

**UNIONBANK OF THE PHILIPPINES - TRUST AND INVESTMENT SERVICES GROUP**  
**UNIONBANK PHILIPPINE PESO FIXED INCOME PORTFOLIO**  
**KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT**  
 As of August 31, 2018

| <b>FUND FACTS</b>       |                       |                                   |   |
|-------------------------|-----------------------|-----------------------------------|---|
| Classification:         | Medium-term Bond Fund | Net Asset Value per Unit (NAVPU): | Php 252.410096  |
| Launch Date:            | January 12, 2004      | Total Fund NAV:                   | Php 817,923,854.64  |
| Minimum Investment:     | Php 100,000           | Dealing Day:                      | Up to 2:30 pm, any banking day                                |
| Additional Investment:  | Not Applicable        | Redemption Settlement:            | One (1) banking day after initial notice                      |
| Minimum Holding Period: | 90 calendar days      | Early Redemption Charge:          | 0.25% flat on redeemed amount or Php 500, whichever is higher |

| <b>FEES*</b>                        |                               |                                 |        |
|-------------------------------------|-------------------------------|---------------------------------|--------|
| Trust Fees:                         | 1.00% per annum               | Custodianship Fees:             | 0.002% |
|                                     |                               | Audit Fees:                     | 0.002% |
| <b>UnionBank of the Philippines</b> | <b>HSBC, Ltd. Philippines</b> | <b>Punongbayan &amp; Arullo</b> |        |

\*As a percentage of the total market value of the fund for the month valued at Php 820.40 Mn

**INVESTMENT OBJECTIVE AND STRATEGY**

The UnionBank Philippine Peso Fixed Income Portfolio is a peso-denominated bond fund designed to provide investors higher returns than traditional fixed-income savings products.

**CLIENT SUITABILITY**

A client profiling process should be performed prior to participating in the Fund to guide the prospective investor if the Fund is suited to his/her investment objectives and risk tolerance. Clients are advised to read the Declaration of Trust/Plan Rules of the Fund, which may be obtained from the Trustee, before deciding to invest.

- The UnionBank Philippine Peso Fixed Income Portfolio is suitable only for investors who:
  - Are individuals of legal age and corporations with a medium to long-term investment horizon
  - Have a moderately conservative risk profile
- The principal is at risk. Loss in the original investment may arise due to market fluctuations and price volatility of the securities held by the fund.

**KEY RISKS AND RISK MANAGEMENT**

You should not invest in this Fund if you do not understand or are comfortable with the accompanying risks.

Some of the key risks associated with this Fund are listed below:

- **Interest Rate Risk:** This is the possibility to experience losses due to changes in interest rates. The purchase and sale of a debt instrument may result in profit or loss because the value of a debt instrument changes inversely with prevailing interest rates.
- **Market/Price Risk:** This is the possibility to experience losses due to adverse changes in market prices of securities. It is the exposure to the uncertain market value of a portfolio due to price fluctuations.
- **Liquidity Risk:** This is the possibility to experience losses due to the fund's inability to sell and convert assets into cash immediately or in instances where conversion to cash is possible but at a highly disadvantageous price.
- **Credit/Default Risk:** This is the possibility for an investor to experience losses due to a borrower's failure to pay principal and/or interest in a timely manner on instruments such as bonds, loans, or other forms of security which the borrower issued.

The Fund invests in quality assets which are evaluated under the Trust Department's accreditation process and BSP regulations. Internal risk limits, together with regulatory exposure limits, are monitored, reviewed and strictly adhered to on a daily basis.

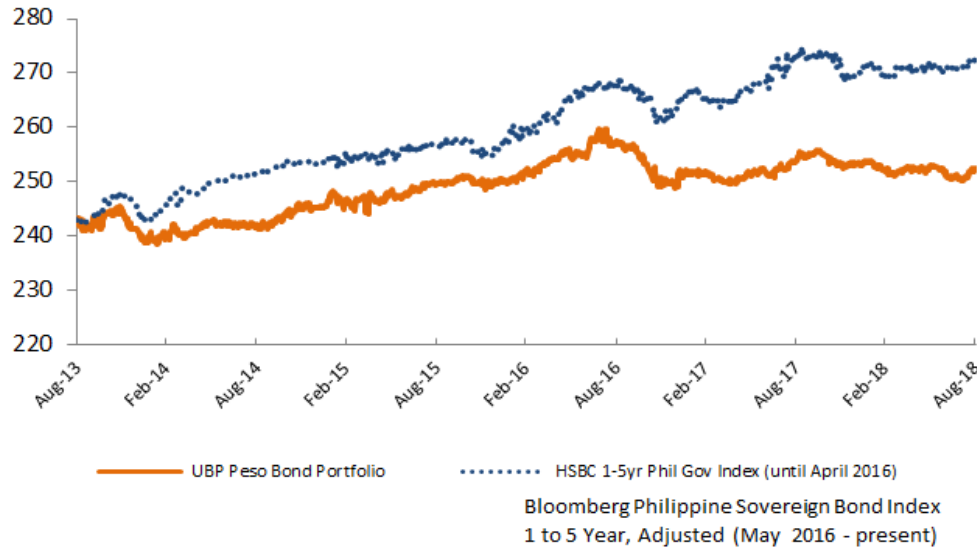
|  |
|--|
| ❖ <b>THE UIT FUND IS NOT A DEPOSIT AND IS NOT INSURED BY THE PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC)</b>                                 |
| ❖ <b>RETURNS CANNOT BE GUARANTEED AND HISTORICAL NAVPU IS FOR ILLUSTRATION OF NAVPU MOVEMENTS/FLUCTUATIONS ONLY</b>                              |
| ❖ <b>WHEN REDEEMING, THE PROCEEDS MAY BE WORTH LESS THAN THE ORIGINAL INVESTMENT AND ANY LOSSES WILL BE SOLELY FOR THE ACCOUNT OF THE CLIENT</b> |
| ❖ <b>THE TRUSTEE IS NOT LIABLE FOR ANY LOSS UNLESS UPON WILLFUL DEFAULT, BAD FAITH OR GROSS NEGLIGENCE</b>                                       |

For any queries, you may call UnionBank-Trust and Investment Services Group at 667-6388 or visit our website at www.unionbankph.com.

**FUND PERFORMANCE AND STATISTICS AS OF AUGUST 31, 2018**

(Purely for reference purposes and is not a guarantee of future results)

**Net Asset Value per Unit**



**NAVPU over the past 12 months**

|                |            |
|----------------|------------|
| <b>Highest</b> | 255.911794 |
| <b>Lowest</b>  | 250.132151 |

**Statistics**

|                                 |        |
|---------------------------------|--------|
| <b>Weighted Ave. Duration</b>   | 2.5397 |
| <b>Volatility, Past 1 Year*</b> | 2.42%  |
| <b>Sharpe Ratio**</b>           | -1.21  |
| <b>Information Ratio***</b>     | 0.04   |

\*Volatility measures the degree to which the Fund fluctuates vis-a-vis its average return over a period of time.

\*\*Sharpe Ratio is used to characterize how well the return of Fund compensates the investor for the level of risk taken. The higher the number, the better. (Risk Free Rate = 2.3144 %)

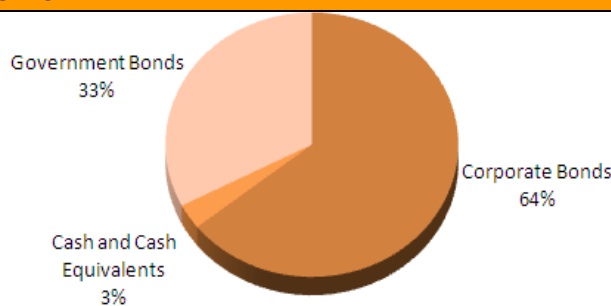
\*\*\*Information Ratio measures reward-to-risk efficiency of the portfolio relative to the benchmark. The higher the number, the higher the reward per unit of risk.

| Fund Performance Vs. Benchmark (%) |                      |       |      |       |      |                   |      | Top Ten Holdings (%)        |              |
|------------------------------------|----------------------|-------|------|-------|------|-------------------|------|-----------------------------|--------------|
| Period                             | Cumulative Return    |       |      |       |      | Annualized Return |      | FXTN 05-75 5.500 03/08/2023 | 22.21        |
|                                    | 1mos                 | 3mos  | 6mos | 1yr   | 3yrs | 3yrs              | 5yrs |                             |              |
| Fund                               | 0.76                 | -0.19 | 0.11 | -0.61 | 1.16 | 0.39              | 0.77 | GLOPM 6.000 06/01/2019      | 11.48        |
| Benchmark*                         | 0.58                 | 0.21  | 1.04 | 1.07  | 6.17 | 2.01              | 2.33 | FMICPM 5.750 08/10/2019     | 8.91         |
| Period                             | Calendar Year Return |       |      |       |      |                   |      | SMBPM 6.600 04/02/2022      | 5.56         |
|                                    | YTD                  | 2012  | 2013 | 2014  | 2015 | 2016              | 2017 |                             |              |
| Fund                               | -0.28                | 6.89  | 7.09 | 1.61  | 2.09 | -0.50             | 1.65 | FLIPM 5.4000 12/04/2021     | 5.26         |
| Benchmark*                         | 0.88                 | 4.41  | 3.20 | 3.14  | 1.34 | 2.91              | 2.36 | SLTCPM 4.9925 08/24/2020    | 5.16         |
|                                    |                      |       |      |       |      |                   |      | VLLPM 5.7512 08/08/2024     | 4.96         |
|                                    |                      |       |      |       |      |                   |      | AC 6.875 05/11/2027         | 4.51         |
|                                    |                      |       |      |       |      |                   |      | JGSPM 5.2442 02/27/2021     | 4.08         |
|                                    |                      |       |      |       |      |                   |      | <b>Total</b>                | <b>79.39</b> |

\*HSBC 1-5 Yr Phil Bond Index (until April 2016)

Bloomberg Philippine Sovereign Bond Index 1 to 5 Year, Adjusted (May 2016 – present)

**PORTFOLIO COMPOSITION**



**OTHER DISCLOSURES**

**RELATED PARTY TRANSACTIONS**

The fund has bond investments with Aboitiz Equity Ventures amounting to Php 24.14 Mn. This investment outlet was approved by the Trust Committee. Likewise, all related parties transactions are conducted on an arm's length basis.

**OUTLOOK AND STRATEGY**

Philippine Consumer Price Index (CPI) rose further to 5.70% in July 2018 versus prior month's 5.20%. This is within the Central Banks' expectation of 5.1% to 5.8% for the month. Rise in inflation is mainly attributable to food and non-alcoholic beverages at 7.10%, alcoholic beverages and tobacco at 21.90%, transport at 8.90%, as well as housing, water, electricity, gas and other fuels at 8.20%. According to the Bangko Sentral ng Pilipinas (BSP), some of the supply concerns were correlated to the adverse weather conditions which resulted to upward pressure on prices particularly on rice, fish, meat and vegetables. In addition, increase in tobacco and transportation prices were due to scheduled excise tax increase and upward-adjustments.

Following the release of inflation data, BSP raised key interest rates by 50 basis points to 4% during the monetary board meeting last Aug 9, 2018. Local yields generally moved sideways within 10-15 basis points. Throughout the month, constant trading activity was seen on the short-end of the curve with the 1 year Treasury bill ranging from 4.85% to 4.92%. Treasury bill auctions were fully awarded week-on-week, driven by client requirements and general market demand. Re-issued bonds for the month namely, FXTN 3-23 (3-year) and FXTN 5-75 (5 year) were also fully awarded with an average rate of 5.136% and 5.902%, respectively.

With inflation looming the market, Bangko Sentral ng Pilipinas Governor, Nestor Espenilla, reiterates that the BSP stands firm in its intent to take appropriate monetary adjustments to ensure price stability. In addition, recently appointed Speaker of the House, Gloria Macapagal Arroyo, proposed supplementary means of addressing inflation such as pushing lower tariffs/import restrictions on rice, meat and fish. We remain cautious as we wait for further developments on inflation data as well as other macroeconomic indicators.