



**UNIONBANK OF THE PHILIPPINES – TRUST AND INVESTMENT SERVICES GROUP**  
**UNIONBANK PESO BALANCED PORTFOLIO**  
**KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT**  
As of March 31, 2016

| <b>FUND FACTS</b>       |                               |                                   |   |
|-------------------------|-------------------------------|-----------------------------------|---|
| Classification:         | Medium to Long-term Bond Fund | Net Asset Value per Unit (NAVPU): | Php 124.84566494  |
| Launch Date:            | February 15, 2011             | Total Fund NAV:                   | Php 229,360,874.64  |
| 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: 0.136%                  | 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; Arullo</i> |                    |

\*As a percentage of the net fund value for the month valued at Php 229.36 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.

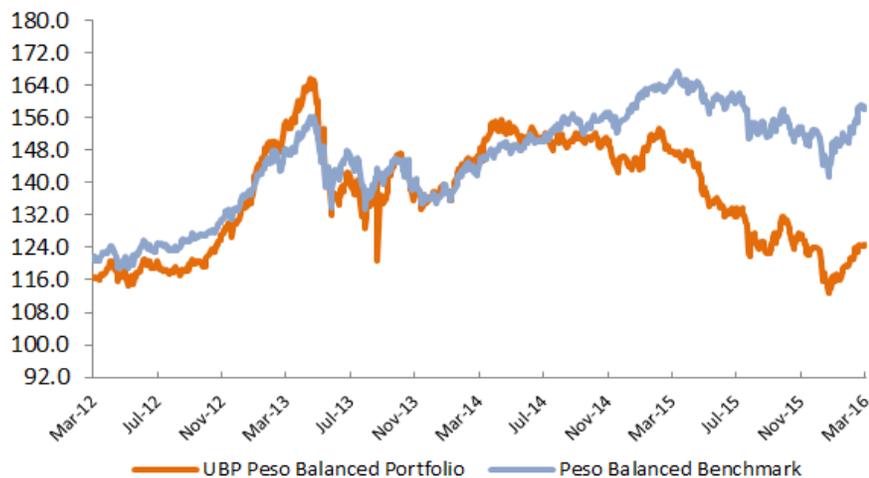
|  |
|--|
| ❖ <b>THE UIT FUND IS NOT A DEPOSIT AND IS NOT INSURED BY THE PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC)</b>                                 |
| ❖ <b>RETURNS CANNOT BE GUARANTEED AND HISTORICAL NAVPU IS FOR ILLUSTRATION OF NAVPU MOVEMENTS/FLUCTUATIONS ONLY</b>                              |
| ❖ <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> |
| ❖ <b>THE TRUSTEE IS NOT LIABLE FOR ANY LOSS UNLESS UPON WILLFUL DEFAULT, BAD FAITH OR GROSS NEGLIGENCE</b>                                       |

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 MARCH 31, 2016**

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

**Net Asset Value per Unit**



**NAVPU over the past 12 months**

|                |             |
|----------------|-------------|
| <b>Highest</b> | 147.7365474 |
| <b>Lowest</b>  | 112.6412657 |

**Statistics**

|                                 |        |
|---------------------------------|--------|
| <b>Weighted Ave. Duration</b>   | 1.1365 |
| <b>Volatility, Past 1 Year*</b> | 16.74% |
| <b>Shape Ratio**</b>            | -1.04  |
| <b>Information Ratio***</b>     | -0.30  |

\*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 = 1.8606%)

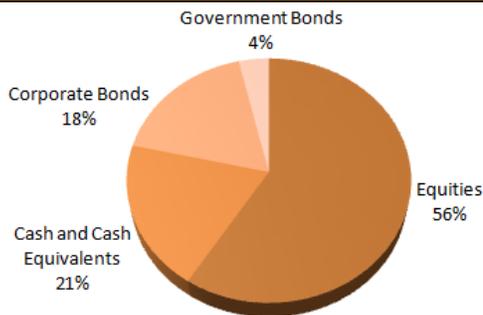
\*\*\*Information Ratio measures reward-to-risk efficiency of the portfolio relative to the benchmark. The higher the number, the higher the reward per unit of risk.

**Fund Performance Vs. Benchmark (%)** | **Top Ten Holdings (%)**

| Fund Performance Vs. Benchmark (%) |                   |      |       |        |        |        | Annualized Return       |                         | Top Ten Holdings (%) |  |
|------------------------------------|-------------------|------|-------|--------|--------|--------|-------------------------|-------------------------|----------------------|--|
| Period                             | Cumulative Return |      |       |        |        | 3yrs   | 5yrs                    | FLIPM 5.3567 08/20/2022 |                      |  |
|                                    | 1mos              | 3mos | 6mos  | 1yr    | 3yrs   |        |                         | 5yrs                    |                      |  |
| Fund                               | 4.42              | 0.72 | 1.70  | -15.52 | -19.15 | -6.84  | 4.46                    | CITIBANK                | 7.52                 |  |
| Benchmark*                         | 8.65              | 4.40 | 5.24  | -8.30  | 6.09   | 1.99   | 12.10                   | FGEN                    | 6.03                 |  |
| Calendar Year Return               |                   |      |       |        |        |        |                         |                         |                      |  |
| Period                             | YTD               | 2011 | 2012  | 2013   | 2014   | 2015   | CITY SAVINGS BANK       |                         |                      |  |
| Fund                               | 0.71              | --   | 21.29 | 4.67   | 7.43   | -15.45 | 5.44                    |                         |                      |  |
| Benchmark*                         | 4.40              | --   | 19.10 | 2.26   | 12.95  | -1.26  | PGOLD                   |                         |                      |  |
|                                    |                   |      |       |        |        |        | 5.24                    |                         |                      |  |
|                                    |                   |      |       |        |        |        | SCC                     |                         |                      |  |
|                                    |                   |      |       |        |        |        | 4.75                    |                         |                      |  |
|                                    |                   |      |       |        |        |        | PSBANK                  |                         |                      |  |
|                                    |                   |      |       |        |        |        | 4.58                    |                         |                      |  |
|                                    |                   |      |       |        |        |        | AEVPM 4.4722 11/06/2020 |                         |                      |  |
|                                    |                   |      |       |        |        |        | 4.44                    |                         |                      |  |
|                                    |                   |      |       |        |        |        | URC                     |                         |                      |  |
|                                    |                   |      |       |        |        |        | 4.12                    |                         |                      |  |
|                                    |                   |      |       |        |        |        | EDC                     |                         |                      |  |
|                                    |                   |      |       |        |        |        | 4.04                    |                         |                      |  |
|                                    |                   |      |       |        |        |        | <b>Total</b>            |                         |                      |  |
|                                    |                   |      |       |        |        |        | <b>58.19</b>            |                         |                      |  |

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

**Portfolio Composition**



**OTHER DISCLOSURES**

**RELATED PARTY TRANSACTIONS**

The fund has bond investments with Aboitiz Equity Ventures, time deposits with City Savings Bank and equity investments with Aboitiz Power amounting to Php 10.17 Mn, Php 12.47Mn and Php 3.95 Mn respectively. These investment outlets were approved by the Trust Committee. Likewise, all related parties transactions are conducted on an arm's length basis.

**OUTLOOK AND STRATEGY**

**Equity.** March saw a strong month on month performance from the index as it gained 8.86% on broad based buying, closing at 7,254. The rally was due to positive sentiment on emerging markets after the dovish comments from the Fed and the ECB. Foreigners turned net buyers, seemingly entering the market passively as the index heavyweights are the biggest beneficiaries of the rally. Local institutions are still generally overweight on cash which could lead to a strong support if ever the market shows weakness. Given the lack of strong catalysts, volatility may persist in the local market until the elections occur or more clarity is seen in global markets with most gains and losses being flow driven in the near term. Our strategy remains focused on staying nimble by being overweight on cash and concentrating on more liquid names.

**Fixed Income.** The month of March saw yields declining amidst abundant liquidity and persistent global growth woes that plague market sentiment. Appetite was mostly on the 10 years above. Yields from the belly to the long end of the curve went down approximately 20 bps as yields on the local bonds tracked movements on the US treasury bonds. After the "ultra" dovish comments from the Fed Chair Janet Yellen, emerging market bonds rallied after suit. With a the local monetary board policy likely to remain on hold in the 2nd quarter due to its leeway to respond to external challenges, markets continued to chase yields as the local bond yield curve flattened. March inflation of 1.1% came out in line with market expectations and within BSP's forecast range. Higher food, alcoholic and tobaccos and miscellaneous inflation account for the higher inflation rate relative to the February headline inflation rate of 0.9%. The 1Q average inflation rate was 1.1%. Meanwhile, the implementation of the Interest Rate Corridor is targeted to start by 2Q 2016. The final details for this new system for steering money market rates towards central bank target/policy rate will come out 15 days prior to the official start.