

UnionBank Trust and Investment Services Group

UBP Philippine Peso Balanced Portfolio
as of January 31, 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	9.58%	15.86%

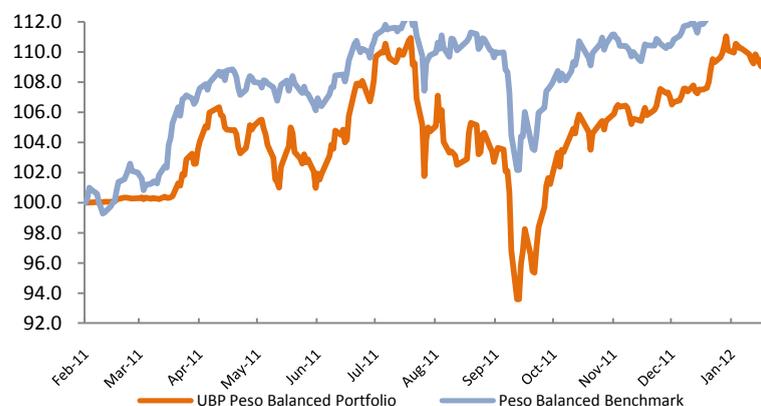
* Returns are reported net of fees.

**50% in the PSEi Index and 50% in the HSBC 1-5 Year Phil Bond Index

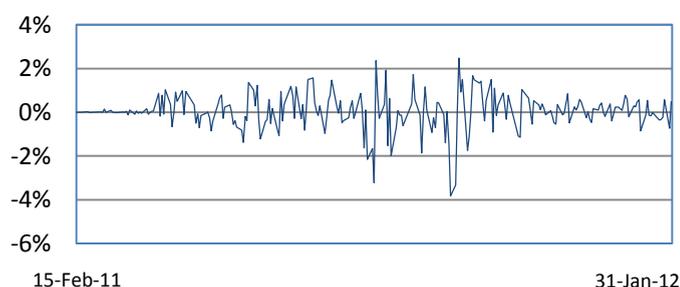
	Net Asset Value (NAV)	NAV Per Unit (NAVpu)
Bid ¹	Php 150.061 Million	Php 109.378538
Offer ¹	Php 151.010 Million	Php 110.070777
Mid ¹	Php 150.340 Million	Php 109.582121

Par Value: Php 100.00

Net Asset Value per Unit



Daily Percentage Change of NAVpu



Risk Characteristics:

One day VAR at 3σ:	2.08%
Volatility, Annualised:	13.10%

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.

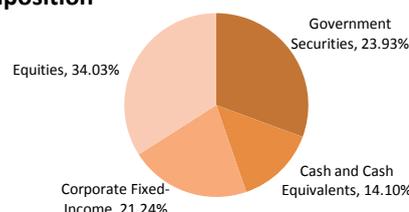
Fund Manager's Report

The yields of peso government securities (GS) declined across the curve as the market continued to buy on bullish sentiment. The shorter-end of the curve rallied more pronouncedly on the Bangko Sentral ng Pilipinas' decision to cut policy rates from 4.50% to 4.25%. Yields of the 3-year and the 1-year papers declined by 31.6 basis points and 66.7 basis points, respectively.

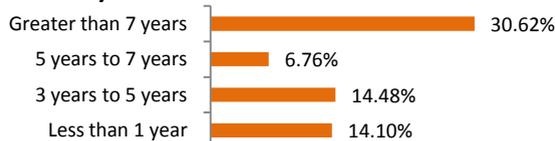
The rally seemed to be supported by fundamental factors that suggest that bonds will remain attractive this year. The low interest rate environment is likely to continue, suggesting a bullish scenario for the bond market.

The Philippine Stock Exchange Index (PSEi) increased by 7.1% closing the month at 4,682.44 as volumes rose due to the implementation of the full-day trading and foreign inflows. Market volume rose to USD161 million per day, jumping 38% month-on-month and year-on-year driven by both local and foreign flows. Foreign participation in the market was at 42%.

Portfolio Composition



Maturity Profile



Top 5 Holdings²

Fixed Rate Treasury Note 8.125% 12/16/2025	16.43%
Fixed Rate Treasury Note 8.000% 7/19/2031	12.92%
Petron Preferred Shares	7.30%
San Miguel Purefoods Preferred Shares	7.18%
First Metro Investment 5.675% 2/25/2017	6.76%

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
Ave. Gross Market Value for the Qtr.	Php 169,882,986.82
Trust Fees ³ :	2% per annum on equity holdings 1% per annum on fixed income holdings 0.25% per annum of pooled funds; 0.11% for the quarter
Audit Fees ³ :	0.0004% for the quarter
Custodianship Fees ³ :	0.001% for the quarter
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

* All fees are accrued daily against the fund's total market value.

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FOOTNOTES:**¹FUND VALUATION**

The Dual Pricing Method shall be used in computing the Net Asset Value (NAV) of the fund. Under this method, the **Bid Net Asset Value per Unit (Bid NAVpu)** and the **Offer Net Asset Value per Unit (Offer NAVpu)** shall be calculated.

The **Bid NAVpu** is the redemption price. It is the price used when a client wishes to redeem units from the fund. The Bid NAVpu is calculated using the closing bid prices of the underlying assets of the fund for the day, net of fees and other allowable expenses.

The **Offer NAVpu** is the admission price. It is the price used when a client wishes to contribute to the fund. The Offer NAVpu is calculated using the closing offer prices of the fund's underlying assets for the day, net of fees and other allowable expenses.

The **Mid/Last Net Asset Value per Unit (Mid/Last NAVpu)** shall also be computed for information or reporting purposes only. For client reporting, the Bid/Offer values shall be provided in the financial statement footnotes.

i. The Mid NAVpu shall be computed for UITFs with fixed income assets. It shall be determined from the average of the bid-side and offer-side market yields-to-maturity or prices of the underlying assets of the fund for the day, net of fees and other allowable expenses.

ii. The Last NAVpu shall be computed for all UITFs with equity holdings. It shall be determined from the LAST closing prices of outstanding equity holdings for the day, net of fees and other allowable expenses.

²PROSPECTIVE INVESTMENTS

The Fund may be invested and reinvested in:

- i. Debt securities issued by or guaranteed by the Philippine government, or the Bangko Sentral ng Pilipinas;
- ii. Unit Investment Trust Funds and Mutual Funds;
- iii. Exchange-listed marketable securities and funds;
- iv. Loans traded in an organized market;
- v. Savings/Checking accounts and/or time deposits in any bank or financial institution, including UnionBank of the Philippines;
- v. Derivative instruments for the purpose of hedging market risk exposures of the existing investments of the Fund in accordance with the Bank's risk management and hedging policy duly approved by the Trust Committee.
- vi. Other such tradable investment outlets/categories as the BSP may allow.

A complete list of holdings is available upon request.

³FEES & EXPENSES

The Trustee shall collect from the Fund trust fees in the amount of ONE-QUARTER PERCENT (0.25%) per annum on pooled funds based on the Gross Market Value of the Fund which shall be accrued daily and shall be collectible from the Fund at the end of every calendar month.

The Trustee may charge the Fund for special expenses if the same is necessary to preserve or enhance the value of the Fund. Such special expenses shall be payable to pertinent third party or parties covered by separate contract/s, and disclosed to the Participants.

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