

## UnionBank Trust and Investment Services Group

### UBP Philippine Peso Bond Portfolio as of April 29, 2011

#### Investment Objective

The UnionBank Philippine Peso Bond Portfolio is a peso-denominated fund that seeks capital preservation and the total return of a diversified portfolio of primarily investment-grade fixed-income instruments.

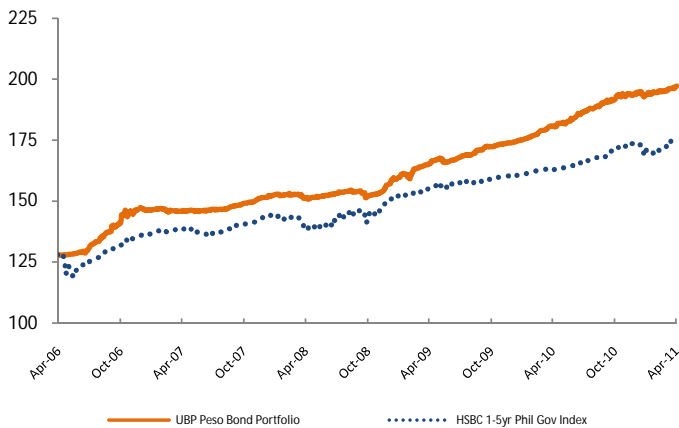
#### Fund Performance

Calendar Absolute Returns*	Peso Bond	HSBC 1-5 Yr Index
YTD	1.71%	1.45%
2010	11.35%	8.13%
2009	12.93%	6.99%
2008	1.49%	4.35%
2007	3.14%	5.66%
2006	23.77%	13.52%
Cumulative Annualized Returns*	Peso Bond	HSBC 1-5 Yr Index
3 Years	9.18%	7.69%
5 Years	8.99%	6.56%

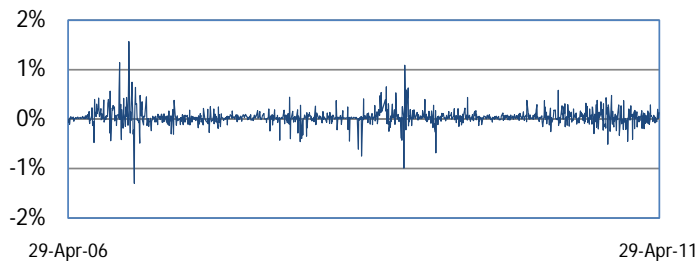
\* Returns are reported net of fees.

Net Asset Value, end-of-period: Php 2.875 Billion  
Bid NAV Per Unit (NAVpu) Php 196.576984  
Offer NAV Per Unit (NAVpu) Php 197.678275

#### Net Asset Value per Unit



#### Daily Percentage Change of NAVpu



#### Risk Characteristics:

One day VAR at 3σ:	0.40%
Volatility, Past 360 Days:	2.52%
Duration:	2.84
Sharpe Ratio (Risk Free Rate = 3.60%):	2.10

Volatility is a measure of fluctuation of the NAVpu. Higher volatility means higher potential for gains or loss. Duration measures the sensitivity of the portfolio to interest rate movements. The higher the duration, the more the NAVpu will change with interest rate fluctuation. The Sharpe Ratio is a measure of risk-adjusted return. The higher the Sharpe, the higher the return per unit of risk. Risk-free rate used to compute the Sharpe ratio is the 1yr TBill rate.

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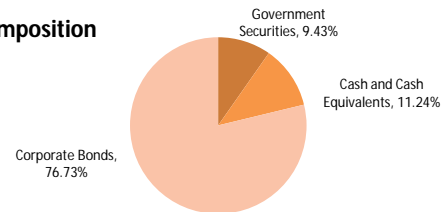
#### Fund Manager's Report

The Philippines' budget deficit in March was below the Php59.7Bn target, putting the first quarter shortfall well below the Php112Bn ceiling. The result was due to prudent government spending and better than expected tax collections. Government spending may accelerate in the coming months as it is currently below its program target. The encouraging results from the budget deficit in the first quarter may lead a possible credit rating upgrade for the country.

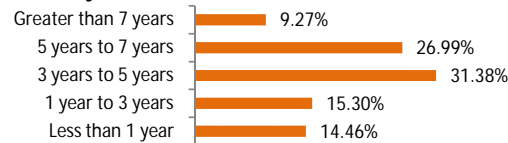
On the bond market, the Bureau of the Treasury awarded the full PHP9.0Bn offer of its 10-year bond at an average rate of 6.445 percent. Demand was surprisingly strong with total bids reaching PHP32.35Bn. The Government then plans to issue 4-year and 7-year bonds in May. It will continue to pursue "opportunistic" debt exchanges for its peso- and foreign-currency debt and will maintain a bias for issuance of long-dated notes. The scarcity of local currency government bond offerings, especially after the recent foreign commercial bond issuances in the first quarter, has made the market more open to low yields despite inflation being expected to trend higher.

The Bangko Sentral ng Pilipinas expects April inflation to range from 3.7 percent to 4.7 percent. The target provides an indication that inflation remains to be relatively under control and unexpected spikes in interest rates in very unlikely. With the Philippine Peso appreciating, the effects of high commodity prices should be tempered further.

#### Portfolio Composition



#### Maturity Profile



#### Top 5 Holdings

Alliance Global 6.50% 8/18/2017	12.60%
Petron Preferred Shares	11.99%
FPH Preferred Shares	11.41%
Landbank of the Phil 7.25% 10/19/2016	8.37%
SM Investments 6% 9/22/2014	5.27%

#### Fund Facts

Classification:	Medium-term Bond Fund
Launch Date:	January 12, 2004
Client Suitability:	Moderately conservative to Moderately aggressive risk tolerance
Base currency:	Philippine Peso
Initial Investment:	Php 100,000
Minimum Additional Investment:	Not Applicable
Minimum Holding Period:	90 calendar days
Settlement Period:	One (1) Banking day after initial notice
Early Redemption Charge:	0.25% or Php 500 whichever is higher
Trust Fees:	1% per annum
Custodianship Fees:	0.02% per annum
Applicable Tax:	20% on interest income
Custodian:	HSBC, Ltd Philippines
External Auditor:	Punong-bayan & Araullo
Dealing Time:	Daily up to 12noon
Available Thru:	Unionbank of the Philippines branches
Bloomberg Ticker:	IFDPPBP

\* All fees are accrued daily against the fund's Net Asset Value.  
Complete list of holdings available upon request