

## UnionBank Trust and Investment Services Group

UBP Philippine Dollar Bond Portfolio  
 as of January 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

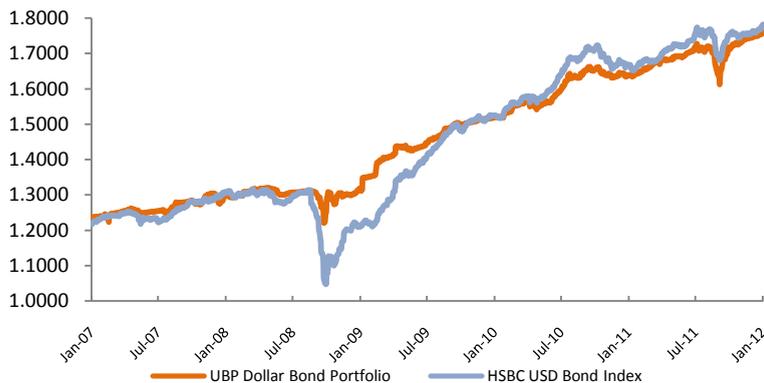
| Calendar Absolute Returns*     | Dollar Bond | HSBC USD Bond Index |
|--------------------------------|-------------|---------------------|
| YTD                            | 0.97%       | 0.92%               |
| 2011                           | 6.23%       | 5.54%               |
| 2010                           | 8.05%       | 10.31%              |
| 2009                           | 16.24%      | 25.42%              |
| 2008                           | 0.45%       | -6.50%              |
| Cumulative Annualized Returns* | Dollar Bond | HSBC USD Bond Index |
| 3yr period                     | 10.11%      | 13.65%              |
| 5yr period                     | 7.43%       | 7.83%               |

\*Returns are reported net of fees.

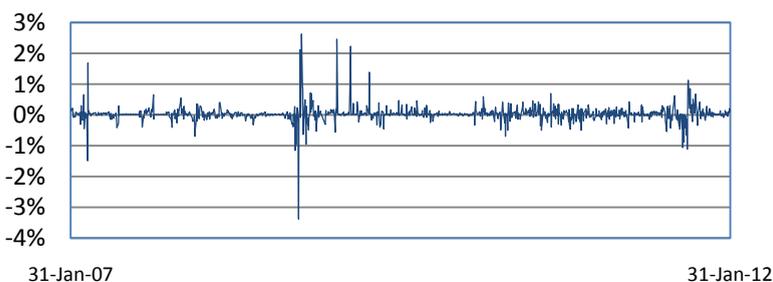
|                    | Net Asset Value (NAV) | NAV Per Unit (NAVpu) |
|--------------------|-----------------------|----------------------|
| Bid <sup>1</sup>   | USD 11.203 Million    | USD 1.750005         |
| Offer <sup>1</sup> | USD 11.349 Million    | USD 1.772753         |
| Mid <sup>1</sup>   | USD 11.276 Million    | USD 1.761379         |

Par Value: USD 1.00

### Net Asset Value per Unit



### Daily Percentage Change of NAVpu



31-Jan-07

31-Jan-12

### Risk Characteristics:

|  |       |
|--|-------|
| One day VAR at 3σ:                     | 0.59% |
| Volatility, Past 360 Days:             | 3.73% |
| Duration:                              | 4.31  |
| Sharpe Ratio (Risk Free Rate = 0.24%): | 1.95  |

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.

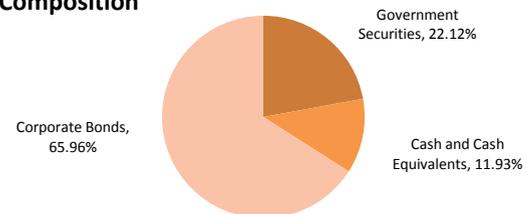
### Fund Manager's Report

Longer-tenor Philippine dollar bond prices increased this month as investors saw favorable developments in the European Union (EU) and positive surprises from the United States (US). EU leaders' approval of the details that supported a stronger fiscal union and the implementation of a July activation of the ESM pacified the market somewhat. US growth concerns eased with the reporting of positive surprises from various economic indicators.

In the local setting, the Philippines also reported positive fundamentals. Inflation is still benign, easing to 4.2% in December 2011 from 4.8% in November. Average inflation for 2011 was 4.8% and is within government's target range of 3% to 5%. Also, the system is still awash with liquidity. OFW remittances were up 10.6% in November, reaching a year-to-date total of US\$18.3 billion. SDA levels rose 34% in 2011 to PhP 1.66 trillion. GDP growth slowed to 3.7% in 2011 compared to 7.6% growth in 2010.

Philippine fundamentals are expected to remain favorable and supportive of the ROP market. However, the situation in Greece will still be carefully monitored and may weigh down on investors' sentiments should developments turn sour.

### Portfolio Composition



### Maturity Profile

|                      |        |
|----------------------|--------|
| Greater than 7 years | 18.13% |
| 5 years to 7 years   | 17.59% |
| 3 years to 5 years   | 38.99% |
| 1 year to 3 years    | 13.28% |
| Less than 1 year     | 12.01% |

### Top 5 Holdings<sup>2</sup>

|                                      |        |
|--------------------------------------|--------|
| National Power Corp 12/15/2016       | 13.35% |
| SM Investment 6% 9/22/2014           | 13.24% |
| San Miguel Global Power 7% 1/28/2016 | 13.21% |
| Alliance Global 6.5% 8/18/2017       | 10.86% |
| Banco De Oro 3.875% 04/22/2016       | 9.66%  |

### 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                             |
| Ave. Gross Market Value for the Qtr. | USD 11,521,837.50   |
| Trust Fees <sup>3</sup> :            | 0.75% per annum; 0.07% for the quarter                          |
| Audit Fees <sup>3</sup> :            | 0.0004% for the quarter   |
| Custodianship Fees <sup>3</sup> :    | 0.001% for the quarter  |
| 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.

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UBP Philippine Dollar Bond Portfolio

**FOOTNOTES:****<sup>1</sup>FUND VALUATION**

The Dual Pricing Method shall be used in computing the Net Asset Value (NAV) of the fund. Under this method, the **Bid Net Asset Value per Unit (Bid NAVpu)** and the **Offer Net Asset Value per Unit (Offer NAVpu)** shall be calculated.

The **Bid NAVpu** is the redemption price. It is the price used when a client wishes to redeem units from the fund. The Bid NAVpu is calculated using the closing bid prices of the underlying assets of the fund for the day, net of fees and other allowable expenses.

The **Offer NAVpu** is the admission price. It is the price used when a client wishes to contribute to the fund. The Offer NAVpu is calculated using the closing offer prices of the fund's underlying assets for the day, net of fees and other allowable expenses.

The **Mid/Last Net Asset Value per Unit (Mid/Last NAVpu)** shall also be computed for information or reporting purposes only. For client reporting, the Bid/Offer values shall be provided in the financial statement footnotes.

i. The Mid NAVpu shall be computed for UITFs with fixed income assets. It shall be determined from the average of the bid-side and offer-side market yields-to-maturity or prices of the underlying assets of the fund for the day, net of fees and other allowable expenses.

ii. The Last NAVpu shall be computed for all UITFs with equity holdings. It shall be determined from the LAST closing prices of outstanding equity holdings for the day, net of fees and other allowable expenses.

**<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 THREE-QUARTERS PERCENT (0.75%) 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.

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