

## UnionBank Trust and Investment Services Group

### UBP Philippine Peso Bond Portfolio as of September 30, 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.

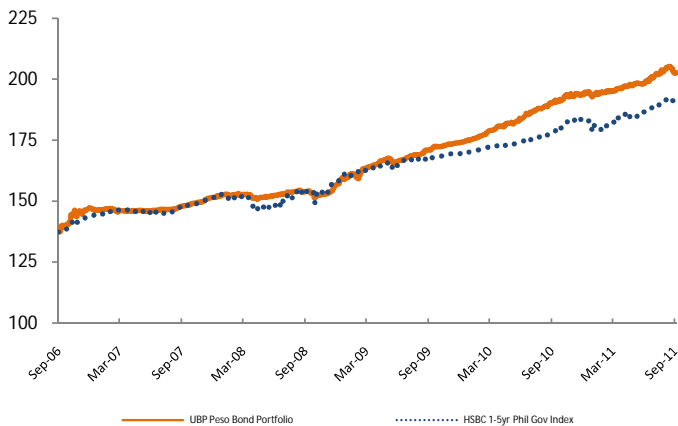
#### Fund Performance

Calendar Absolute Returns*	Peso Bond	HSBC 1-5 Yr Index
YTD	4.66%	4.32%
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	9.60%	7.57%
5 Years	8.08%	6.88%

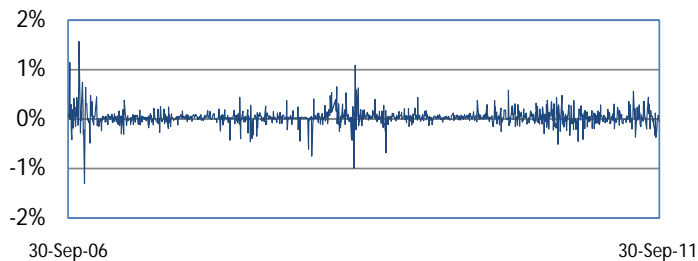
\* Returns are reported net of fees.

Net Asset Value, end-of-period: Php 2.938 Billion  
Bid NAV Per Unit (NAVpu) Php 202.103933  
Offer NAV Per Unit (NAVpu) Php 203.877391

#### Net Asset Value per Unit



#### Daily Percentage Change of NAVpu



#### Risk Characteristics:

One day VAR at 3σ:	0.41%
Volatility, Past 360 Days:	2.57%
Duration:	2.49
Sharpe Ratio (Risk Free Rate = 3.64%):	1.06

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

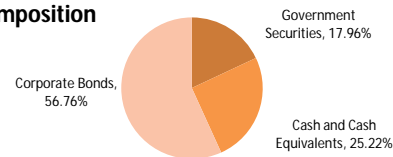
Amidst falling equities and other risk assets, Peso government securities (GS) showed some resiliency in the month of September. Yields of the 15 and the 20 year GS declined 17 bps and 8 bps respectively for the said period. The hosts of good macro economic news were not ignored in the GS market.

Philippine inflation eased to 4.7% in August from 5.1% in July while OFW remittances rose 6.1% in July despite a slowing world economy. Central Bank's reserves rose to US\$ 75.6 billion. Consumer confidence rose on benign inflation and business sentiment improved on lower commodity prices and demand recovery.

Fiscal deficit is still contained. The government posted a fiscal surplus of Php 9.2 billion in August from a deficit of Php 26.5 billion in July. The improvement was driven mainly by the 15% year-on-year growth in revenue while expenditures were 9% higher. Fiscal deficit now stands at Php 34.5 billion.

A highly liquid market, a slowing economy with a benign inflation outlook, a contained deficit, and a possible credit rating upgrade seem to buoy the GS market. We remain confident that the Peso GS will continue to hold steady despite troubling external markets.

#### Portfolio Composition



#### Maturity Profile

Greater than 7 years	14.63%
5 years to 7 years	15.43%
3 years to 5 years	20.14%
1 year to 3 years	22.12%
Less than 1 year	27.62%

#### Top 5 Holdings

FPH Preferred Shares	14.92%
Petron Preferred Shares	11.72%
PSALM 7.75% 4/22/2017	7.03%
Fixed Rate Treasury Note 8.000% 7/19/2031	5.70%
Alliance Global 6.50% 8/18/2017	4.20%

#### 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