



**UNIONBANK OF THE PHILIPPINES – TRUST AND INVESTMENT SERVICES GROUP**  
**UNIONBANK PESO BALANCED PORTFOLIO**  
**KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT**  
 As of January 31, 2018

<b>FUND FACTS</b>			
Classification:	Medium to Long-term Bond Fund	Net Asset Value per Unit (NAVPU):	Php 138.399475
Launch Date:	February 15, 2011	Total Fund NAV:	Php 180,236,158.62
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%	
<i>UnionBank of the Philippines</i>	<i>HSBC, Ltd. Philippines</i>	<i>Punongbayan &amp; Arullo</i>	

\*As a percentage of total market value of the fund for the month valued at Php 193.85 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.

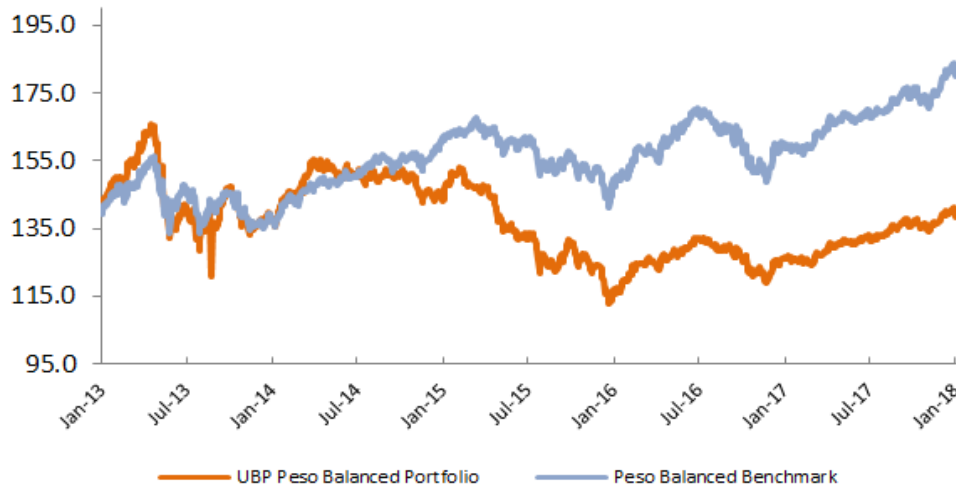
<ul style="list-style-type: none"> <li>❖ <b>THE UIT FUND IS NOT A DEPOSIT AND IS NOT INSURED BY THE PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC)</b></li> <li>❖ <b>RETURNS CANNOT BE GUARANTEED AND HISTORICAL NAVPU IS FOR ILLUSTRATION OF NAVPU MOVEMENTS/FLUCTUATIONS ONLY</b></li> <li>❖ <b>WHEN REDEEMING, 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 JANUARY 31, 2018**

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

**Net Asset Value per Unit**



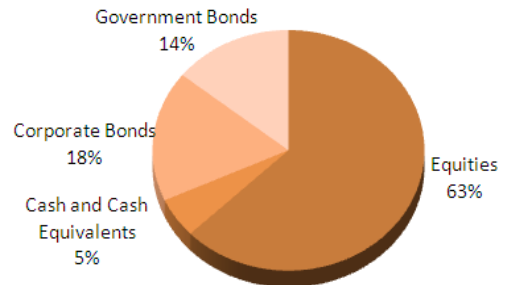
NAVPu over the past 12 months	
Highest	141.199800
Lowest	124.332703
Statistics	
Weighted Ave. Duration	1.2732
Volatility, Past 1 Year*	7.65%
Sharpe Ratio**	1.00
Information Ratio***	-0.30

\*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 = 2.1493 %)  
 \*\*\*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 (%)		
		Cumulative Return				Annualized Return		SM Investments Corp.	7.16	
Period		1mos	3mos	6mos	1yr	3yrs	5yrs	FLIPM 5.3567 08/20/2022	7.00	
Fund		0.30	1.64	4.51	9.82	-3.71	-0.38	ANZ BANK	5.28	
Benchmark*		1.50	2.56	5.18	11.60	10.32	3.32	Ayala Land Inc	5.22	
		Calendar Year Return							AEVPM 4.4722 11/06/2020	5.18
Period	YTD	2012	2013	2014	2015	2016	2017	FXTN 07-58 3.500 04/21/2023	4.89	
Fund	0.30	21.29	4.67	7.43	-15.45	-1.74	13.29	BDO Unibank, Inc.	4.09	
Benchmark*	1.50	19.10	2.26	12.95	-1.26	0.65	13.74	SM Prime Holdings, Inc.	3.72	
								METROBANK AND TRUST CO.	3.44	
								VLLPM 5.7512 08/08/2024	3.42	
								<b>Total</b>	<b>49.40</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 and Unionbank of the Philippines amounting to Php 10.00 Mn, Php 3.58 Mn, Php 3.28 Mn, Php 630,852.40, and Php 1,496.28, 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.** Historically, the market advances in the first month of the year and 2018 was no different with a 2.4% gain to kick off the year. The index reached all time highs once more as it breached 9,000 but saw a global selloff that has persisted into the first week of February in a steep drop off. The peso's weakness contributed to negative returns in USD, concerning some investors who may be offshore and comparing us against regional peers.

Notable corporate moves for the month was seen in banking as BPI, MBT, and RCBC announced their stock rights offers to improve their future lending growth prospects. Other notable corporate news would be the government's persisting desire for a third telco player enter the market which should continue to weigh on both TEL and GLO.

**Fixed Income.** The Philippines' January inflation accelerated to an over three-year high to 4% due to increases in food, alcohol and tobacco prices. The consumer price index print at 4.0% matched the top end of the central bank's 2-4 percent comfort range, and above the 3.5 percent market expectation.

Bureau of Treasury held a Php 20B 10-year auction for a new issuance of FXTN 10-62 and ended up rejecting all bids. The auction was undersubscribed with total bids at PHP 18.676B, with an average of 5.461%, a low of 5%, and a high of 6.5%. However, the next issuance of 3 year FXTN 03-23 with a coupon of 4.25% received great demand. BTr accepted Php 14.89B of bids while rejecting Php 24.2B worth of bids. Bid to Cover ratio was 2.63.

In the local bond space, yields are up across the curve on rising US Treasury levels and spiked inflation expectations. Local bond yield curve further steepened starting from 10yr up to the 20yr. Yields are biased on the upside in the coming months with supply overhang and the risk of second round effects on inflation.