

## UnionBank Trust and Investment Services Group

### UBP Philippine Dollar Bond Portfolio as of December 31, 2011

#### Investment Objective

The UnionBank Philippine Dollar Bond Portfolio is a US Dollar-denominated fund that seeks the total return of a diversified portfolio of foreign currency fixed-income instruments.

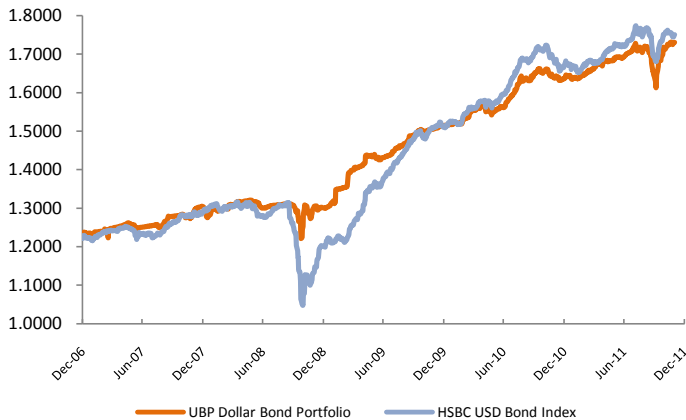
#### Fund Performance

Calendar Absolute Returns*	Dollar Bond	HSBC USD Bond Index
2011	6.23%	5.54%
2010	8.05%	10.31%
2009	16.24%	25.42%
2008	0.45%	-6.50%
2007	5.89%	5.51%
Cumulative Annualized Returns*	Dollar Bond	HSBC USD Bond Index
3yr period	10.17%	13.46%
5yr period	7.18%	7.56%

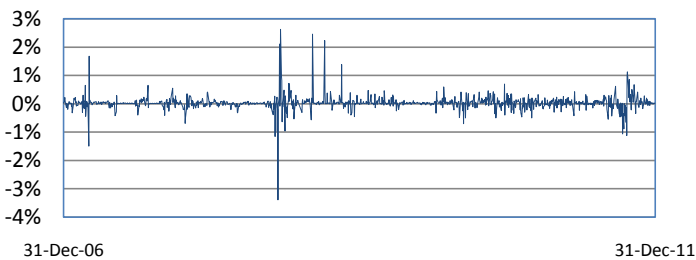
\*Returns are reported net of fees.

Net Asset Value, end-of-period:	USD 11.836 Million
Bid NAV Per Unit (NAVpu)	USD 1.734088
Offer NAV Per Unit (NAVpu)	USD 1.755568

#### Net Asset Value per Unit



#### Daily Percentage Change of NAVpu



31-Dec-06

31-Dec-11

#### Risk Characteristics:

One day VAR at 3σ:	0.60%
Volatility, Past 360 Days:	3.76%
Duration:	4.53
Sharpe Ratio (Risk Free Rate = 0.27%):	1.68

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 US TBill rate.

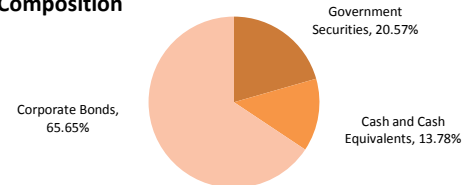
#### Fund Manager's Report

Philippine dollar sovereign bonds had a mild rally in the last month of the year, with yields decreasing by an average of 10 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.

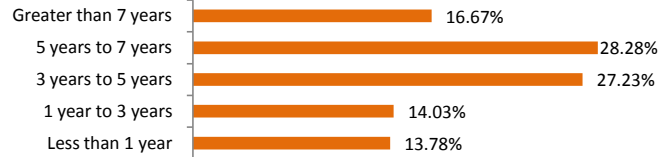
Despite a slowing world economy, October remittances hit a record USD1.8 billion for the month. Remittances as of October rose 7.0% to USD16.5 billion, in line with the government's full-year 2011 target of 7.0%. Consumer outlook also improved in the 4th quarter driven by increased investment, higher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

S&P raised the Philippines' ratings 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. While Philippine fundamentals remain sound, Philippine dollar bonds may stay defensive with the European Union crisis still weighing on investor sentiment.

#### Portfolio Composition



#### Maturity Profile



#### Top 5 Holdings

San Miguel Global Power 7% 1/28/2016	15.00%
SM Investment 6% 9/22/2014	13.91%
National Power Corp 12/15/2016	13.06%
Alliance Global 6.5% 8/18/2017	12.16%
Banco De Oro 3.875% 04/22/2016	9.53%

#### Fund Facts

Classification:	Medium-term Dollar Bond Fund
Launch Date:	January 12, 2004
Client Suitability:	Moderately conservative to Moderately aggressive risk tolerance
Base currency:	United States Dollar
Initial Investment:	Usd 2,000
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 Usd 10 whichever is higher
Trust Fees:	0.75% per annum
Custodianship Fees:	0.02% per annum
Applicable Tax:	7.5% on interest income
Custodian:	HSBC, Ltd Philippines
External Auditor:	Punong-bayan & Araullo
Dealing Time:	Daily up to 12 noon
Available Thru:	Unionbank of the Philippines branches
Bloomberg Ticker:	IFPHDLB

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

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