, Quezon, and Camarines Sur to Albay, with an extension line in Sorsogon and a branch line in Batangas
Target Completion Date: 2027

Completed Projects in 2022 & 2023



Tarlac-Pangasinan-La Union Expressway (TPLEX)



Plaridel Bypass Road Phase II



Alabang-Sucab Skyway Extension



Central Luzon Link Expressway (CLLEX)



Estrella-Pantaleon Bridge



Binondo-Intramuros Bridge



NLEX-Harbor Link



Skyway Stage 3



The Big Picture

Food

Estate



**Increase in jobs.
BPOs/OFW spending**

Retail



Influx of foreign brands entering the PH Market

Construction/Real



Strong demand office and retail space.



The Next Best Industries

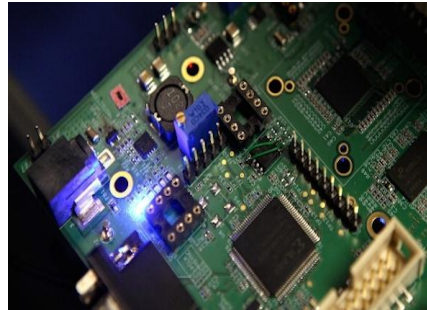
Tourism



Gaming



Manufacturing



Mining



Threats to global growth

Geopolitics, El Niño, Production Cuts



Fragile Recovery

What factors to watch out for?

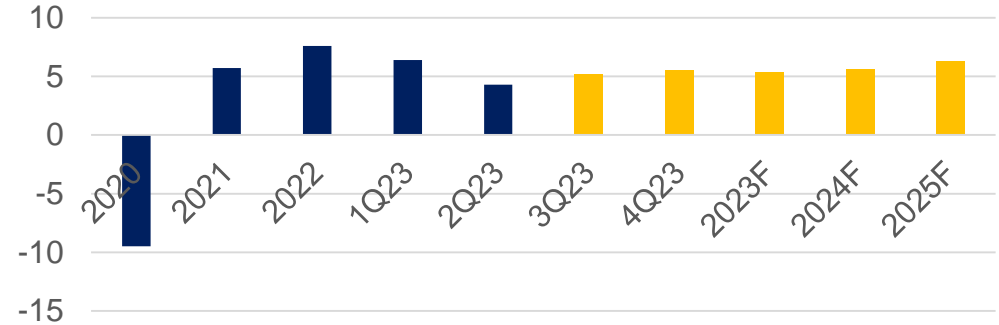
Key Investment themes and Strategies

1. **Relatively high interest rates-** Borrow in shorter maturities, tap capital markets for funding, favor 5-7 year bonds for investments
2. **Economic recovery-** Improvement in economic activity such construction, property, transport and banks. Buy greenback while peso is strong.
3. **Life after COVID-19-** Technology, Health consciousness to generate new business opportunities, Environment Social, and Corporate Governance(ESG) investments. Resilience strategies amid high inflation environment

Catalyst to watch out for

1. **Government infrastructure spending (BBB/BBM)**
2. **Recovery in business/Consumer sentiment- Loan pick-up/CAPEX**
3. **Long-term adjustments resulting from the pandemic**
4. **Global inflation, monetary and geopolitical trend**

GDP



Forecast (2023)

| Indicator | 1Q | 2Q | 3QF | 4QF | 2023 | 2024 |
|-----------|--------|--------|--------|--------|--------|--------|
| USD/PHP | 54.360 | 54.880 | 56.300 | 57.000 | 57.000 | 56.000 |
| PHP O/N | 6.25 | 6.25 | 6.50 | 6.50 | 6.50 | 6.00 |
| CPI | 8.30 | 6.40 | 4.50 | 3.30 | 5.50 | 4.10 |



Reasons for optimism

Government initiatives aimed to reduce the impact of external factors.



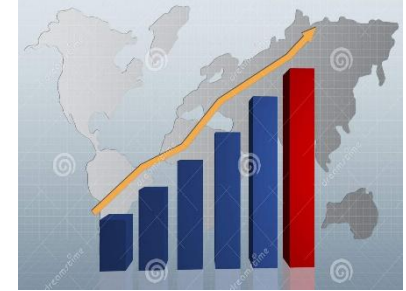
**Passage of the
2023 budget**



**Fiscal
Consolidation/
Responsibility**



**Favorable
demographics**



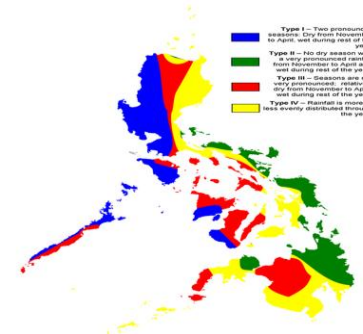
**Ample Buffers
favorable economic
environment**



**Build, Build, More
Improve
infrastructure**



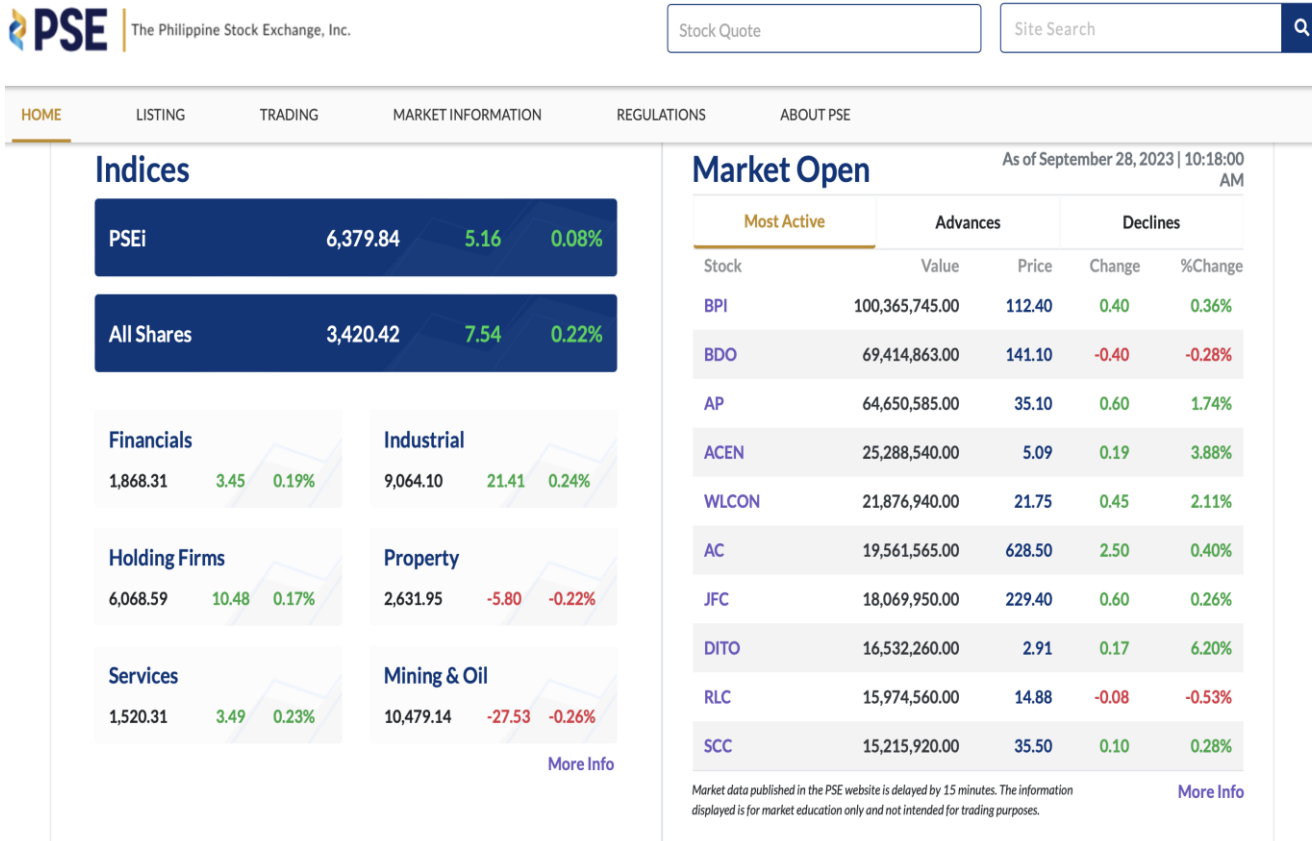
**Strong credit rating
and sound financial
system**



**Philippine Development Plan
Accelerate economic/social
recovery and resilient
prosperity**



How to invest in PH Stocks



The Philippine Stock Exchange, Inc. ("PSE") is a private non-profit and non-stock organization created to provide and ensures a fair, efficient, transparent and orderly market for the purchase and sale of securities such as stocks, warrants, bonds, options and others.

Trading days are from Monday to Friday, 9:00 a.m. to 3:00 p.m.



Prominent Stocks in PH



The Investment Cycle

Step 1: Choose a Broker

•Choose a stockbroker. The PSE has a complete list of information about all its trading participants who are authorized and qualified to trade securities for you. This list is also available on the PSE's website and the telephone directory's Government and Business listings yellow pages under the category of stock and bond brokers.

Step 2: Open an account

•You shall be required to open an account and fill out a Customer Account Information Form and to submit identification papers for verification. The stockbroker will then assign a trader or agent to assist you in either buying or selling any listed security. There are also stockbrokers who have an online trading facility that allows you to post orders by yourself, but sufficient understanding of how the stock market works is key. If you choose to be assisted by a trader or agent, you can discuss with him/her what stocks you want to buy or sell.

Step 3: Give your Order

•Give the order to your trader, and then ask for the confirmation receipt. Your buy or sell orders are relayed to the stockbroker's dealer for execution. In an automated system as in PSE, the order is keyed in through a trading terminal and automatically matched. Confirmation of done trades – via phone, email or online – is made as soon as possible and subsequently, an official confirmation or invoice should be delivered to you.

Step 4: Pay before your settlement date

•Pay before settlement date. The delivery or payment should be made before the settlement date of T+3. For traditional stockbrokers, settlement of transactions is usually done after three (3) working days from the transaction date. This means that for transactions done on Monday, as an illustration, payment should be received by Thursday. Meanwhile for online stockbrokers, settlement of all transactions is done on the transaction date. Settlement of accounts is performed by the clearing house.

Step 5: Receive Your Proceeds/Shares

•You shall receive from your broker either the proceeds of sale of your stocks (after 3 business days) or proofs of ownership of stocks you bought (confirmation receipt and invoice). You're all set!



Transaction Fees

It is optimal to trade with at least US\$1,000

BUYING : # OF SHARES*PRICE* 1.00295 = Total Cost
(This includes commission and exchange fees)

SELLING : # OF SHARES*PRICE*0.99105 = Net Proceeds
(This includes commission, exchange fees and taxes)



Transaction Costs

Transaction Fee

The Exchange collects 1/200 of 1% (0.5 basis points) on gross value for every buy and sell transaction executed. The fee is exclusive of 12% value added tax (VAT).

Clearing & Settlement Fee

The Securities Clearing Corporation of the Philippines collects 1 basis point on gross value for every buy and sell transaction executed. The fee is inclusive of 12% VAT.

Brokerage Commission

A stockbroker is compensated for his services in executing orders on the Exchange through commission charges, which are paid by both the buyer and seller to their respective brokers.

For trade transactions covering equity and equity-related products, the maximum commission rate is 1.5% of the total transaction cost plus 12% VAT. The minimum commission rates depend on the amount of the transaction. (See Table 2)

Upliftment/Withdrawal Fee

If a buying client opts for a stock certificate to be issued in his name, he must make the request through his broker who will then issue the upliftment request through the PDTC system. Upon receipt, PDTC will then submit the request to the transfer agent for the issuance of the certificate. PDTC will charge the broker an upliftment/withdrawal fee of Php50 per certificate issuance request. The transfer agent will charge their usual issuance fee per certificate on top of PDTC's upliftment/withdrawal fee.

Cancellation Fee

If a selling client has physical certificates, he must have the certificates converted into book-entry form in the PDTC system by requesting, through his broker, for a direct transfer (DT) with the transfer agent, which costs Php100 (plus 12% VAT) per certificate for the transfer of ownership of shares to PDTC Nominee Corporation (PCNC).

In addition to the DT fee, a client must pay cancellation fee of Php20 (plus 12% VAT) to the transfer agent for cancellation of the certificates to be lodged in PDTC (for lodgment of shares). This is applicable only to listed equities.

Stock Transaction Tax

Sales of equities listed and traded on the Exchange are subject to a stock transaction tax of 3/5 of 1% (60 basis points) of the value of transaction charged to the seller, in lieu of the capital gains tax. The sale, barter or exchange of shares of stock listed and traded at the PSE are exempt from documentary stamp tax.

Withholding Tax

Under the National Internal Revenue Code of 1997, and except in cases where tax treaties are in force, dividends received from domestic corporations are subject to a withholding tax of 10% if the recipient is a citizen or resident alien, 20% if the recipient is a non-resident individual engaged in trade or business in the Philippines, 25% if the recipient is a non-resident individual not engaged in trade or business in the Philippines, and 30% if the recipient is a non-resident foreign corporation. Dividends received by domestic and resident foreign corporations are not subject to tax. The rate of income tax withheld on dividends paid to a non-resident foreign corporation may be reduced to 15% if the country in which the non-resident foreign corporation is domiciled (a) imposes no taxes on foreign-source dividends or (b) allows a credit against the tax due from the foreign non-resident corporation for taxes deemed to have been paid in the Philippines equivalent to 15% of such dividends.



List of Online Stock Brokers in the Philippines in 2023

- 1.A & A Securities, Inc.**
- 2.AAA Equities, Inc.**
- 3.AB Capital Securities, Inc.**
- 4.Abacus Securities Corp. (MyTrade)**
- 5.Alpha Securities Corp. (AlphaSec)**
- 6.AP Securities, Inc.**
- 7.BA Securities, Inc.**
- 8.BDO Securities Corp.**
- 9.BPI Securities Corp. (BPITrade)**
- 10.China Bank Securities Corp. (Chinabank Sec)**
- 11.Coherco Securities, Inc. (CohercoTrade)**
- 12.COL Financial Group, Inc.**
- 13.DA Market Securities, Inc. (iTrade)**
- 14.Eagle Equities, Inc.**
- 15.Eastern Securities Development Corp.**



Why invest now in the Philippine Stock Market?



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its more fun to invest
in the Philippines

Jonathan “Jonas” L. Ravelas, CTA

Managing Director at eManagement for Business and Marketing Services(EMBM)

A prominent private analyst in the Philippines. Known for his extensive expertise in the country’s economic landscape, he is highly sought after as a speaker and commentator in the Philippine media. With a career spanning various roles in the financial services industry, Mr. Ravelas has established himself as a respected figure.

Concurrently serving as Reyes Tacandong & Co., Senior Advisor and Independent Directors at DITO CME, Jonas brings more than 25 years of experience in financial markets. Prior to his current positions, he held the role of FVP-Chief Market Strategist at BDO Unibank from 2002 to June 2022, where he provided valuable analysis on financial markets and macroeconomic developments both locally and internationally. He previously held the same position at Equitable PCI Bank’s Treasury Department from 1998 to 2002.

Jonas has a diverse background, having worked as a strategist, analyst, equities dealer, and portfolio manager in both money management and institutional equity brokerage, including stints at DBS Securities and ACE Securities. He is renowned for his expertise in trading strategies, corporate governance, forecasting, and investments. As a testament to his forecasting abilities, FocusEconomics ranked him as the #2 overall forecaster for the Philippines in 2021 and the #1 Forex Forecaster in 2018. In 2016, he was ranked as the #1 Current Account forecaster for the Philippines for 2015.

Mr. Ravelas regularly contributes economic commentaries to prestigious publications such as the Asian Wall Street Journal and he is a frequent commentator on economic and financial markets on ANC, Bloomberg, and CNN Philippines. He is also actively involved in academia as a lecturer in Ateneo BAP’s treasury certification program and as the executive director of the Society of Technical Analysts-Philippines.

Jonas holds a bachelor’s degree in Management of Financial Institutions from De La Salle University (1992). He furthered his education by completing the Asian Securities Executive Program at the Asian Institute of Management (Manila) in 1996.

*Age:51 / Success Mantra: **Fortune favors the brave.***

