

UnionBank Trust and Investment Services Group

UBP Philippine Peso Balanced Portfolio
as of October 28, 2011

Investment Objective

The UnionBank Philippine Peso Balanced Portfolio is a peso-denominated fund that provides investors access to a diversified set of investment instruments in both equities and fixed income markets.

Fund Performance

Calendar Absolute Returns*	Peso Balanced	Benchmark**
Since Inception	5.85%	6.96%

* Returns are reported net of fees.

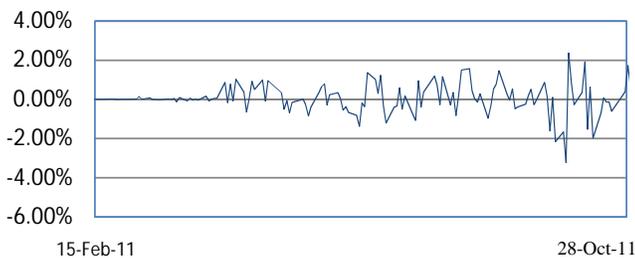
** 50% in equities with β of 1 and 50% in the 5-year benchmark bond

Net Asset Value, end-of-period:	Php 176.068 Million
Bid NAV Per Unit (NAVpu)	Php 105.750782
Offer NAV Per Unit (NAVpu)	Php 106.302309

Net Asset Value per Unit



Daily Percentage Change of NAVpu



Risk Characteristics:

One day VAR at 3 σ :	2.29%
Volatility, Annualised:	14.41%

Volatility is a measure of fluctuation of the NAVpu. Higher volatility means higher potential for gains or loss. Duration measures the sensitivity of the portfolio to interest rate movements. The higher the duration, the more the NAVpu will change with interest rate fluctuation. The Sharpe Ratio is a measure of risk-adjusted return. The higher the Sharpe, the higher the return per unit of risk. Risk-free rate used to compute the Sharpe ratio is the 1yr TBill rate.

Fund Manager's Report

The Philippine Stock Exchange Index (PSEI) closed at 4333.72, rising 334.07 points or 8.35% percent month-on-month nearly regaining all its value lost from the massive drop on the last week of September. However, the rally was accompanied by lower volume suggesting that there may be further weakness in the market. It seems as though every few days there is a new headline of the continued crisis in Europe followed by a corresponding solution. This cycle cannot continue forever with yields on Italy's debt reaching the 7% insolvency level. There must be a resolution sooner rather than later. Because of this, the recovery remains fragile.

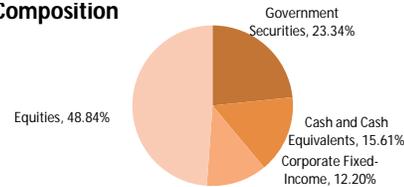
On the domestic front, remittances were up a surprising +11% YoY for the month of Aug, hitting US\$1.67bn. The Philippines continues to be a robust market showing resilience to the ongoing storm in the global macro economy. Key to weathering this storm is government infrastructure spending. Given the Aquino administration's reluctance to spend and on-going belt-tightening, this seems increasingly unlikely.

Yields of peso government securities declined across the curve for the month of October. The 7, 10, and 15 year-bond declined by 29 bps, 23 bps, and 39 bps month-on-month accordingly.

October inflation hit 5.2% (2006 base year) from 4.8% in September on higher food and energy prices. Inflationary pressure is expected to be temporary and is seen to be contained as food supply eases. BSP cuts its inflation forecast to 4.4% from 4.7% in 2011 and to 3.1% from the previous forecast of 3.4% in 2012. The BSP is expected to keep rates unchanged in their last meeting on December.

We expect continued support for the local currency bonds as we tread towards year end. The market is still highly liquid. Fiscal deficit is foreseen to be less than the Php 260 billion target.

Portfolio Composition



Maturity Profile

Greater than 7 years	23.34%
5 years to 7 years	0.00%
3 years to 5 years	12.20%
Less than 1 year	15.61%

Top 5 Holdings

Fixed Rate Treasury Note 8.125% 12/16/2025	13.00%
Fixed Rate Treasury Note 8.000% 7/19/2031	10.34%
ICTSI	8.58%
DMCI	8.21%
URC	8.18%

Fund Facts

Classification:	Medium to Long-term Bond Fund
Launch Date:	February 15, 2011
Client Suitability:	Moderately aggressive to aggressive risk tolerance
Base currency:	Philippine Peso
Initial Investment:	Php 100,000
Minimum Additional Investment:	Not Applicable
Minimum Holding Period:	90 calendar days
Settlement Period:	Four (4) Banking days after initial notice
Early Redemption Charge:	0.25% or Php 500 whichever is higher
Trust Fees:	2% per annum on equity holdings 1% per annum on fixed income holdings 0.25% per annum of pooled funds
Custodianship Fees:	0.02% per annum
Applicable Tax:	20% on interest income Sales tax on equity sales
Custodian:	HSBC, Ltd Philippines
External Auditor:	Punong-bayan & Araullo
Dealing Time:	Daily up to 12noon
Available Thru:	Unionbank of the Philippines branches
Bloomberg Ticker:	UNPESBA

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