

UnionBank Trust and Investment Services Group

UBP Peso Fixed Income Portfolio

as of July 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.

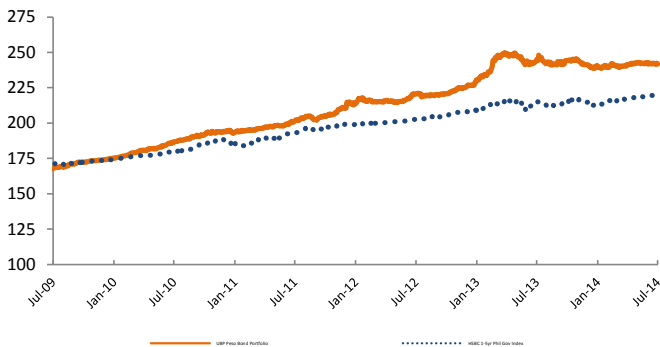
Fund Performance

| Calendar Absolute Returns* | Peso Bond | HSBC 1-5 Yr Index |
|--------------------------------|-----------|-------------------|
| YTD | .23% | 2.23% |
| 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 | 6.32% | 4.37% |
| 5 Years | 7.57% | 5.12% |

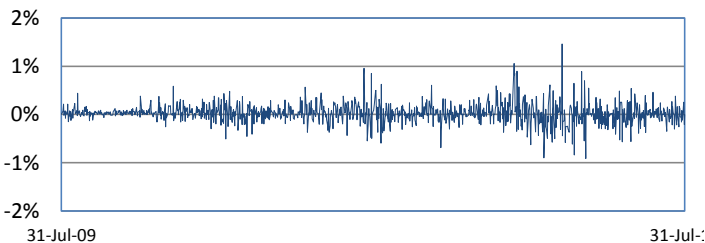
| Net Asset Value (NAV) | NAV Per Unit (NAVpu) | Par |
|-----------------------|----------------------|-----|
| Php 3.121 Billion | Php 241.822183 | Par |

Value: Php 100.00

Net Asset Value per Unit



Daily Percentage Change of NAVpu



Risk Characteristics:

| | |
|--|---------|
| One day VAR at 3σ: | 0.6258% |
| Volatility, Past 360 Days: | 3.9416% |
| Duration: | 2.6054 |
| Sharpe Ratio (Risk Free Rate = 1.080-%): | -0.61 |

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.

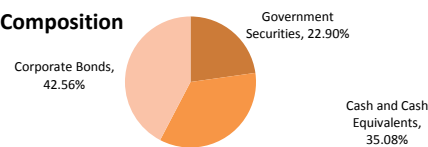
Fund Manager's Report

Banko Sentral ng Pilipinas raised the reverse repo rate (RRP) by 25 basis points leaving the SDA rates unchanged. It was their first hike since May 2011 as the Central bank begins to tighten due to concerns on inflation expectations. The Central bank also described their move as a "pre-emptive response" to the signs of inflationary pressures. July's inflation reading reached the upper range of BSP's forecast of 4.1% to 4.9%. The Central Bank may need to keep inflation in check while supporting growth especially after lowering 2015's inflation target range to 2% to 4%.

Yields for the selected liquid securities rose 5-10 basis points as market digested July's pace. During the early parts of the month, market was active and traded on the short and belly part of the curve linked to the release of the third quarter borrowing schedule where the government plans to issue longer dated bonds. After that market was quiet up to the Monetary Board's decision to hike its key rate by 25bps.

The BTR also announced the details of their debt swap wherein they will offer P60B of new benchmark bonds due August 2024 with a minimum coupon of 4% in exchange for a list of eligible bonds maturing in less than 10 years. Offer period will be on August 6-15, 2014.

Portfolio Composition



Maturity Profile



Investment Holdings

| | |
|-------------------------|-------|
| PSALM 7.750 04/22/2017 | 8.58% |
| GLOPM 6.000 06/01/2019 | 8.03% |
| EDCPM 8.6418 06/04/2015 | 5.59% |
| FLIPM 6.2731 06/08/2019 | 5.10% |
| SMBPM 6.600 04/02/2022 | 3.82% |

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 ³ : | 1% per annum; 0.28% for the quarter |
| Audit Fees ³ : | 0.0019% for the quarter |
| Custodianship Fees ³ : | 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: | IFDPPBP |

* 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:****¹FUND 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.

²PROSPECTIVE 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.

³FEES & 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.