



**UNIONBANK OF THE PHILIPPINES – TRUST AND INVESTMENT SERVICES GROUP**  
**UNIONBANK PESO BALANCED PORTFOLIO**  
**KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT**  
 As of June 30, 2018

<b>FUND FACTS</b>			
Classification:	Medium to Long-term Bond Fund	Net Asset Value per Unit (NAVPU):	Php 124.285922
Launch Date:	February 15, 2011	Total Fund NAV:	Php 152,761,892.80
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 153.09 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.

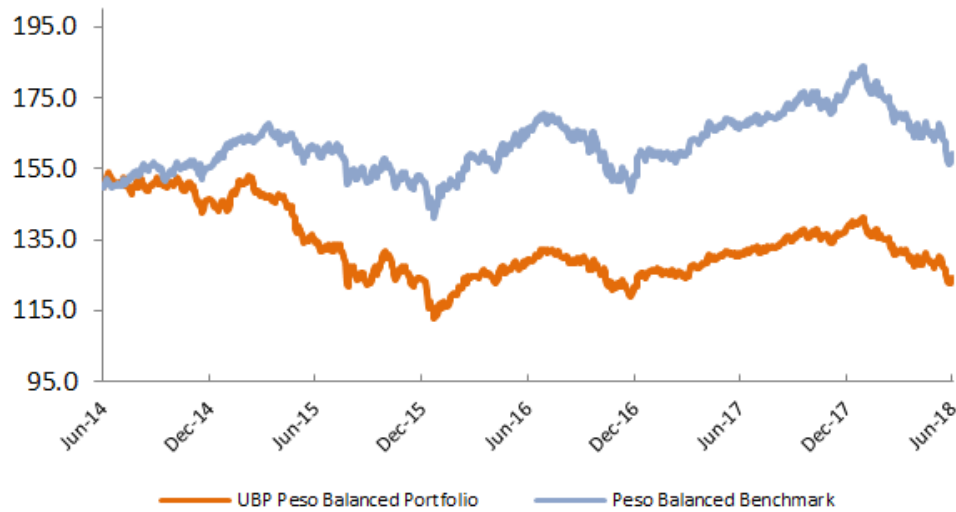
The Fund invests in quality assets which are evaluated under the Trust Department's accreditation process and BSP regulations. Internal risk limits, together with regulatory exposure limits, are monitored, reviewed and strictly adhered to on a daily basis.

<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 JUNE 30, 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>	122.523636

**Statistics**

<b>Weighted Ave. Duration</b>	1.3114
<b>Volatility, Past 1 Year*</b>	8.37%
<b>Sharpe Ratio**</b>	-0.89
<b>Information Ratio***</b>	0.11

\*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 = 2.5806 %)

\*\*\*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 (%)**

Period	Cumulative Return					Annualized Return	
	1mos	3mos	6mos	1yr	3yrs	3yrs	5yrs
Fund	-2.55	-5.36	-9.93	-4.83	-7.18	-2.45	-1.93
Benchmark*	-2.25	-4.95	-7.86	-3.66	0.49	0.13	2.31

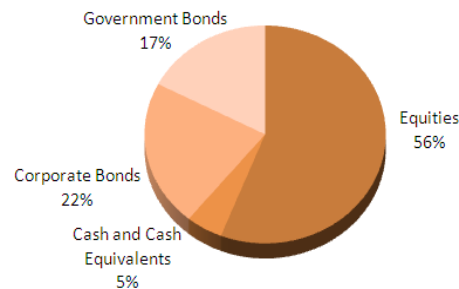
Period	YTD	Calendar Year Return					
		2012	2013	2014	2015	2016	2017
Fund	-9.93	21.29	4.67	7.43	-15.45	-1.74	13.29
Benchmark*	-7.86	19.10	2.26	12.95	-1.26	0.65	13.74

\*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)

**Top Ten Holdings (%)**

FLIPM 5.3567 08/20/2022	8.65
SM Investments Corp	7.34
AEVPM 4.4722 11/06/2020	6.42
FXTN 07-58 3.500 04/21/2023	5.95
Ayala Land Inc	5.66
CITIBANK/CITIGROUP GLOBAL	4.81
SM Prime Holdings Inc	4.57
VLLPM 5.7512 08/08/2024	4.33
BDO Unibank Inc	4.25
FXTN 05-74 4.000 01/26/2022	3.73
<b>Total</b>	<b>55.70</b>

**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 9.78 Mn, Php 2.32 Mn, and Php 2.09 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 Philippine Composite was down once again, falling 5.7% MoM and closing at 7,194. Outflows continued with the FTSE rebalancing mid-month causing almost US \$42 M in a single day. The weakness of the PH Peso remains as a significant deterrent for foreign investors as it hit a 12 year low for June, closing at 53.35 vs USD. Citing second round inflationary effects as the primary driver, the BSP decided to do back to back rate hikes as they raised the policy rate to 3.5%.

D.M. Wenceslao's IPO, which has been delayed multiple times in the past few years, listed in the final week of June but was immediately sold down by investors. The weakness may be an indicator of investor sentiment on the market as a whole. Local players are seemingly on the sidelines as they wait for the market to solidify from its recent softness this year.

**Fixed Income.** Philippines headline inflation further accelerated to 4.60% in May 2018 versus 4.50% the previous month and 2.90% the previous year. Alcoholic Beverages and Tobacco maintained as the top contributor with 20.5%, transport seconded with 6.2%, and others: food and non-alcoholic beverages index at 5.7% and restaurant and miscellaneous goods and Services (3.7%).

The Bureau of Treasury capped its 21st retail treasury bond issuance at ₱ 121.765 BN in its public offering from May 30 to June 8. This is higher than its initial issue volume of ₱ 30 BN and more than four times oversubscribed. Previous RTB issuance was a blockbuster 5-year bond with outstanding volume of ₱ 255.4 BN.

BSP raised its policy rates by 25 basis points to 3.5% from 3.25% during their Monetary Board meeting last June 20, citing that this move was brought about by continuous elevated inflation expectations of around 4.3% to 5.1% for the month of June. The MB is also on the keen lookout on the volatility of its currency as it breached its 12-year low last month, reaching 53.53 USD/PHP.

PDST-R2, the country's benchmark rates, increased to an average of c30 basis points across tenors. Most trading activity is seen on the short to belly of the curve throughout the month. 1-year treasury bills increased by as much as 100 basis points from the start of the month while the 3-year (FXTN 7-57) and the 7-year (FXTN 7-61) issues moved up by c22 basis points and c48 basis points, respectively.

Given the persistent inflation woes and geopolitical events, market activity remains to be concentrated on the short tenor papers (T-bills, r3-9, r5-11).