



UNIONBANK OF THE PHILIPPINES – TRUST AND INVESTMENT SERVICES GROUP
UNIONBANK PESO BALANCED PORTFOLIO
KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT
As of February 28, 2017

FUND FACTS			
Classification:	Medium to Long-term Bond Fund	Net Asset Value per Unit (NAVPU):	Php 125.110413
Launch Date:	February 15, 2011	Total Fund NAV:	Php 200,574,857.82
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: 0.124%	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 200.57 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.

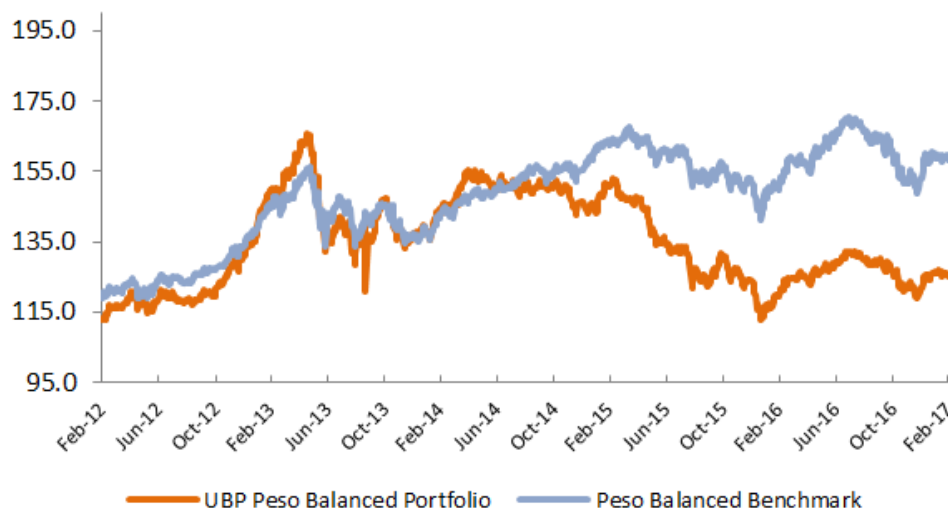
<ul style="list-style-type: none"> ❖ THE UIT FUND IS NOT A DEPOSIT AND IS NOT INSURED BY THE PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC) ❖ RETURNS CANNOT BE GUARANTEED AND HISTORICAL NAVPU IS FOR ILLUSTRATION OF NAVPU MOVEMENTS/FLUCTUATIONS ONLY ❖ WHEN REDEEMING, THE PROCEEDS MAY BE WORTH LESS THAN 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 FEBRUARY 28, 2017

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

Net Asset Value per Unit



NAVPU over the past 12 months

Highest	132.557161
Lowest	118.822025

Statistics

Weighted Ave. Duration	1.2224
Volatility, Past 1 Year*	8.62%
Shape Ratio**	0.42
Information Ratio***	-0.07

*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 = 1.3371%)

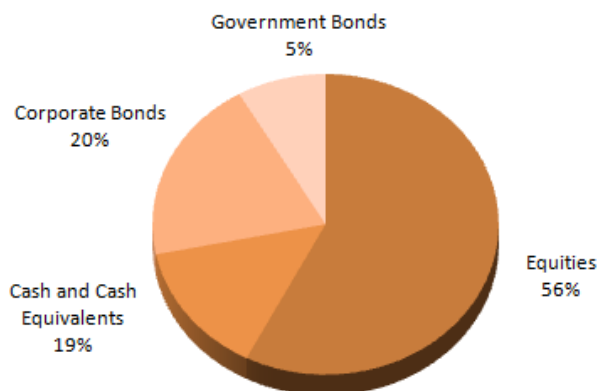
***Information Ratio measures reward-to-risk efficiency of the portfolio relative to the benchmark. The higher the number, the higher the reward per unit of risk.

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

Period	Cumulative Return					Annualized Return		Top Ten Holdings (%)	
	1mos	3mos	6mos	1yr	3yrs	3yrs	5yrs		
Fund	-0.73	2.81	-3.73	4.64	-13.53	-4.73	2.08	FLIPM 5.3567 08/20/2022	13.41
Benchmark*	-0.31	3.75	-4.14	5.25	10.04	3.24	5.55	CITY SAVINGS BANK	10.34
								AYALA LAND INC.	5.19
								AEVPM 4.4722 11/06/2020	5.00
Calendar Year Return									
Period	YTD	2011	2012	2013	2014	2015	2016	FXTN 07-58 3.500 04/21/2023	4.83
Fund	2.72	--	21.29	4.67	7.43	-15.45	-1.74	SM INVESTMENTS CORP	4.54
Benchmark*	3.02	--	19.10	2.26	12.95	-1.26	0.65	AYALA CORPORATION	3.93
								BANGKO SENTRAL NG PILIPINAS	3.89
								MEGAWORLD CORP	3.49
								FXTN 05-74 4.000 01/26/2022	3.49
								Total	58.12

*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



HER 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 10.03 Mn, Php 3.44 Mn and Php 20.77 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 market range traded over the month and ended slightly lower at 7212, -0.2% compared to the prior month. Outflows once again brought the market lower with the YTD position at USD 97m outflow. With corporate earnings coming in line generally speaking, we may continue seeing the market move sideways as a whole and more swings on a per name basis. Names that disappoint in the earnings should expect investors to punish the stock such as Cemex that underperformed consensus targets. Those that surprise in either earnings like Globe and Meralco or for other reasons like Puregold's index inclusion serve as catalyst for some fund managers to ride the momentum before locking in gains.

Foreign flows continue to look like the biggest determinant of stock performance as passive funds and ETFs continue to drive the market's direction. We are still awaiting a catalyst such as the passage of the first tax reform package given that earnings are generally in-line. We have rotated our holdings and plan to remain nimble with the ability to deploy into or take profit on liquid names.

Fixed Income. Bangko Sentral ng Pilipinas held its benchmark rate at 3% in its meeting last February 9, 2017. Market widely expected a no change as fiscal conditions were deemed manageable. BSP however revised upward its inflation forecast for 2017 at 3.5% from 3.3% and 3.1% from 3% for 2018.

Meanwhile, Bureau of Treasury fully awarded PHP 15B of its reissuance of FXTN 05-74 at the average rate of 4.03%. Total bids tendered P38.994B as appetite strengthened for short dated notes amid lingering uncertainties offshore. Treasury bills issued for the month of February were partially awarded despite strong demand for all tenors as investors sought higher yields due to offshore market volatility. The treasury bills that were awarded averaged 2.36% for the 91 day tbill, 2.58% for the 182 day tbill and 2.76% for the 364 day tbill.

Local bond yields were on the rise as the yield curve further steepened with local inflation expectations seen on the upside. Furthermore, movements in US treasury yields were tracked by local trades as yields were higher by as much as 15 to 20 bps on benchmark issues especially on the long ends. Yields on FXTN 10-60 (8.5 yrs) rose from 4.30% to 4.45% month on month basis. Market players will remain defensive and cautious ahead of the FOMC decision and will monitor closely changes in inflation expectations that will drive local policy settings.