

UnionBank Trust and Investment Services Group

UBP Philippine Peso Bond Portfolio as of May 31, 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.

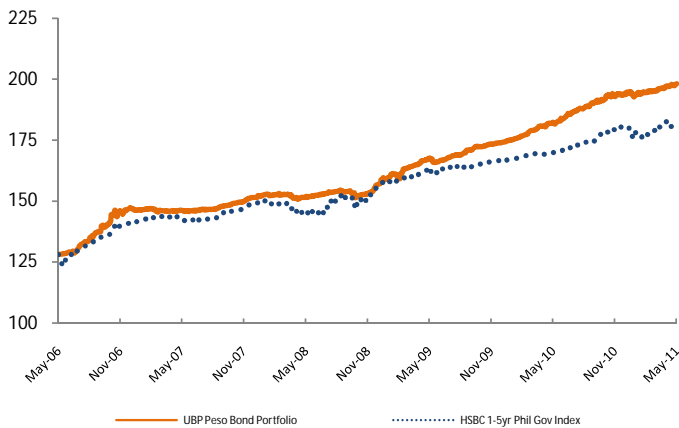
Fund Performance

Calendar Absolute Returns*	Peso Bond	HSBC 1-5 Yr Index
YTD	2.31%	0.76%
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	9.34%	7.76%
5 Years	9.10%	7.18%

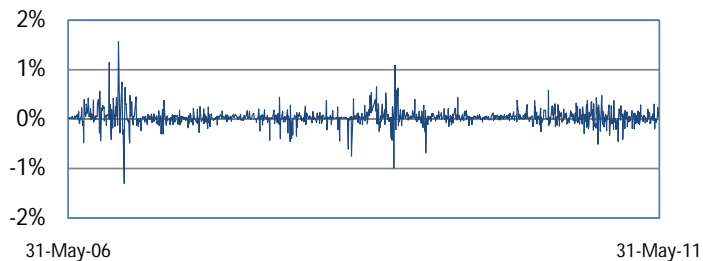
* Returns are reported net of fees.

Net Asset Value, end-of-period: Php 3.022 Billion
Bid NAV Per Unit (NAVpu) Php 197.289831
Offer NAV Per Unit (NAVpu) Php 199.535875

Net Asset Value per Unit



Daily Percentage Change of NAVpu



Risk Characteristics:

One day VAR at 3σ:	0.39%
Volatility, Past 360 Days:	2.49%
Duration:	2.87
Sharpe Ratio (Risk Free Rate = 3.68%):	2.01

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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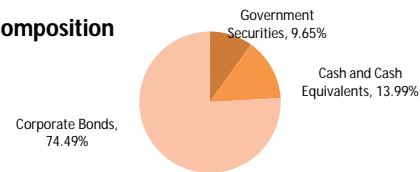
Fund Manager's Report

Inflation in the Philippines was 4.5 percent year-on-year in May, up from a revised 4.3 percent in April but lower than the 5.0 percent market expectation. The lower inflation figure was partly due to the drop in crude oil prices. Crude oil price declined 9.86 percent month-on-month amid speculation that fuel demand will falter as Asia's central banks raise interest rates to curb inflation and as the U.S. job market further weakens. The development lessens inflationary pressures in the Philippines where crude oil is mostly imported and represents a large portion of the inflation index.

The market expects the Bangko Sentral ng Pilipinas (BSP) to maintain its hawkish position given that inflation, despite being benign, remains in the upper end of BSP's target. Yields increased month-on-month in anticipation of the Monetary Board policy meeting in the third week of June. The market has factored in a 0.25 percent increase in the BSP overnight borrowing rate.

The Philippines may return to the overseas debt market in the remainder of the year and is watching for opportunities to extend debt maturity, lower funding costs, and avoid bunching, according to Finance Secretary Cesar Purisima. He also noted that the Philippines is currently underrated and is seeking better sovereign debt rating.

Portfolio Composition



Maturity Profile

Greater than 7 years	9.59%
5 years to 7 years	25.94%
3 years to 5 years	28.55%
1 year to 3 years	16.98%
Less than 1 year	17.07%

Top 5 Holdings

Alliance Global 6.50% 8/18/2017	12.17%
FPH Preferred Shares	11.40%
Petron Preferred Shares	11.34%
Landbank of the Phil 7.25% 10/19/2016	8.09%
SM Investments 6% 9/22/2014	5.09%

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 total market value.
Complete list of holdings available upon request