



**UNIONBANK OF THE PHILIPPINES – TRUST AND INVESTMENT SERVICES GROUP**  
**UNIONBANK PESO BALANCED PORTFOLIO**  
**KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT**  
As of December 31, 2017

<b>FUND FACTS</b>			
Classification:	Medium to Long-term Bond Fund	Net Asset Value per Unit (NAVPU):	Php 137.986552
Launch Date:	February 15, 2011	Total Fund NAV:	Php 192,659,369.63
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: 2.00% per annum on equity holdings 1.00% per annum on fixed income holdings	Custodianship Fees: 0.002%	Audit Fees: 0.002%	
<b>UnionBank of the Philippines</b>	<b>HSBC, Ltd. Philippines</b>	<b>Punongbayan &amp; Arullo</b>	

\*As a percentage of total market value of the fund for the month valued at Php 193.045 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.

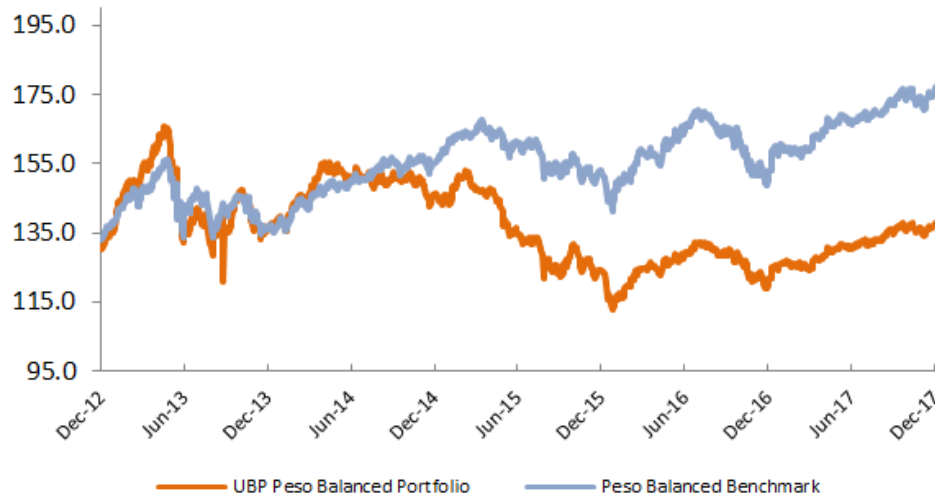
The Fund invests in quality assets which are evaluated under the Trust Department's accreditation process and BSP regulations. Internal risk limits, together with regulatory exposure limits, are monitored, reviewed and strictly adhered to on a daily basis.

<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 DECEMBER 31, 2017**

(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>	137.986552
<b>Lowest</b>	121.581778

**Statistics**

<b>Weighted Ave. Duration</b>	1.2313
<b>Volatility, Past 1 Year*</b>	7.64%
<b>Sharpe Ratio**</b>	1.48
<b>Information Ratio***</b>	-0.22

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

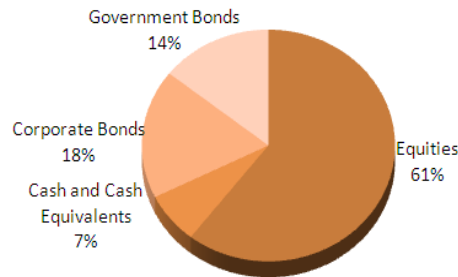
\*\*Sharpe Ratio is used to characterize how well the return of Fund compensates the investor for the level of risk taken. The higher the number, the better. (Risk Free Rate = 1.9616 %)

\*\*\*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	5yrs			
Fund		1.83	2.25	5.66	13.29	-5.88	-1.32	1.14	FLIPM 5.3567 08/20/2022	7.17
Benchmark*		1.97	2.32	4.93	13.74	12.55	3.99	5.32	SM Investments Corp.	6.91
Period		Calendar Year Return						Top Ten Holdings (%)		
		YTD	2011	2012	2013	2014	2015			2016
Fund		13.29	--	21.29	4.67	7.43	-15.45	-1.74	Ayala Land Inc	5.31
Benchmark*		13.74	--	19.10	2.26	12.95	-1.26	0.65	AEVPM 4.4722 11/06/2020	5.25
									METROBANK AND TRUST CO.	5.07
									FXTN 07-58 3.500 04/21/2023	4.91
									BDO Unibank, Inc.	4.43
									VLLPM 5.7512 08/08/2024	3.58
									Ayala Corp.	3.48
									SM Prime Holdings, Inc.	3.17
									<b>Total</b>	<b>49.28</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 Equity Ventures and Aboitiz Power; and time deposits with City Savings Bank amounting to Php 10.02 Mn, Php 3.53 Mn, Php 3.32 Mn, and Php 978,506.36, 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 rallied back from the November drop to finish the year on a new all time high, closing 8,558. This is seen to be driven by the passage of TRAIN. Foreign inflow for the month pushed the YTD tally to USD 1.1 billion. Sector returns are mixed but index names were generally strong, hence the market's 3.7% MoM gain.

Despite market reaction being positive on TRAIN in terms of stock returns, concerns have been raised on the expected revenue to be generated coming in lower than initially targeted as well as the inflationary pressure that the package will cause. The reduction of personal income taxes should be positive for consumers, yet the question is whether the inflation caused by the increase in oil prices will end up offsetting this. Meanwhile, more sector specific portions of the package have given investors optimism on companies such as URC and GTCAP after the overhang was taken out.

We are fully invested but we plan to remain nimble with the ability to deploy into or take profit on liquid names.

**Fixed Income.** On the local front, Yields have widened with an upward bias on higher borrowing plan and new supply. Just when we thought BTR's revision upward of its 4th quarter borrowing plan was enough for the near term (FXTN 's from 150B to 200B and RTB 150B to 255B), BTR again increased its planned borrowing to P240B with tenors 3,5,7,10 and 20y. As a result, market players remained defensive. Moreover, market players also remained cautious as the central bank seemed data-driven both on inflation expectations and economy's signs of overheating.