

## UnionBank Trust and Investment Services Group

### UBP Peso Fixed Income Portfolio

as of May 31, 2014

#### Investment Objective

The UnionBank Peso Fixed Income 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.

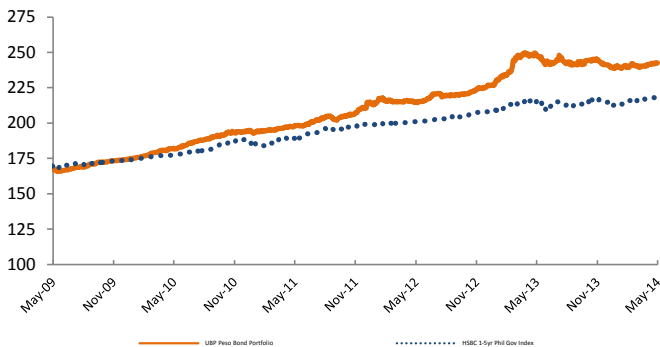
#### Fund Performance

Calendar Absolute Returns*	Peso Bond	HSBC 1-5 Yr Index
YTD	.57%	2.06%
2013	7.09%	3.20%
2012	6.89%	4.41%
2011	9.06%	6.18%
2010	11.35%	8.13%
2009	12.93%	6.99%
2008	3.22%	4.35%
2007	3.14%	5.66%
Cumulative Annualized Returns*	Peso Bond	HSBC 1-5 Yr Index
3 Years	6.98%	5.18%
5 Years	7.69%	5.23%

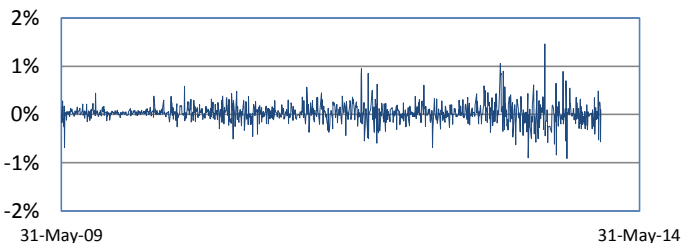
Net Asset Value (NAV)	NAV Per Unit (NAVpu)	Par
Php 3.151 Billion	Php 242.647433	Par

Value: Php 100.00

#### Net Asset Value per Unit



#### Daily Percentage Change of NAVpu



#### Risk Characteristics:

One day VAR at 3σ:	0.6662%
Volatility, Past 360 Days:	4.1961%
Duration:	2.6956
Sharpe Ratio (Risk Free Rate = 1.613%):	-0.91

Volatility is a measure of fluctuation of the NAVpu. Higher volatility means higher potential for gains or losses. 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.

#### Fund Manager's Report

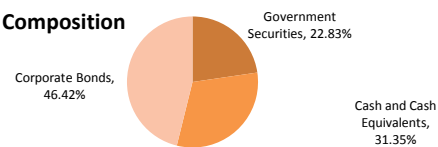
The BTR issued PHP 25B worth of new 3 year bonds at 2.875%. Total tendered bids were 3x the offer size at PHP 76.7B.

Philippine April's CPI grew to 4.1% YoY, which was up from March's 3.9%. Figure was within BSP's expectations and the market's expectations as well.

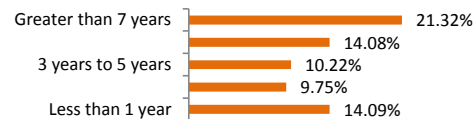
S&P upgraded Philippine's credit rating to BBB from BBB-.

The local bond market had an eventful week this May with yields dropping as much as 30bp across the curve. Liquid issues were the most active as bullish sentiment triumphed for the month. With the surprise upgrade from S&P and BSP's comments on a "pause and gauge impact" of its monetary actions, market players translated the month to a full blown rally. Ample liquidity also helped push the yields further as reflected in the oversubscribed 3yr bond auction.

#### Portfolio Composition



#### Maturity Profile



#### Investment Holdings

RTB 10-04	8.54%
GLOPM 5.750 09/01/2017	8.16%
ACPM 5.450 11/23/2019	5.73%
EDCPM 9.3327 12/04/2016	5.17%
RLCPM 8.500 07/14/2014	3.89%

#### 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
Ave. Gross Market Value for the Qtr.	PhP 4,086,618,342.46
Trust Fees <sup>3</sup> :	1% per annum; 0.28% for the quarter
Audit Fees <sup>3</sup> :	0.0019% for the quarter
Custodianship Fees <sup>3</sup> :	0.004% for the quarter
Applicable Tax:	20% on interest income
Custodian:	HSBC, Ltd Philippines
External Auditor:	Punongbayan & Araullo
Dealing Time:	Daily up to 12noon
Available Thru:	Unionbank of the Philippines branches
Bloomberg Ticker:	

\* All fees are accrued daily against the fund's total market value.  
Complete list of holdings available upon request

**UnionBank Trust and Investment Services Group****UBP Peso Fixed Income Portfolio****FOOTNOTES:****<sup>1</sup>FUND VALUATION**

All assets of the Fund shall be marked to market daily in accordance with existing BSP rules and regulations on marking to market valuation of investment instruments. The pricing valuation methodology shall use the following price sources as bases for computing NAVPu.

*Philippine Equity Securities: Philippine Stock Exchange Closing Levels, 3:30 pm daily*  
*Other instruments: Closing prices as prescribed by BSP regulations and market conventions*

Valuation Day shall mean any day in which banks are open for business in Manila.

The value of the NAVPu at the start of Fund's operation shall be: Php 100.00

The Admission and Redemption NAVPu of the fund shall be computed 4:30pm of each business day and/or after markets close and shall be available to investors by 9:00 am of the next banking day.

All mark-to-market valuation procedures are in accordance with BSP Memorandum No. M-2007-005 dated February 28, 2007.

**<sup>2</sup>PROSPECTIVE INVESTMENTS**

The Fund may be invested and reinvested in:

- i. Securities issued by or guaranteed by the Philippine government, or the Bangko Sentral ng Pilipinas;
- ii. Exchange-listed securities;
- iii. Marketable instruments that are traded in an organized exchange;
- iv. Loans traded in an organized market;
- v. Savings/Checking accounts and/or time deposits in any bank or financial institution, including UnionBank of the Philippines;
- vi. Derivative instruments for the purpose of hedging market risk exposures.
- vii. Such other tradable investment outlets/ categories as the BSP may allow.

A complete list of holdings is available upon request.

**<sup>3</sup>FEES & EXPENSES**

The Trustee shall collect from the Fund trust fees in the amount of ONE PERCENT (1%) per annum based on the Gross Market Value of the Fund which shall be accrued daily and shall be collectible from the Fund at the end of every calendar month.

The Trustee may charge the Fund for special expenses if the same is necessary to preserve or enhance the value of the Fund. Such special expenses shall be payable to pertinent third party or parties covered by separate contract/s, and disclosed to the Participants.

**An investor should read the complete details of the fund in the Plan Rules, and should carefully consider the fund's investment objectives, risks, charges and expenses. He then should make his own risk assessment and, when necessary, seek independent/professional opinion before making an investment.**

