



**UNIONBANK OF THE PHILIPPINES – TRUST AND INVESTMENT SERVICES GROUP**  
**UNIONBANK PESO BALANCED PORTFOLIO**  
**KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT**  
 As of July 31, 2015

| <b>FUND FACTS</b>       |                               |                                   |   |
|-------------------------|-------------------------------|-----------------------------------|---|
| Classification:         | Medium to Long-term Bond Fund | Net Asset Value per Unit (NAVPU): | Php 133.66267368  |
| Launch Date:            | February 15, 2011             | Total Fund NAV:                   | Php 392,219,305.53  |
| Minimum Investment:     | Php 100,000                   | Dealing Day:                      | Up to 12 noon, any banking day                                |
| Additional Investment:  | Not Applicable                | Redemption Settlement:            | Four (4) banking days after initial notice                    |
| Minimum Holding Period: | 90 calendar days              | Early Redemption Charge:          | 0.25% flat on redeemed amount or Php 500, whichever is higher |

| <b>FEES*</b>  |                               |                                  |                    |
|---|-------------------------------|----------------------------------|--------------------|
| Trust Fees:<br>2.00% per annum on equity holdings<br>1.00% per annum on fixed income holdings | Custodianship Fees: 0.001%    | Audit Fees: 0.001%               | Other Fees: 0.003% |
| <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 Php 392.91 Mn

**INVESTMENT OBJECTIVE AND STRATEGY**

The UnionBank Peso Balanced Portfolio is a peso-denominated balanced fund that provides investors access to a diversified set of investment instruments in both equities and fixed-income markets. The balanced approach to asset allocation is designed to provide income and potential growth from fixed-income and equity investments but with less volatility than a portfolio invested entirely in equities.

**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 Peso Balanced 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 aggressive 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.

|   |
|---|
| <ul style="list-style-type: none"> <li>❖ <b>THE UIT FUND IS NOT A DEPOSIT AND IS NOT INSURED BY THE PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC)</b></li> <li>❖ <b>RETURNS CANNOT BE GUARANTEED AND HISTORICAL NAVPU IS FOR ILLUSTRATION OF NAVPU MOVEMENTS/FLUCTUATIONS ONLY</b></li> <li>❖ <b>WHEN REDEEMING, THE PROCEEDS MAY BE WORTH LESS THAN THE ORIGINAL INVESTMENT AND ANY LOSSES WILL BE SOLELY FOR THE ACCOUNT OF THE CLIENT</b></li> <li>❖ <b>THE TRUSTEE IS NOT LIABLE FOR ANY LOSS UNLESS UPON WILLFUL DEFAULT, BAD FAITH OR GROSS NEGLIGENCE</b></li> </ul> |
|---|

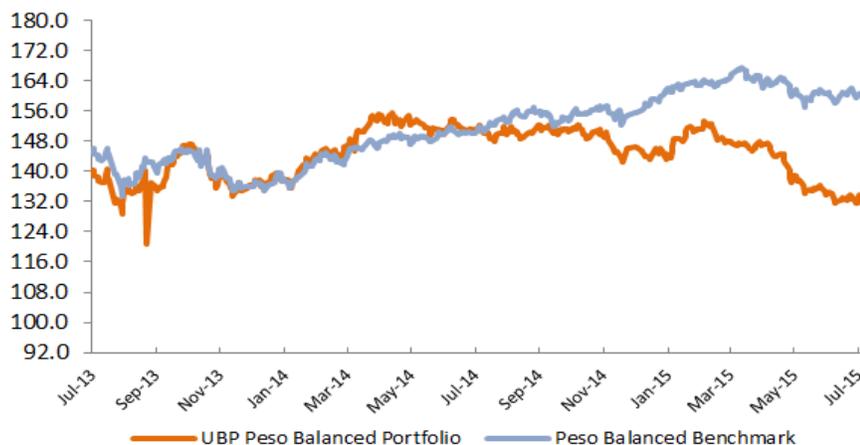
For any queries, you may call UnionBank-Trust and Investment Services Group at 667-6388 or visit our website at www.unionbankph.com.

## FUND PERFORMANCE AND STATISTICS AS OF JULY 31, 2015

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

### NAVPU Graph

#### Net Asset Value per Unit



### NAVPU over the past 12 months

|                |             |
|----------------|-------------|
| <b>Highest</b> | 153.2522655 |
| <b>Lowest</b>  | 131.6272066 |

### Statistics

|                                 |        |
|---------------------------------|--------|
| <b>Weighted Ave. Duration</b>   | 0.2209 |
| <b>Volatility, Past 1 Year*</b> | 17.61% |
| <b>Shape Ratio**</b>            | -0.74  |
| <b>Information Ratio***</b>     | -0.002 |

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

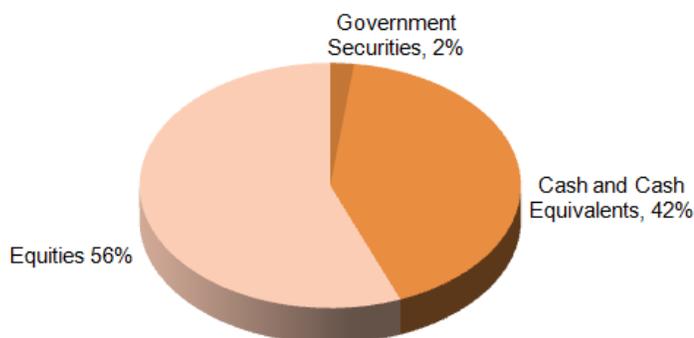
\*\*Sharpe Ratio is used to characterize how well the return of Fund compensates the investor for the level of risk taken. The higher the number, the better. (Risk Free Rate = 1.5000%)

\*\*\*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 (%) |       |                   |       |       |        |       | Top Ten Holdings (%) |      |                            |              |
|------------------------------------|-------|-------------------|-------|-------|--------|-------|----------------------|------|----------------------------|--------------|
| Period                             | YTD   | Cumulative Return |       |       |        |       | Annualized Return    |      | Company Name               | Value (%)    |
|                                    |       | 1mos              | 3mos  | 6mos  | 1yr    | 3yrs  | 3yrs                 | 5yrs |                            |              |
| Fund                               | -8.83 | -0.18             | -9.08 | -7.01 | -11.54 | 10.78 | 3.47                 | --   | LOPEZ HOLDINGS CORP.       | 9.02         |
| Benchmark*                         | 4.34  | -0.18             | -2.06 | -1.76 | 9.79   | 41.30 | 12.22                | --   | PETRON CORP.               | 5.07         |
|                                    |       |                   |       |       |        |       |                      |      | UNIVERSAL ROBINA CORP.     | 4.49         |
|                                    |       |                   |       |       |        |       |                      |      | TRAVELLER'S INTL' INC.     | 4.49         |
|                                    |       |                   |       |       |        |       |                      |      | MEGAWORLD CORP.            | 3.10         |
|                                    |       |                   |       |       |        |       |                      |      | EMPERADOR DISTILLERY INC.  | 3.03         |
|                                    |       |                   |       |       |        |       |                      |      | PEPSI-COLA PRODUCTS PHILS. | 2.78         |
|                                    |       |                   |       |       |        |       |                      |      | PUREGOLD                   | 2.78         |
|                                    |       |                   |       |       |        |       |                      |      | SAN MIGUEL PUREFOODS       | 2.74         |
|                                    |       |                   |       |       |        |       |                      |      | FIRST GEN CORP.            | 2.66         |
|                                    |       |                   |       |       |        |       |                      |      | <b>Total</b>               | <b>40.16</b> |

\*50% PSEi, 50% HSBC 1-5 Yr Phil Bond Index

### Portfolio Composition



### OTHER DISCLOSURES

#### RELATED PARTY TRANSACTIONS

The fund has time deposits with City Savings Bank amounting to Php 20.12 Mn. 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

**Equity.** The PSE Index saw a small drop for July as it closed at 7,550, 0.19% down for the month. Various factors both foreign and domestic plagued the market as investors had to balance the Grexit concerns, the Chinese stock market plummeting and the start of the earnings season in their trades. The net effect led to a volatile market which saw the index trade within a band of 7,363.43 - 7,665.52 intra-month. On the flows side, the volume continued to slow with the direction of foreign flows is biased towards the sell side. On corporate news, SCC suffered the biggest drop among index names on the back of the unfortunate incident that led to the deaths of some miners and the closure of their Panian mine. The Daang Hari-SLEX / Muntinlupa-Cavite Expressway was also opened by Ayala Corp as investors hope in the continued launches of the PPP projects established by the Aquino administration begin to ramp up as election season approaches. Finally, corporate earnings are beginning to come out with mixed expectations. This will be the big issue to watch with the market devoid of other catalysts in the very near term. However, we may see some positioning by funds on rate hike expectations and spending related to elections and government projects for the latter part of the year.

**Fixed Income.** BSP's Felipe Medalla said: "The low inflation rate creates space for the BSP to reduce the reserve requirement" and "We have a very high reserve requirement, which should go down." Local bond yields tightened tracking UST movements and some players are already buying the front end in anticipation of a lower July CPI and the possible RRR cut from the BSP. Activity was relatively muted and generally focused on the 20-17(16yr) and 10-59 (9yr). The longer bonds traded at the range of 4.10%-4.15% while the latter closed at 3.55%- 3.59% pct. Move downwards was gradual as players took advantage of lower yields to take profit. Meanwhile, the BTR successfully issued Php25.0B of the 5-72 at 3.089%, within market range of 3.050% to 3.100%. BTR also stated that they are looking to do a PHP bond swap in September before the Fed lift off.

The Fund's prospective investments include (a) Securities issued or guaranteed by the Philippines government, or the Bangko Sentral ng Pilipinas; (b) Exchange-listed securities and funds; (c) Marketable instruments that are traded in an organized exchange; (d) Loans traded in an organized market; (e) Savings/Checking accounts and/or time deposits in any bank of financial institution, including UnionBank of the Philippines; and, (f) Such other tradable investment outlets/categories as the BSP may allow.

