



UNIONBANK OF THE PHILIPPINES – TRUST AND INVESTMENT SERVICES GROUP
UNIONBANK PESO BALANCED PORTFOLIO
KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT
As of October 28, 2016

FUND FACTS			
Classification:	Medium to Long-term Bond Fund	Net Asset Value per Unit (NAVPU):	Php 126.904123
Launch Date:	February 15, 2011	Total Fund NAV:	Php 215,186,588.25
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

FEES*			
Trust Fees: 0.118%	Custodianship Fees: 0.001%	Audit Fees: 0.001%	Other Fees: 0.002%
<i>UnionBank of the Philippines</i>	<i>HSBC, Ltd. Philippines</i>	<i>Punongbayan & Arullo</i>	

*As a percentage of the net fund value for the month valued at Php 215.19 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.

FUND PERFORMANCE AND STATISTICS AS OF OCTOBER 28, 2016

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

NAVPU over the past 12 months

Highest	132.122273
Lowest	112.641266

Statistics

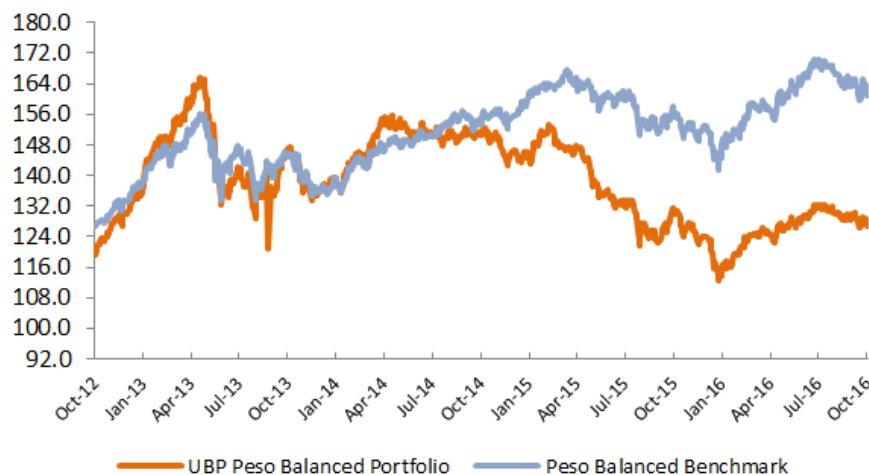
Weighted Ave. Duration	1.7386
Volatility, Past 1 Year*	9.83%
Shape Ratio**	-0.53
Information Ratio***	0.10

*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 = 1.7545%)

***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.

Net Asset Value per Unit

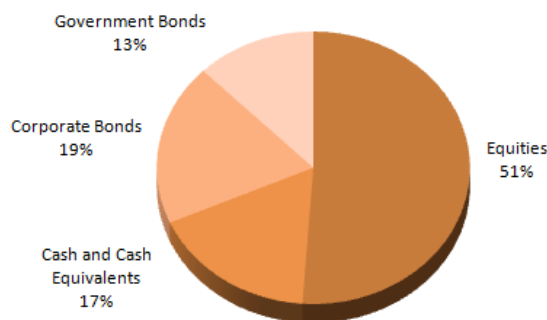


Fund Performance Vs. Benchmark (%) | **Top Ten Holdings (%)**

Period	Cumulative Return					Annualized Return		Top Ten Holdings (%)	Value		
	1mos	3mos	6mos	1yr	3yrs	3yrs	5yrs				
Fund	-1.45	-3.70	2.01	-2.40	-13.80	-4.83	3.69	FLIPM 5.3567 08/20/2022	12.97		
Benchmark*	-1.74	-3.75	2.46	3.57	10.37	3.34	7.36	BANGKO SENTRAL NG PILIPINAS	11.47		
Calendar Year Return											
Period	YTD	2011	2012	2013	2014	2015					
Fund	2.38	--	21.29	4.67	7.43	-15.45	FXTN 20-17 8.000 07/19/2031			7.21	
Benchmark*	5.14	--	19.10	2.26	12.95	-1.26	FXTN 10-54 6.375 01/19/2022			5.21	
Calendar Year Return (Continued)											
										AEVPM 4.4722 11/06/2020	4.80
										CITY SAVINGS BANK	4.24
										Megaworld Corp	4.13
										Ayala Corporation	3.96
										Ayala Land, Inc.	3.74
										First Gen Corporation	3.45
								Total	61.16		

*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, equity investments with UnionBank of the Philippines and time deposits with City Savings Bank amounting to Php 10.33 Mn, Php 2.99 Mn, Php 3.86 Mn and Php 9.13 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. The index continued to fall in October closing 2.95% lower MoM. The last trading day before the long weekend reflected the lowest intraday point of the month, a drop of over 4% before closing just above the 7,400 level. The story remained more of the same as foreign outflows continued with the risk off sentiment continuing to push down the market. November looks to continue this trend with the Fed rate hike and US elections still looming over the market. Locally, risks remain as political statements and policies have caused industries such as property, utilities and telcos to plummet. State visits to Japan and China may potentially serve as a boon to the country with the caveat that the projects are only at the MOU stage and not enforceable at the moment.

The market has continues to weaken as it looks to retest lower support levels. We aim to deploy cash further into liquid names as the market continues to come off and rebalance given volatile market conditions.

Fixed Income. Consumer prices rose 2.3 percent year-on-year in September of 2016, following a 1.8 percent increase in August while market expected a 2.1 percent rise. It was the highest inflation rate since March 2015 as prices rose at a faster pace for food and non-alcoholic beverages and housing and utilities.

BSP's Term Deposit Facility reached new highs with the central bank accepting bids up to 2.75% on the 28 days. BSP Governor is said to be on the same sentiment to keep policy stance and TDF offer size amidst higher rates.

Local bond yields continue to take heavy hitting from the intermediate part of the curve (5 to 7 years) to the long end (mostly liquid 15 years). 2nd half of October saw massive sellers from end accounts and foreign players as benchmark bonds rose as high as 40 to 50 basis points. Yields corrected after the steep drop in prices however rose back again after factoring the higher probability of a rate hike this year combined with rising inflation. With thin volume turn around on most days, bids remained defensive and with some selling pressure ahead of key risk events.