

UNIONBANK OF THE PHILIPPINES - TRUST AND INVESTMENT SERVICES GROUP
UNIONBANK PHILIPPINE PESO FIXED INCOME PORTFOLIO
KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT
As of September 28, 2018

FUND FACTS

| | | | |
|-------------------------|-----------------------|-----------------------------------|---|
| Classification: | Medium-term Bond Fund | Net Asset Value per Unit (NAVPU): | Php 247.611309 |
| Launch Date: | January 12, 2004 | Total Fund NAV: | Php 793,014,170.32 |
| 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 |

FEES*

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

*As a percentage of the total market value of the fund for the month valued at Php 793.15 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.

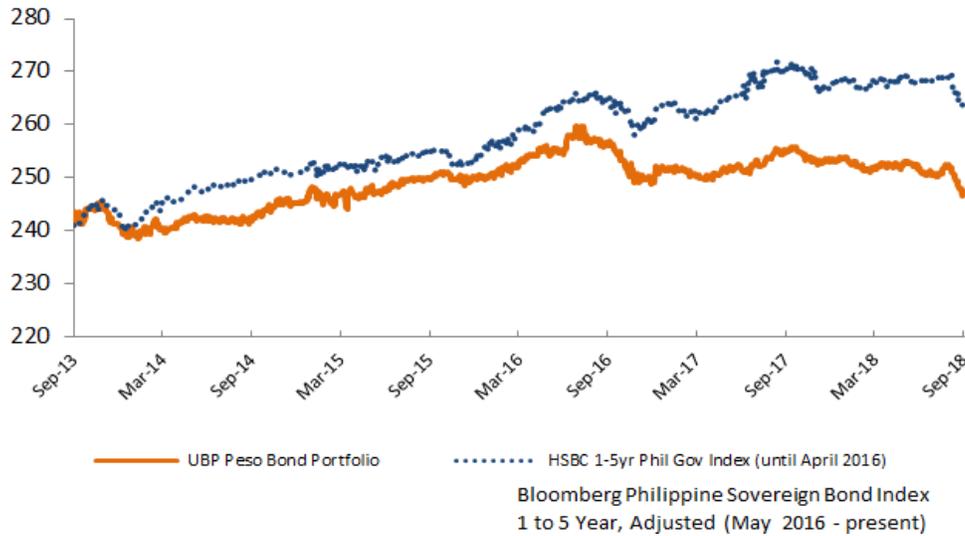
- ❖ **THE UIT FUND IS NOT A DEPOSIT AND IS NOT INSURED BY THE PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC)**
- ❖ **RETURNS CANNOT BE GUARANTEED AND HISTORICAL NAVPU IS FOR ILLUSTRATION OF NAVPU MOVEMENTS/FLUCTUATIONS ONLY**
- ❖ **WHEN REDEEMING, THE PROCEEDS MAY BE WORTH LESS THAN THE ORIGINAL INVESTMENT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

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 SEPTEMBER 28, 2018

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

Net Asset Value per Unit



NAVPU over the past 12 months

| | |
|----------------|------------|
| Highest | 255.911794 |
| Lowest | 246.621171 |

Statistics

| | |
|---------------------------------|--------|
| Weighted Ave. Duration | 2.7697 |
| Volatility, Past 1 Year* | 2.45% |
| Sharpe Ratio** | -2.10 |
| Information Ratio*** | 0.12 |

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

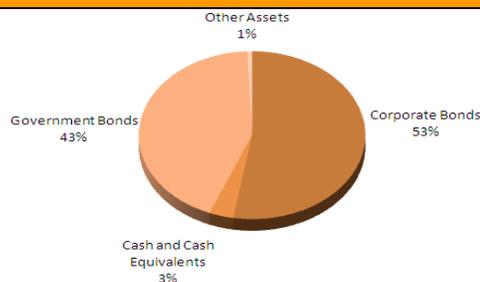
**Sharpe Ratio is used to characterize how well the return of Fund compensates the investor for the level of risk taken. The higher the number, the better. (Risk Free Rate = 2.2939 %)

***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 | 20.36 |
| | 1mos | 3mos | 6mos | 1yr | 3yrs | 3yrs | 5yrs | | |
| Fund | -1.90 | -1.59 | -1.70 | -2.85 | -0.89 | -0.30 | 0.53 | FMICPM 5.750 08/10/2019 | 8.40 |
| Benchmark* | -2.58 | -1.95 | -2.00 | -1.82 | 3.08 | 1.02 | 1.75 | RTB 05-11 4.625 12/04/2022 | 7.36 |
| Calendar Year Return | | | | | | | | | |
| Period | YTD | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | GLOPM 6.000 06/01/2019 | 5.75 |
| Fund | -2.18 | 6.89 | 7.09 | 1.61 | 2.09 | -0.50 | 1.65 | SMBPM 6.600 04/02/2022 | 5.15 |
| Benchmark* | -1.73 | 4.41 | 3.20 | 3.14 | 1.34 | 2.91 | 2.36 | FXTN 03-23 4.250 01/25/2021 | 5.12 |
| | | | | | | | | SLTCPM 4.9925 08/24/2020 | 4.88 |
| | | | | | | | | VLLPM 5.7512 08/08/2024 | 4.69 |
| | | | | | | | | FLIPM 5.4000 12/04/2021 | 4.24 |
| PORTFOLIO COMPOSITION | | | | | | | | Total | 72.82 |

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

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



OTHER DISCLOSURES

RELATED PARTY TRANSACTIONS

The fund has bond investments with Aboitiz Equity Ventures and time deposits with Unionbank of the Philippines amounting to Php 22.84 Mn, and Php 3.52 Mn. These investment outlets were approved by the Trust Committee. Likewise, all related parties transactions are conducted on an arm's length basis.

OUTLOOK AND STRATEGY

Philippines CPI surged further to 6.40% in August, versus previous month at 5.70%. This is higher than BSP's expectation ranging from 5.50% - 6.20%. Inflation posted at its highest level since March 2009. Usual culprits remain to be the heavily weighted category 'food and non-alcoholic beverages' at 8.50%, 'alcoholic beverages and tobacco' at 21.60%. BSP Governor, Nestor Espenilla Jr., asserts inflation to "lose steam in the upcoming months".

With oil and food prices staying elevated, Peso continuing to weaken, and la niña season bringing forth typhoons, the central bank remains under pressure to hamper inflation. During their scheduled Monetary Board meeting last September 27, the Bangko Sentral ng Pilipinas showed strong signal of commitment to address this by raising 50 basis points to a policy rate of 4.50%. This brought a total of 150 basis points rate increases by the Central Bank since May 2018. BSP adjusted estimates on inflation upward to 5.2% from 4.9% in 2018 and 4.3% from 3.7% in 2019. Department of Finance sees September inflation to post at 6.4% while BSP is seeing a range of 6.3% to 7.1% or about 6.8%.

Trading activity remain to be muted at less than PHP 5BN trading volume per day as market participants remain on the sidelines, remaining cautious ahead of data releases. Interests remain to be soft for long tenored bonds as both scheduled 10-year and 7-year auctions were undersubscribed. On the 7-year auction, BTr only received PHP 13.880BN bids out of the PHP 15BN re-issue size and partially awarded PHP 5.730BN at an average of 7.085% and at a high of 7.25%. Auction average is 110 basis points above previous auction (ave. 5.976%) just last June. On the other hand, all PHP 12.7BN bids for 10-year auction were rejected. Submitted bids had an average of 7.64%, 129 basis points higher than previous auction.

Investor interest remains on treasury bills and liquid issues such as RTB 05-11 and FXTN 05-75. Month-on-month, PDST-R2 yield curve gapped higher month-on-month with most change on intermediate portion of the curve climbing up an average of 150 basis points. We continue to remain cautious and defensive as we wait for data outcomes and further global developments.