



UNIONBANK OF THE PHILIPPINES – TRUST AND INVESTMENT SERVICES GROUP
UNIONBANK PESO BALANCED PORTFOLIO
 KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT
 As of November 29, 2016

| FUND FACTS | | | |
|-------------------------|-------------------------------|-----------------------------------|---|
| Classification: | Medium to Long-term Bond Fund | Net Asset Value per Unit (NAVPU): | Php 121.685674 |
| Launch Date: | February 15, 2011 | Total Fund NAV: | Php 205,955,485.87 |
| 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: 0.144% | Custodianship Fees: 0.002% | Audit Fees: 0.001% | Other Fees: 0.003% |
| <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 205.96 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.

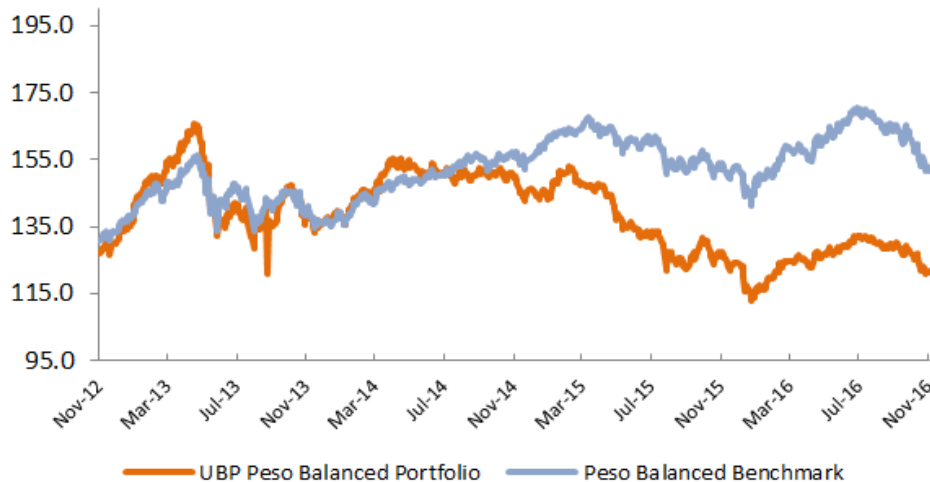
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|---|
| <ul style="list-style-type: none"> ❖ THE UIT FUND IS NOT A DEPOSIT AND IS NOT INSURED BY THE PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC) ❖ RETURNS CANNOT BE GUARANTEED AND HISTORICAL NAVPU IS FOR ILLUSTRATION OF NAVPU MOVEMENTS/FLUCTUATIONS 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 |
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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 NOVEMBER 29, 2016

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

Net Asset Value per Unit



NAVPU over the past 12 months

| | |
|----------------|------------|
| Highest | 132.122273 |
| Lowest | 112.641266 |

Statistics

| | |
|---------------------------------|--------|
| Weighted Ave. Duration | 1.7308 |
| Volatility, Past 1 Year* | 10.06% |
| Shape Ratio** | -0.65 |
| Information Ratio*** | 0.30 |

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

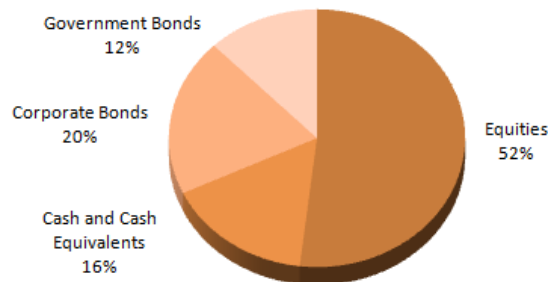
**Sharpe Ratio is used to characterize how well the return of Fund compensates the investor for the level of risk taken. The higher the number, the better. (Risk Free Rate = 2.9374%)

***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 | | Top Ten Holdings (%) | | |
| | 1mos | 3mos | 6mos | 1yr | 3yrs | 3yrs | 5yrs | Holder | Weight (%) | |
| Fund | -4.11 | -6.36 | -3.97 | -3.59 | -12.33 | -4.29 | 2.91 | FLIPM 5.3567 08/20/2022 | 13.46 | |
| Benchmark* | -4.89 | -7.46 | -4.63 | 0.59 | 7.84 | 2.55 | 6.55 | BANGKO SENTRAL NG PILIPINAS | 10.08 | |
| Period | YTD | Calendar Year Return | | | | | | | | |
| | | 2011 | 2012 | 2013 | 2014 | 2015 | | | | |
| Fund | -1.83 | -- | 21.29 | 4.67 | 7.43 | -15.45 | FXTN 20-17 8.000 07/19/2031 | | | |
| Benchmark* | 0.18 | -- | 19.10 | 2.26 | 12.95 | -1.26 | FXTN 10-54 6.375 01/19/2022 | | | |
| | | | | | | | | | AEVPM 4.4722 11/06/2020 | 4.86 |
| | | | | | | | | | Ayala Land, Inc. | 4.52 |
| | | | | | | | | | CITY SAVINGS BANK | 4.40 |
| | | | | | | | | | Ayala Corporation | 3.85 |
| | | | | | | | | | SM Investments Corporation | 3.69 |
| | | | | | | | | | Megaworld Corp | 3.52 |
| | | | | | | | | | Total | 60.64 |

*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 10.09 Mn, Php 2.79 Mn and Php 9.14 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 bleeding has yet to stop with the index falling for the fourth straight month to 6,781, the largest month-on-month drop of the year at -8.4%. Foreign outflows overpowered the local market reaching US\$383m, coincidentally the highest monthly outflow of the year as well. The story of the 2H16 continued with uncertainty, political risk, and underwhelming numbers from both local and foreign fronts set up the stage for a global risk off sentiment. The Trump victory in the US election implies a high probability of a rate hike given his rhetoric and potential policies. In addition, the weakening peso has exacerbated the PSEi's year-to-date drop from -2.46% in PHP terms to -7.99% in USD terms.

Without the support of strong earnings, we are now seeing the index lose its premium and come closer to its mean P/E. Many corporates were in-line with analyst expectations but because of the negative sentiment on the market and the lack of clarity in future earnings, several houses have also turned cautious on the market. We have rotated our holdings and plan to remain nimble with the ability to deploy into or take profit on liquid names.

Fixed Income. The Philippines economy grew an annual 7.1 percent in the September quarter of 2016, following a 7.0 percent expansion in the second quarter and above market consensus of a 6.7 percent growth. This was the quickest pace since 2013. The expansion was mainly supported by strong private consumption despite weaker exports and less robust government spending.

The Bangko Sentral ng Pilipinas (BSP) kept its policy stance steady last Nov 10, 2016. The policy tools were left unchanged, with the overnight policy rate at 3.00%, overnight deposit rate at 2.50%, and reserve requirement ratio at 20%. The central bank believes that inflation continues to be manageable though upside risks are rising. As a result, Bangko Sentral ng Pilipinas revised upwards its inflation forecasts to 1.8 % for 2016, 3.0% for 2017, and 2.9% for 2018 (from 1.7%, 2.9%, and 2.6% respectively.)

Emerging market in general sold off in reaction to the upset in the US elections. With Donald Trump's election rhetoric on pro-US growth and pro-fiscal stimulus economic policies, both nominal and real yields are at the upside risk. Yields on benchmark bonds rose 30 to 50bps across the curve as US treasuries rose to its fastest pace since the Taper Tantrum in 2013. Local bond yields rose on thin liquidity as players remained defensive to the sell-off.