



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

<b>FUND FACTS</b>			
Classification:	Medium to Long-term Bond Fund	Net Asset Value per Unit (NAVPU):	Php 126.4722130
Launch Date:	February 15, 2011	Total Fund NAV:	Php 231,645,760.68
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: 0.130%	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 229.31 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.

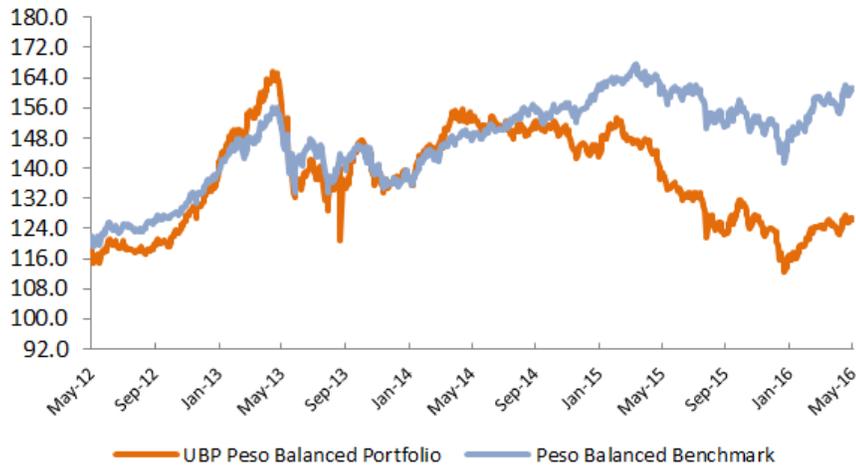
<ul style="list-style-type: none"> <li>❖ <b>THE UIT FUND IS NOT A DEPOSIT AND IS NOT INSURED BY THE PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC)</b></li> <li>❖ <b>RETURNS CANNOT BE GUARANTEED AND HISTORICAL NAVPU IS FOR ILLUSTRATION OF NAVPU MOVEMENTS/FLUCTUATIONS ONLY</b></li> <li>❖ <b>WHEN REDEEMING, 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>
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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 MAY 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>	138.6710909
<b>Lowest</b>	112.6412657

**Statistics**

<b>Weighted Ave. Duration</b>	1.0858
<b>Volatility, Past 1 Year*</b>	16.39%
<b>Shape Ratio**</b>	-0.67
<b>Information Ratio***</b>	-0.12

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

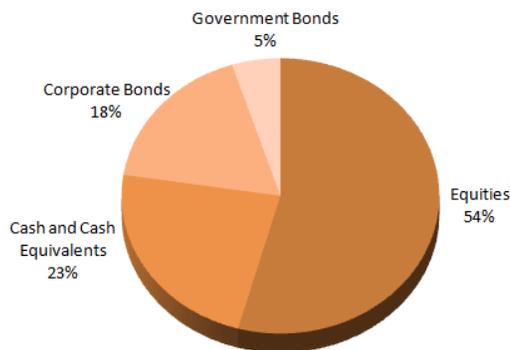
\*\*Sharpe Ratio is used to characterize how well the return of Fund compensates the investor for the level of risk taken. The higher the number, the better. (Risk Free Rate = 1.9891%)

\*\*\*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	Cumulative Return					Annualized Return		Fund Name	Yield (%)	
	1mos	3mos	6mos	1yr	3yrs	3yrs	5yrs			
Fund	1.67	5.78	0.21	-8.94	-19.13	-6.83	4.11	FLIPM 5.3567 08/20/2022	11.87	
Benchmark*	2.53	6.12	4.69	0.13	6.37	2.08	7.69	ANZ Bank	11.02	
Calendar Year Return										
Period	YTD	2011	2012	2013	2014	2015				
Fund	2.02	--	21.29	4.67	7.43	-15.45	FXTN 10-54 6.375 01/19/2022			4.92
Benchmark*	4.29	--	19.10	2.26	12.95	-1.26	Megaworld Corp.			4.85
							Philippine Savings Bank			4.52
							AEVPM 4.4722 11/06/2020			4.37
							Robinsons Retail Holdings Inc.			4.34
							First Gen Corp.			4.31
							<b>Total</b>			<b>60.52</b>

\*50% PSEi, 50% HSBC 1-5 Yr Phil Bond Index (until April 2016)  
50% PSEi, 50% Bloomberg Philippine Sovereign Bond Index 1-5 Years, Adjusted (May 2016 – present)

**Portfolio Composition**



**OTHER DISCLOSURES**

**RELATED PARTY TRANSACTIONS**

The fund has bond investments with Aboitiz Equity Ventures, equity investments with Aboitiz Power and time deposits with City Savings Bank amounting to Php 10.17 Mn, Php 3.45 Mn and Php 12.49 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.** Elections and corporate action frenzy overtook the market as we saw a surge of 3.4% for the country's index in the month of May. Our relatively clean and peaceful elections has been a boon for the market as foreign flows rose by an additional US \$ 285M, though this may also be attributed to market moving actions by a few of the country's largest names. We saw JG Summit offer US \$250 worth to the market, the telco industry get shaken up with rivals Globe Telecom and PLDT acquiring San Miguel's telco assets to return to a duopoly, PLDT selling its stake in Meralco for the acquisition and GT Capital essentially trade in its stake in Global Business Power for shares in Metro Pacific with cash considerations in the deal. The whirlwind of transactions has caused renewed interest and a catalyst for names, something the market needed to trade at such lofty valuations as corporate earnings have not been spectacular. The market may rebalance in light of the new transactions that have occurred and the various indications that the President-elect Rodrigo Duterte and his presumptive cabinet have been making over the past few weeks. Due to this, we expect volatility to persist. We are maintaining our general strategy of staying nimble by concentrating on more liquid names as we rebalance given market conditions.

**Fixed Income.** The month of May started off with the national election jitters as local market players maintained a cautious stance with the yield curve steepening. Longer dated bonds rose 10 to 15 bps and short dated bonds gained 10 basis points as well. After the relatively peaceful elections, yields on the belly to the long ends rallied back gaining back losses from pre election levels. Market further rallied after being surprised on the news of narrowing the upcoming Interest Rate Corridor system. The yield curve bull flattened as the Central Bank cut its overnight borrowing rate to 3% from 4% and overnight lending rate to 3.5% from 6% while keeping the SDA rate unchanged. After digesting several announcements with the IRC and uncertainties in the global peripherals, the 3yr, 5yr and 7yr tenor bonds continued to see demand rallying further by as much as 20 to 30 bps.

The Central Bank's new Interest Rate Corridor announced the details of the scheduled auction in June. The Term Deposit facility will have 7 days and 28 days for PHP 10B and PHP 20B every week for the month to shore up excess liquidity in the financial system. The previously tenored SDA will be an Overnight Deposit Facility to represent the floor for the new IRC.