



UNIONBANK OF THE PHILIPPINES – TRUST AND INVESTMENT SERVICES GROUP
UNIONBANK DOLLAR BOND PORTFOLIO
 KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT
 As of June 30, 2018

| FUND FACTS | | | |
|-------------------------|------------------------------|-----------------------------------|--|
| Classification: | Medium-term Dollar Bond Fund | Net Asset Value per Unit (NAVPU): | USD 2.064987 |
| Launch Date: | January 12, 2004 | Total Fund NAV: | USD 6,305,204.24 |
| 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 & Araullo</i> | |

*As a percentage of the total market value of the fund for the month valued at USD 6.31 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.

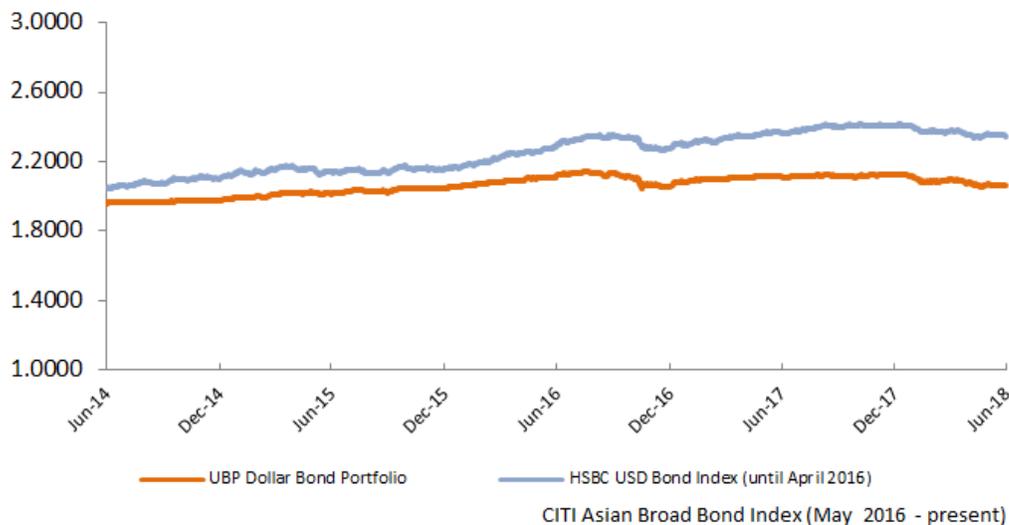
| |
|--|
| ❖ THE UIT FUND IS NOT A DEPOSIT AND IS NOT INSURED BY THE PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC) |
| ❖ RETURNS CANNOT BE GUARANTEED AND HISTORICAL NAVPU IS FOR ILLUSTRATION OF NAVPU MOVEMENTS/FLUCTUATIONS ONLY |
| ❖ WHEN REDEEMING, THE PROCEEDS MAY BE WORTH LESS THAN THE ORIGINAL 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 JUNE 30, 2018

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

Net Asset Value per Unit



NAVPu over the past 12 months

| | |
|----------------|----------|
| Highest | 2.129582 |
| Lowest | 2.057708 |

Statistics

| | |
|---------------------------------|--------|
| Weighted Ave. Duration | 4.6405 |
| Volatility, Past 1 Year* | 2.25% |
| Sharpe Ratio** | -1.44 |
| Information Ratio*** | 0.22 |

*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 = 0.9820%)

***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 | -0.21 | -1.48 | -2.86 | -2.25 | 2.41 | 0.80 | 1.89 |
| Benchmark* | -0.51 | -1.05 | -2.56 | -0.65 | 9.63 | 3.11 | 4.48 |

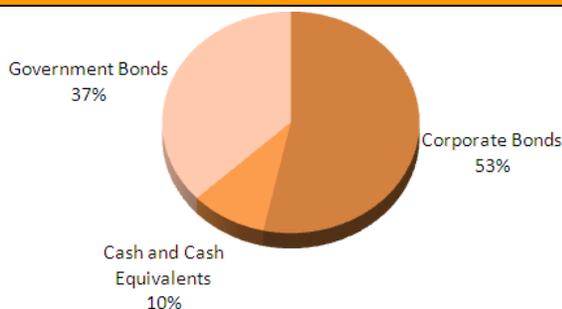
| Period | YTD | Calendar Year Return | | | | | |
|------------|-------|----------------------|-------|------|------|------|------|
| | | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Fund | -2.86 | 10.19 | -0.82 | 3.80 | 3.51 | 0.50 | 3.26 |
| Benchmark* | -2.56 | 12.73 | -2.39 | 8.86 | 2.12 | 5.59 | 5.88 |

*HSBC USD Bond Index (until April 2016)
CITI Asian Broad Bond Index (May 2016 – present)

Top Ten Holdings (%)

| | |
|-----------------------------------|--------------|
| ROP 28 USD 3.000 02/01/2028 | 15.18 |
| VLLPM 5.750 11/28/2024 | 15.16 |
| SMCPM 4.875 04/26/2023 | 14.92 |
| ROP 24NEW USD 4.200 01/21/2024 | 12.26 |
| SMPM 4.250 10/17/2019 | 10.50 |
| RCBPM 4.250 01/22/2020 | 9.69 |
| ROP 30 USD 9.500 02/02/2030 | 5.84 |
| ROP 42 USD 3.700 02/02/2042 | 3.69 |
| UNIONBANK OF THE PHILIPPINES | 3.22 |
| PNBPM 4.250 04/27/2023 | 3.15 |
| Total | 93.62 |

PORTFOLIO COMPOSITION



OTHER DISCLOSURES

RELATED PARTY TRANSACTIONS

The fund has time deposits with UnionBank of the Philippines amounting to USD 200,670.82. 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

The month of June has been packed with global events starting with POTUS Trump's meeting with Kim Jong Un last June 12. This historic summit concluded with possibilities of the denuclearization of the Korean Peninsula. While this was viewed as a pleasant start for the month, the US-China clash continued to take the center stage throughout the month together with the much-anticipated US FED announcement of the Federal Funds Rate increase by 25 basis points, bringing a new range of 1.75% to 2.00%.

Although market has priced in the June hike, Fed Chair Powell comments that there is a strong case for more interest hikes on the back of declining unemployment and inflation at 2% levels. FOMC officials indicated the possibility of two more rate hikes for the rest of 2018. Following FED Chair Powell's comments, the 2-year US Treasuries rose from c2.49% to c2.56% but closed the month at c2.52%. On the other hand, the 10-year UST closed the month at c2.87% coming off from the months' high of c2.97% just before the FOMC meeting.

The US yield curve bear flattened as the spread between longer tenor rates and shorter tenor rates narrowed by c8 basis points. Global investors were seen to flock to US papers as global trade tensions spur and tariff disputes divulge towards the end of the month.

On the local front, ROP yields increased c10 basis points across tenors within the month. Relative to UST yields, longer tenor ROP yield spreads have widened while the shorter tenor yields somewhat moved similarly. Given the global economic uncertainties and the possibilities of further rate increases both on the local and foreign side, we remain cautious and deploy on opportunistic issues.