



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

| <b>FUND FACTS</b>                   |                               |                                   |   |
|-------------------------------------|-------------------------------|-----------------------------------|---|
| Classification:                     | Medium to Long-term Bond Fund | Net Asset Value per Unit (NAVPU): | Php 131.535304  |
| Launch Date:                        | February 15, 2011             | Total Fund NAV:                   | Php 234,603,014.01  |
| Minimum Investment:                 | Php 100,000                   | Dealing Day:                      | Up 2:30 pm, 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: 0.129%                  | 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 234.23 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.

- ❖ **THE UIT FUND IS NOT A DEPOSIT AND IS NOT INSURED BY THE PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC)**
- ❖ **RETURNS CANNOT BE GUARANTEED AND HISTORICAL NAVPU IS FOR ILLUSTRATION OF NAVPU MOVEMENTS/FLUCTUATIONS ONLY**
- ❖ **WHEN REDEEMING, THE PROCEEDS MAY BE WORTH LESS THAN THE ORIGINAL INVESTMENT AND ANY LOSSES WILL BE SOLELY FOR THE ACCOUNT OF THE CLIENT**
- ❖ **THE TRUSTEE IS NOT LIABLE FOR ANY LOSS UNLESS UPON WILLFUL DEFAULT, BAD FAITH OR GROSS NEGLIGENCE**

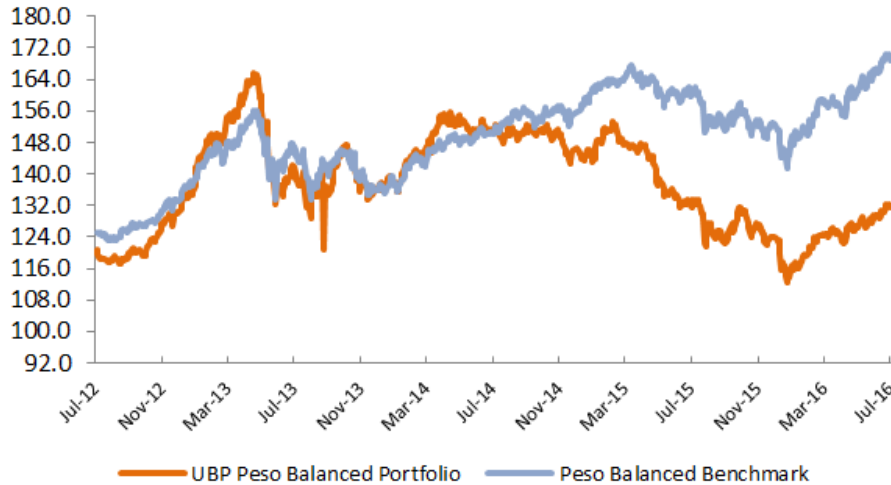
For any queries, you may call UnionBank-Trust and Investment Services Group at 667-6388 or visit our website at [www.unionbankph.com](http://www.unionbankph.com).

**FUND PERFORMANCE AND STATISTICS AS OF JULY 31, 2016**

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

| NAVPu over the past 12 months   |             |
|---------------------------------|-------------|
| <b>Highest</b>                  | 133.6559536 |
| <b>Lowest</b>                   | 112.6412657 |
| Statistics                      |             |
| <b>Weighted Ave. Duration</b>   | 1.0613      |
| <b>Volatility, Past 1 Year*</b> | 16.00%      |
| <b>Shape Ratio**</b>            | -0.13       |
| <b>Information Ratio***</b>     | -0.04       |

**Net Asset Value per Unit**

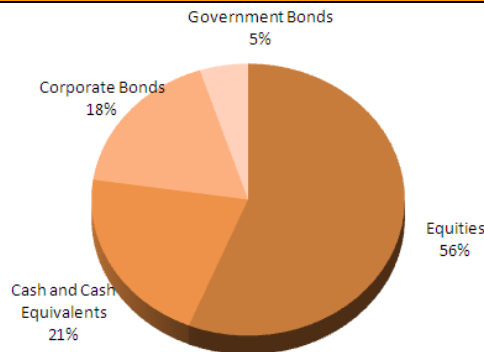


\*Volatility measures the degree to which the Fund fluctuates vis-a-vis its average return over a period of time.  
 \*\*Sharpe Ratio is used to characterize how well the return of Fund compensates the investor for the level of risk taken. The higher the number, the better. (Risk Free Rate = 1.9123%)  
 \*\*\*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 |                           |                             |       |  |              |
|                                    | 1mos              | 3mos | 6mos  | 1yr   | 3yrs  | 3yrs              | 5yrs                      |                             |       |  |              |
| Fund                               | 1.75              | 5.74 | -8.14 | -1.59 | -6.23 | -2.12             | 3.68                      | BANGKO SENTRAL NG PILIPINAS | 12.91 |  |              |
| Benchmark*                         | 1.33              | 7.01 | 3.67  | 3.92  | 13.34 | 4.22              | 7.72                      | FLIPM 5.3567 08/20/2022     | 12.00 |  |              |
| Calendar Year Return               |                   |      |       |       |       |                   |                           |                             |       |  |              |
| Period                             | YTD               | 2011 | 2012  | 2013  | 2014  | 2015              |                           |                             |       |  |              |
| Fund                               | 6.11              | --   | 21.29 | 4.67  | 7.43  | -15.45            | MEG                       |                             |       |  | 4.72         |
| Benchmark*                         | 8.50              | --   | 19.10 | 2.26  | 12.95 | -1.26             | SCC                       |                             |       |  | 4.53         |
|                                    |                   |      |       |       |       |                   | CITIBANK/CITIGROUP GLOBAL |                             |       |  | 4.37         |
|                                    |                   |      |       |       |       |                   | AEVPM 4.4722 11/06/2020   |                             |       |  | 4.35         |
|                                    |                   |      |       |       |       |                   | EDC                       |                             |       |  | 4.00         |
|                                    |                   |      |       |       |       |                   | CITY SAVINGS BANK         |                             |       |  | 3.85         |
|                                    |                   |      |       |       |       |                   | <b>Total</b>              |                             |       |  | <b>61.19</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 10.26 Mn, Php 3.39 Mn and Php 9.08 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.** Another month of gains was reflected in July as the PSEi inched up 2.1% on the back of continued net foreign inflows. Index heavyweights contributed to the bulk of this gain but inflows cut across most of the listed names as fund managers began positioning for 2Q16 earnings results as well as a potential seasonal downturn in August. The Duterte administration held its first State of the Nation Address wherein he reiterated the goals he promised during his campaign, some of which directly affect listed names such as increased infrastructure spending.

The market continues to trade at resistance levels, now reaching near-all time high levels, and may consolidate as the market waits for more catalysts to appear. We are maintaining our general strategy of staying nimble by concentrating on more liquid names as we rebalance given market conditions.

**Fixed Income.** Third quarter borrowing schedule was released, which detailed offers of a total of PHP 75- billion in 7-year and 10-year treasury bonds. Re issuance of FXTN 07-58 was oversubscribed as demand reached PHP 44.728. Auction was 1.789x with its auction size of PHP 25 B. Average rate was awarded below its coupon rate at an average of 3.016%. BSP's Term Deposit Auction (TDF) still maintained at 2.50%. Steady increase in auction size of the TDF is to be expected in the coming months.

Inflation for June surged to 1.9% from 1.6% in May which was primarily brought by higher in food and non-alcoholic beverage prices. This falls within the 1.5%-2.4% estimate of monetary governing authorities. Rates have been steady for 14 consecutive Monetary Board meetings, since October 2014. As local bond fundamentals remain favourable, yields eased further south. Long term bonds were the most sought after as the GS yield curve bull flattened further. However, we expect US benchmark yields to still play a role in the direction of local bond yields.