

## UnionBank Trust and Investment Services Group

### UBP Philippine Dollar Bond Portfolio as of February 28, 2012

#### 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

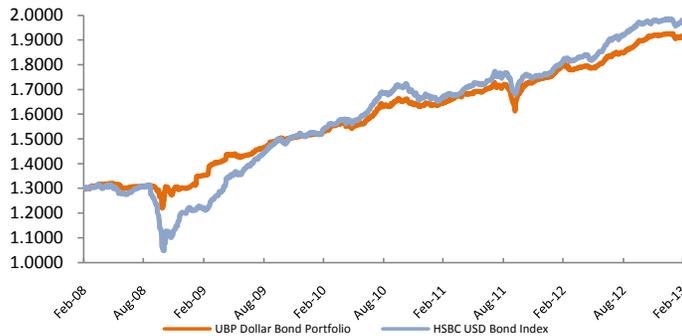
Calendar Absolute Returns*	Dollar Bond	HSBC USD Bond Index
YTD	-0.15%	-0.48%
2012	10.19%	12.73%
2011	6.23%	5.54%
2010	8.05%	10.31%
2009	16.24%	25.42%
2008	0.45%	-6.50%
Cumulative Annualized Returns*	Dollar Bond	HSBC USD Bond Index
3yr period	7.83%	8.72%
5yr period	8.16%	8.74%

\*Returns are reported net of fees.

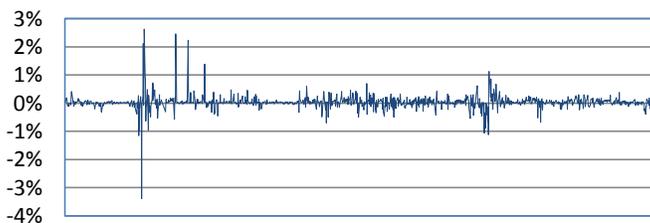
	Net Asset Value (NAV)	NAV Per Unit (NAVpu)
Bid <sup>1</sup>	USD 12.735 Million	USD 1.912414
Offer <sup>1</sup>	USD 12.831 Million	USD 1.925803
Mid <sup>1</sup>	USD 12.783 Million	USD 1.919109

Par Value: USD 1.00

#### Net Asset Value per Unit



#### Daily Percentage Change of NAVpu



28-Feb-08

28-Feb-13

#### Risk Characteristics:

One day VAR at 3σ:	0.30%
Volatility, Past 360 Days:	1.93%
Duration:	4.599
Sharpe Ratio (Risk Free Rate = 0.1578%):	3.46

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 US TBill rate.

#### Fund Manager's Report

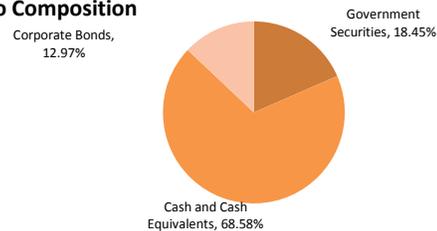
US Treasury bond prices rose in February. One of the major catalysts was the release of the minutes from the January Federal Reserve meeting. The report showed that some Fed officials expressed concern over the longevity of quantitative easing. The idea that the Fed could end its asset-purchase program early suddenly curbed investors' appetite for risk.

As this unfolded, talks between the White House and US congressional leaders on the budget crisis began again – leading up to the March 1 deadline for the so-called 'sequester' when US\$85Bn in automatic federal spending cuts are scheduled to take effect. The International Monetary Fund earlier said it would probably slice 0.5 percentage points off its 2% 2013 growth forecast for the world's biggest economy if the cuts are fully implemented.

Another catalyst was the uncertain result of the Italian national elections. The political resurrection of Mr. Berlusconi and his allies rattled Eurozone markets once again. This event brought Europe's economic problems back into the spotlight and also drove investors into safer assets.

Philippine dollar-denominated sovereign debt (ROPs) tracked the US Treasuries higher, however, with yields only marginally lower across the curve. The yields fell by about 10bps at the belly, while the longer tenors decreased by about 5bps.

#### Portfolio Composition



#### Maturity Profile

Greater than 7 years	32.88%
5 years to 7 years	9.26%
3 years to 5 years	35.49%
1 year to 3 years	9.27%
Less than 1 year	13.09%

#### Top Holdings

Traveller's Int'l Hotel Group 6.9 11/03/2017	13.35%
ICTSI 7.375 03/17/2020	12.89%
Alliance Global Inc 6.5 08/18/2017	9.77%
Republic of the Philippines 6.375 01/15/2032	9.63%
Republic of the Philippines 8.500 10/21/2024	8.82%

#### 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 13,459,242.51
Trust Fees <sup>3</sup> :	0.75% per annum; 0.24% for the quarter
Audit Fees <sup>3</sup> :	0.0013% for the quarter
Custodianship Fees <sup>3</sup> :	0.005% 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

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## **UnionBank Trust and Investment Services Group**

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.

**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.**