



**UNIONBANK OF THE PHILIPPINES – TRUST AND INVESTMENT SERVICES GROUP**  
**UNIONBANK PESO BALANCED PORTFOLIO**  
**KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT**  
As of February 28, 2018

<b>FUND FACTS</b>			
Classification:	Medium to Long-term Bond Fund	Net Asset Value per Unit (NAVPU):	Php 135.447022
Launch Date:	February 15, 2011	Total Fund NAV:	Php 174,153,310.43
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 174.54 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.

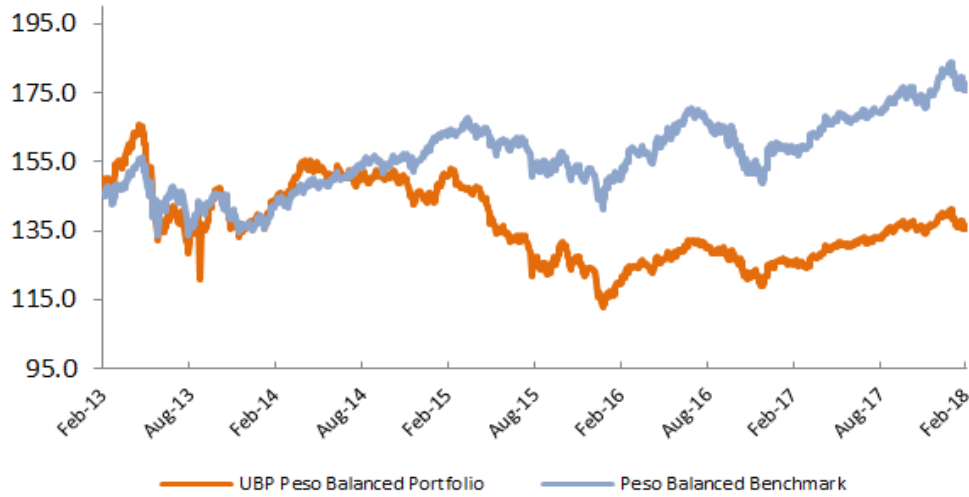
<ul style="list-style-type: none"> <li>❖ <b>THE UIT FUND IS NOT A DEPOSIT AND IS NOT INSURED BY THE PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC)</b></li> <li>❖ <b>RETURNS CANNOT BE GUARANTEED AND HISTORICAL NAVPU IS FOR ILLUSTRATION OF NAVPU MOVEMENTS/FLUCTUATIONS ONLY</b></li> <li>❖ <b>WHEN REDEEMING, 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 FEBRUARY 28, 2018**

(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>	141.199800
<b>Lowest</b>	124.332703

**Statistics**

<b>Weighted Ave. Duration</b>	1.2789
<b>Volatility, Past 1 Year*</b>	7.79%
<b>Sharpe Ratio**</b>	0.78
<b>Information Ratio***</b>	0.14

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

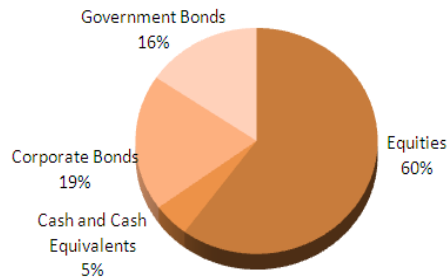
\*\*Sharpe Ratio is used to characterize how well the return of Fund compensates the investor for the level of risk taken. The higher the number, the better. (Risk Free Rate = 2.2034 %)

\*\*\*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				
Period		1mos	3mos	6mos	1yr	3yrs	5yrs			
Fund		-2.13	-0.04	1.96	8.26	-10.43	-3.60	FLIPM 5.3567 08/20/2022	7.78	
Benchmark*		-2.03	1.38	3.26	9.55	7.69	2.50	SM Investments Corp.	7.32	
Period		YTD	2012	2013	2014	2015	2016	2017		
Fund		-1.84	21.29	4.67	7.43	-15.45	-1.74	13.29	AEVPM 4.4722 11/06/2020	5.69
Benchmark*		-0.57	19.10	2.26	12.95	-1.26	0.65	13.74	Ayala Land Inc	5.40
Period		YTD	2012	2013	2014	2015	2016	2017		
Fund		-1.84	21.29	4.67	7.43	-15.45	-1.74	13.29	FXTN 07-58 3.500 04/21/2023	5.31
Benchmark*		-0.57	19.10	2.26	12.95	-1.26	0.65	13.74	METROBANK AND TRUST CO.	4.70
									BDO Unibank, Inc.	4.65
									SM Prime Holdings, Inc.	3.96
									VLLPM 5.7512 08/08/2024	3.81
									Ayala Corp	3.77
									<b>Total</b>	<b>52.40</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 amounting to Php 9.85 Mn, Php 3.30 Mn, and Php 3.08 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 fell 3.3% for the month of February, breaking the hearts of investors hopeful for a continued rally. Macroeconomic factors may be to blame as the rising bond yields, weakening currency, and high inflation numbers may have led global funds to look for other investment outlets. Net outflows for the month wiped out January inflows bringing us to a YTD outflow of US\$250m.

Mixed earnings have begun to trickle in, which did not seem to provide enough of an incentive for foreign counterparts to remain invested in the PSEi. The Philippines lagged behind regional partners as well. The cut in reserve requirement may serve as a boon to the banking sector, but it may even further accelerate inflationary pressure.

**Fixed Income.** The Philippine's February inflation printed at 4.5% from 4% last January. This was above market expectations of 4.2%. However, based on the new base of Philippine Statistics Authority (to 2012 from 2006 to reflect economic changes), consumer prices rose 3.9% in February from 3.4% last January. Rise in food and transport was the culprit for the rise.

BTR had two scheduled issuances for the month. The 7yr was fully rejected and was met with Php 25.82B in demand. Bids averaged 5.273%. However, the 20 yr was partially awarded and fetched a coupon rate of 6.5%. P8.853B was accepted of the P22.766B tendered bids.

Meanwhile, BSP cut its reserve requirement to one percentage point to 19% effective March 2018. The cut signified their commitment to gradually lessen its reliance on reserve requirement for managing liquidity in the financial system.

1In the local bond space, yields have risen 50-70 bps year to date with inflation concerns and supply overhang. Volume turnover remained to be small as market players were still cautious in reinstating positions. Next Monetary board meeting will be on March 22 which is after the FOMC meeting where market players mostly priced in a rate hike for both central banks.