

UnionBank Trust and Investment Services Group

UBP Philippine Peso Bond Portfolio as of December 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.

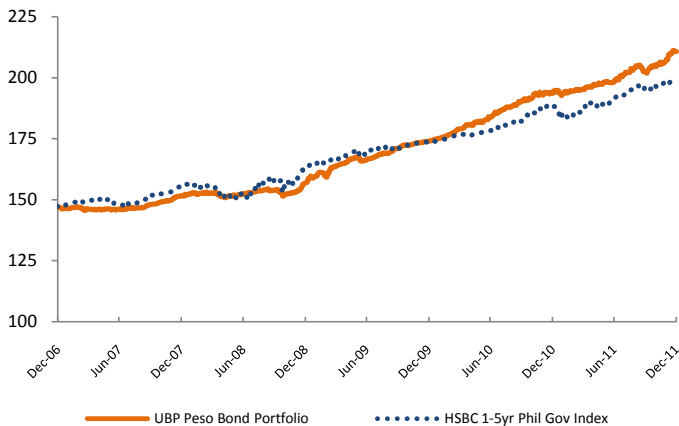
Fund Performance

Calendar Absolute Returns*	Peso Bond	HSBC 1-5 Yr Index
2011	9.06%	6.18%
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	10.41%	7.11%
5 Years	7.46%	6.25%

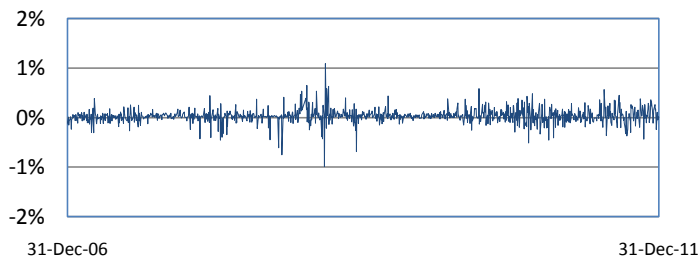
* Returns are reported net of fees.

Net Asset Value, end-of-period:	Php 2.935 Billion
Bid NAV Per Unit (NAVpu)	Php 210.520307
Offer NAV Per Unit (NAVpu)	Php 212.613566

Net Asset Value per Unit



Daily Percentage Change of NAVpu



Risk Characteristics:

One day VAR at 3σ:	0.39%
Volatility, Past 360 Days:	2.44%
Duration:	4.58
Sharpe Ratio (Risk Free Rate = 1.96%):	2.84

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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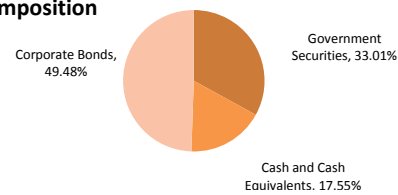
Fund Manager's Report

Government securities rallied on the last month of the year with yields declining by an average of 30 basis points across the curve. Investors remained bullish on the back of positive economic news. The November budget deficit of Php22 billion brought the total to Php96 billion, representing 32% of the 2011 target. Inflation eased to 4.8% in November as food inflation softened. As expected, the Monetary Board kept overnight rates unchanged with a manageable inflation outlook.

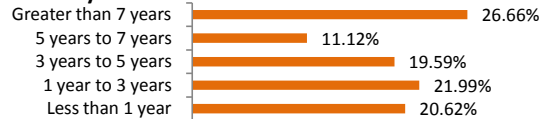
Despite the slowing world economy, October remittances hit a record USD1.8 billion for the month. Total remittances as of October rose 7.0% to USD16.5 billion, in line with the government's full-year 2011 target of 7.0%. Consumer outlook also improved in the 4th quarter, driven by increased investment, higher salaries, and more stable prices.

S&P raised the Philippines' ratings outlook to "positive" from "stable" due to the country's strong external liquidity and improving fiscal position. The credit ratings agency indicated that the country's rating may be due for an upgrade this coming year.

Portfolio Composition



Maturity Profile



Top 5 Holdings

Fixed Rate Treasury Note 8.000% 7/19/2031	22.69%
FPH Preferred Shares	15.18%
Petron Preferred Shares	9.64%
PSALM 7.75% 4/22/2017	9.14%
San Miguel Purefoods Preferred Shares	3.55%

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