



**UNIONBANK OF THE PHILIPPINES – TRUST AND INVESTMENT SERVICES GROUP**  
**UNIONBANK DOLLAR BOND PORTFOLIO**  
 KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT  
 As of October 31, 2017

**FUND FACTS**

|                         |                              |                                   |  |
|-------------------------|------------------------------|-----------------------------------|--|
| Classification:         | Medium-term Dollar Bond Fund | Net Asset Value per Unit (NAVPU): | USD 2.119254   |
| Launch Date:            | January 12, 2004             | Total Fund NAV:                   | USD 8,288,546.03   |
| Minimum Investment:     | USD 2,000                    | Dealing Day:                      | Up to 2:30 pm, any banking day                               |
| Additional Investment:  | Not Applicable               | Redemption Settlement:            | One (1) banking day after initial notice                     |
| Minimum Holding Period: | 90 calendar days             | Early Redemption Charge:          | 0.25% flat on redeemed amount or USD 10, whichever is higher |

**FEES\***

|                                     |                               |                                  |  |
|-------------------------------------|-------------------------------|----------------------------------|--|
| Trust Fees: 0.75% per annum         | Custodianship Fees: 0.001%    | Audit Fees: 0.002%               |  |
| <i>UnionBank of the Philippines</i> | <i>HSBC, Ltd. Philippines</i> | <i>Punongbayan &amp; Araullo</i> |  |

\*As a percentage of the total market value of the fund for the month valued at USD 8.28 Mn

**INVESTMENT OBJECTIVE AND STRATEGY**

The UnionBank Dollar Bond Portfolio is a US Dollar-denominated bond fund designed to provide investors with higher returns than traditional fixed-income savings products. Earnings volatility is kept at moderate levels, through disciplined investment selection and tenor diversification.

**CLIENT SUITABILITY**

A client profiling process should be performed prior to participating in the Fund to guide the prospective investor if the Fund is suited to his/her investment objectives and risk tolerance. Clients are advised to read the Declaration of Trust/Plan Rules of the Fund, which may be obtained from the Trustee, before deciding to invest.

- The UnionBank Dollar Bond Portfolio is suitable only for investors who:
  - Are individuals of legal age and corporations with a medium to long-term investment horizon
  - Have a moderately conservative risk profile
- The principal is at risk. Loss in the original investment may arise due to market fluctuations and price volatility of the securities held by the fund.

**KEY RISKS AND RISK MANAGEMENT**

You should not invest in this Fund if you do not understand or are comfortable with the accompanying risks.

Some of the key risks associated with this Fund are listed below:

- **Interest Rate Risk:** This is the possibility to experience losses due to changes in interest rates. The purchase and sale of a debt instrument may result in profit or loss because the value of a debt instrument changes inversely with prevailing interest rates.
- **Market/Price Risk:** This is the possibility to experience losses due to adverse changes in market prices of securities. It is the exposure to the uncertain market value of a portfolio due to price fluctuations.
- **Liquidity Risk:** This is the possibility to experience losses due to the fund's inability to sell and convert assets into cash immediately or in instances where conversion to cash is possible but at a highly disadvantageous price.
- **Credit/Default Risk:** This is the possibility for an investor to experience losses due to a borrower's failure to pay principal and/or interest in a timely manner on instruments such as bonds, loans, or other forms of security which the borrower issued.

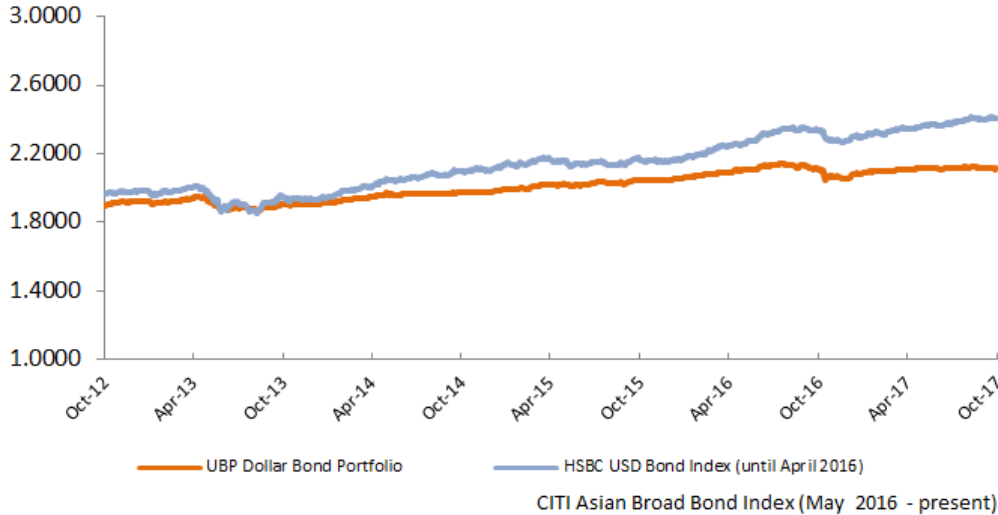
The Fund invests in quality assets which are evaluated under the Trust Department's accreditation process and BSP regulations. Internal risk limits, together with regulatory exposure limits, are monitored, reviewed and strictly adhered to on a daily basis.

- ❖ **THE UIT FUND IS NOT A DEPOSIT AND IS NOT INSURED BY THE PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC)**
- ❖ **RETURNS CANNOT BE GUARANTEED AND HISTORICAL NAVPU IS FOR ILLUSTRATION OF NAVPU MOVEMENTS/FLUCTUATIONS ONLY**
- ❖ **WHEN REDEEMING, THE PROCEEDS MAY BE WORTH LESS THAN THE ORIGINAL INVESTMENT AND ANY LOSSES WILL BE SOLELY FOR THE ACCOUNT OF THE CLIENT**
- ❖ **THE TRUSTEE IS NOT LIABLE FOR ANY LOSS UNLESS UPON WILLFUL DEFAULT, BAD FAITH OR GROSS NEGLIGENCE**

For any queries, you may call UnionBank-Trust and Investment Services Group at 667-6388 or visit our website at www.unionbankph.com .

**FUND PERFORMANCE AND STATISTICS AS OF OCTOBER 31, 2017**

(Purely for reference purposes and is not a guarantee of future results)

**Net Asset Value per Unit**

**NAVPU over the past 12 months**

|                |          |
|----------------|----------|
| <b>Highest</b> | 2.124100 |
| <b>Lowest</b>  | 2.049154 |

**Statistics**

|                                 |        |
|---------------------------------|--------|
| <b>Weighted Ave. Duration</b>   | 3.3785 |
| <b>Volatility, Past 1 Year*</b> | 2.50%  |
| <b>Sharpe Ratio**</b>           | 0.06   |
| <b>Information Ratio***</b>     | -0.14  |

\*Volatility measures the degree to which the Fund fluctuates vis-a-vis its average return over a period of time.

\*\*Sharpe Ratio is used to characterize how well the return of Fund compensates the investor for the level of risk taken. The higher the number, the better. (Risk Free Rate = 0.5134%)

\*\*\*Information Ratio measures reward-to-risk efficiency of the portfolio relative to the benchmark. The higher the number, the higher the reward per unit of risk.

**Fund Performance Vs. Benchmark (%)**

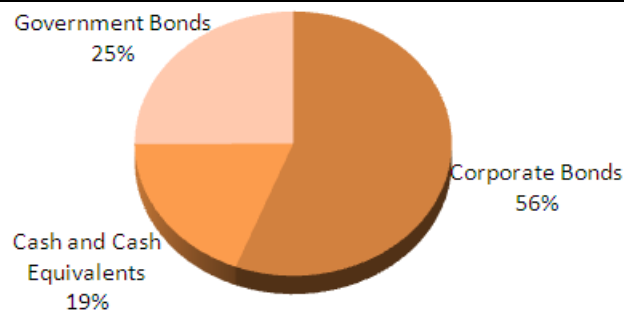
| Period     | Cumulative Return |                      |       |       |       | Annualized Return |      |
|------------|-------------------|----------------------|-------|-------|-------|-------------------|------|
|            | 1mos              | 3mos                 | 6mos  | 1yr   | 3yrs  | 3yrs              | 5yrs |
| Fund       | 0.07              | 0.17                 | 0.56  | 0.66  | 7.45  | 2.42              | 2.23 |
| Benchmark* | 0.38              | 1.27                 | 2.66  | 3.26  | 14.91 | 4.74              | 4.16 |
| Period     |                   | Calendar Year Return |       |       |       |                   |      |
| YTD        | 2011              | 2012                 | 2013  | 2014  | 2015  | 2016              |      |
| Fund       | 2.94              | 6.23                 | 10.19 | -0.82 | 3.80  | 3.51              | 0.50 |
| Benchmark* | 5.80              | 5.54                 | 12.73 | -2.39 | 8.86  | 2.12              | 5.59 |

\*HSBC USD Bond Index (until April 2016)

CITI Asian Broad Bond Index (May 2016 – present)

**Top Ten Holdings (%)**

|                                |              |
|--------------------------------|--------------|
| TRAVPH 6.900 11/03/17          | 14.68        |
| SMCPM 4.875 04/26/2023         | 11.94        |
| CHINA BANK                     | 11.10        |
| ROP 24NEW USD 4.200 01/21/2024 | 10.04        |
| VLLPM 6.750 10/04/2018         | 8.26         |
| SMPM 4.250 10/17/2019          | 8.22         |
| UNIONBANK OF THE PHILIPPINES   | 7.96         |
| VLLPM 7.450 04/29/2019         | 6.47         |
| RCBPM 4.250 01/22/2020         | 6.34         |
| ROP 42 USD 3.700 02/02/2042    | 6.07         |
| <b>Total</b>                   | <b>91.07</b> |

**PORTFOLIO COMPOSITION**

**OTHER DISCLOSURES**
**RELATED PARTY TRANSACTIONS**

The fund has time deposits with UnionBank of the Philippines amounting to USD 650,513.70. This investment outlet was approved by the Trust Committee. Likewise, all related parties transactions are conducted on an arm's length basis.

**OUTLOOK AND STRATEGY**

ROP prices were generally weaker for the month of October as base rates adjust to US benchmark bond yields. Drop in prices were due mostly to better than expected US data that came out for the month and market jitters on uncertainties as to the appointment of a new Fed Chair. However, as the month ended, prices got a relief as to the President Trump's appointment of Fed governor Jerome Powell. Powell is perceived by the market as a continuation of the Yellen era. This indicated a continuity of current stance of gradual pace of tightening and balance sheet reduction. Thus, the Fed's possible third hike this year is still on the table. Meanwhile, proposed tax reform coming from the US congress was perceived to need a lot of changes signaling further delay.