



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

FUND FACTS			
Classification:	Medium to Long-term Bond Fund	Net Asset Value per Unit (NAVPU):	Php 124.558071
Launch Date:	February 15, 2011	Total Fund NAV:	Php 152,068,985.59
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: 2.00% per annum on equity holdings 1.00% per annum on fixed income holdings	Custodianship Fees: 0.001%	Audit Fees: 0.002%	
UnionBank of the Philippines	HSBC, Ltd. Philippines	Punongbayan & Arullo	

*As a percentage of total market value of the fund for the month valued at Php 152.08 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.

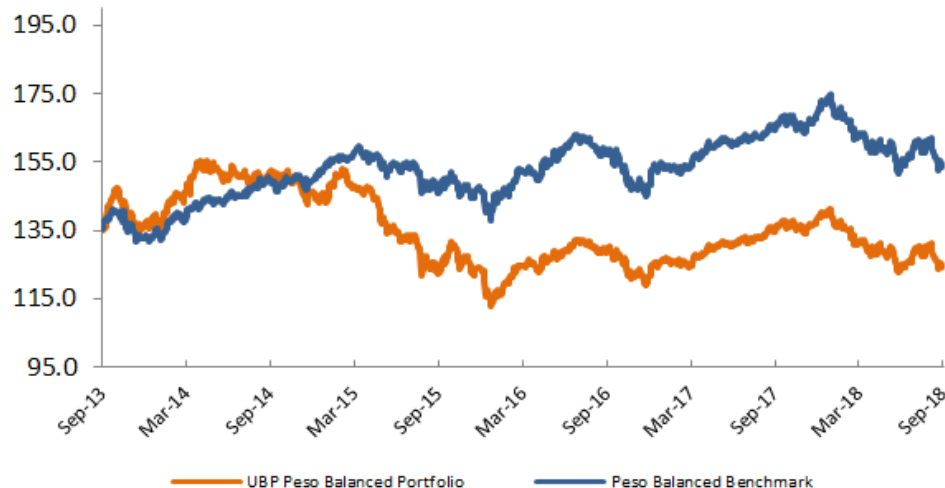
The Fund invests in quality assets which are evaluated under the Trust Department's accreditation process and BSP regulations. Internal risk limits, together with regulatory exposure limits, are monitored, reviewed and strictly adhered to on a daily basis.

<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 SEPTEMBER 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

Highest	141.199800
Lowest	122.523636

Statistics

Weighted Ave. Duration	0.8206
Volatility, Past 1 Year*	8.51%
Sharpe Ratio**	-1.17
Information Ratio***	0.20

*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 = 2.2939 %)

***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	-4.91	0.22	-5.15	-7.70	1.47	0.49	-1.67
Benchmark*	-4.98	-0.40	-5.40	-6.38	4.32	1.42	2.52

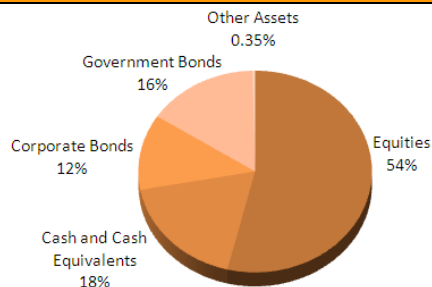
Calendar Year Return							
Period	YTD	2012	2013	2014	2015	2016	2017
Fund	-9.73	21.29	4.67	7.43	-15.45	-1.74	13.29
Benchmark*	-8.35	19.10	2.26	12.95	-1.26	0.65	13.74

*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 (%)

SM Investments Corp	6.47
AEVPM 4.4722 11/06/2020	6.32
CHINA BANKING CORP	5.90
Ayala Land Inc	5.71
CITIBANK/CITIGROUP GLOBAL	4.89
BDO Unibank Inc	4.05
VLLPM 5.7512 08/08/2024	4.05
Ayala Corp	3.69
SM Prime Holdings Inc	3.65
FXTN 05-74 4.000 01/26/2022	3.57
Total	48.31

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 Unionbank of the Philippines amounting to Php 9.63 Mn, Php 1.93 Mn, Php 1.00 Mn, and Php 4.75 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 index significantly weakened by 7.4%, ending the two month bounce by closing at 7,276. Net foreign outflows once again attributed to the weaker market as they exited to the tune of -\$212 Mn. Global investors may see an overhang on the Philippines due to weak Peso, elevated inflation, and rising interest rates both in the US and in the country.

Banks were big losers for the month as foreign selling across the board occurred as they began to raise money through the debt capital markets. Conglomerates were also weighed down by the negative sentiment as they generally serve as proxies of the country's growth prospects. Cement companies also suffered as the DENR was under pressure to look closer at quarrying activities given a recent landslide.

Fixed Income. Philippines CPI surged further to 6.40% in August, versus previous month at 5.70%. This is higher than BSP's expectation ranging from 5.50% - 6.20%. Inflation posted at its highest level since March 2009. Usual culprits remain to be the heavily weighted category 'food and non-alcoholic beverages' at 8.50%, 'alcoholic beverages and tobacco' at 21.60%. BSP Governor, Nestor Espenilla Jr., asserts inflation to "lose steam in the upcoming months".

With oil and food prices staying elevated, Peso continuing to weaken, and la niña season bringing forth typhoons, the central bank remains under pressure to hamper inflation. During their scheduled Monetary Board meeting last September 27, the Bangko Sentral ng Pilipinas showed strong signal of commitment to address this by raising 50 basis points to a policy rate of 4.50%. This brought a total of 150 basis points rate increases by the Central Bank since May 2018. BSP adjusted estimates on inflation upward to 5.2% from 4.9% in 2018 and 4.3% from 3.7% in 2019. Department of Finance sees September inflation to post at 6.4% while BSP is seeing a range of 6.3% to 7.1% or about 6.8%.

Trading activity remain to be muted at less than PHP 5BN trading volume per day as market participants remain on the sidelines, remaining cautious ahead of data releases. Interests remain to be soft for long tenored bonds as both scheduled 10-year and 7-year auctions were undersubscribed. On the 7-year auction, BTr only received PHP 13.880BN bids out of the PHP 15BN re-issue size and partially awarded PHP 5.730BN at an average of 7.085% and at a high of 7.25%. Auction average is 110 basis points above previous auction (ave. 5.976%) just last June. On the other hand, all PHP 12.7BN bids for 10-year auction were rejected. Submitted bids had an average of 7.64%, 129 basis points higher than previous auction.

Investor interest remains on treasury bills and liquid issues such as RTB 05-11 and FXTN 05-75. Month-on-month, PDST-R2 yield curve gapped higher month-on-month with most change on intermediate portion of the curve climbing up an average of 150 basis points. We continue to remain cautious and defensive as we wait for data outcomes and further global developments.