

UnionBank Trust and Investment Services Group

UBP Philippine Peso Balanced Portfolio
as of August 31, 2012

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**
YTD	10.14%	10.66%
Feb-Dec 2011	7.51%	11.86%

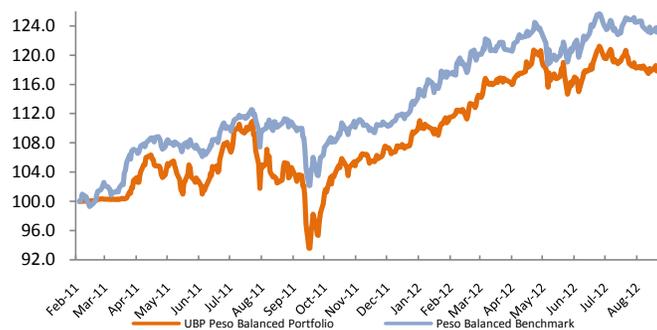
* Returns are reported net of fees.

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

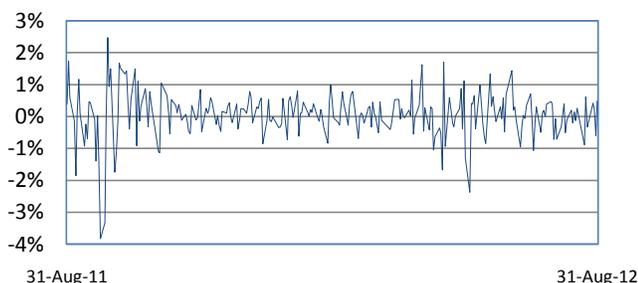
	Net Asset Value (NAV)	NAV Per Unit (NAVpu)
Bid ¹	Php 180.356 Million	Php 117.846838
Offer ¹	Php 181.431 Million	Php 118.549940
Mid ¹	Php 181.212 Million	Php 118.406881

Par Value: Php 100.00

Net Asset Value per Unit



Daily Percentage Change of NAVpu



Risk Characteristics:

One day VAR at 3σ:	1.85%
Volatility, Past 360 days	11.67%
Duration:	1.56
Sharpe Ratio (Risk-Free Rate = 1.239%):	1.19

Volatility is a measure of fluctuation of the NAVpu. Higher volatility means higher potential for gains or losses. 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

Fund Manager's Report

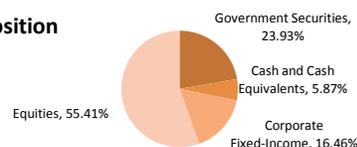
The Philippine Stock Exchange Composite Index (PSEi) fell 2.15 percent to 5,196.19 in August with average volume decreasing to PhP 2.99 billion from PhP 4.47 billion in the previous month. Net foreign selling for August was worth PhP 6.88 billion. All sub-indices were down for the month, the Mining sub-sector led losers as it fell 11.5 percent. This was followed by the decline in the following sub-sectors: Holding Companies (at -3.2 percent), Financials (at -2.3 percent) and Services (at -2 percent).

The peso yield curve for August declined on the short ends by as much as 70 basis points while the long ends rose by as much as 80 basis points. This implied a bullish steepening in the yield curve. Market participants are lowering the duration on their portfolios on a relatively flat yield curve. The market is also anticipating the following: a possible rate cut, a long-tenored Retail Treasury Bond (RTB) issuance, and a debt swap in the coming months.

The country's Gross Domestic Product (GDP) in the second quarter was reported at 5.9 percent which is higher than consensus estimate of 5.5 percent. The figure was lifted by strong private consumption and investments. The growth was led by the services and industry sector.

Our fiscal position continues to remain strong. Revenue growth continues to remain strong at 15 percent. The fiscal deficit stood at PhP 74 billion year-to-date, which is still below the government's PhP 286 billion target.

Portfolio Composition



Maturity Profile of Fixed-Income Holdings

Greater than 7 years	22.25%
3 years to 5 years	10.73%
1 year to 3 years	5.73%
Less than 1 year	5.87%

Top 5 Holdings²

Fixed Rate Treasury Note 8.125% 12/16/2025	14.25%
San Miguel Purefoods Preferred Shares (PSE: PFP)	10.73%
Metro Pacific Inv Co (PSE:MPI)	8.28%
Fixed Rate Treasury Note 7.625% 09/29/2036	8.00%
Philex Mining Corp (PSE: PX)	7.63%

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 169,256,560.87
Trust Fees ³ :	2% per annum on equity holdings 1% per annum on fixed income holdings 0.25% per annum of pooled funds; 0.43% for the quarter
Audit Fees ³ :	0.0012% for the quarter
Custodianship Fees ³ :	0.002% for the quarter
Applicable Tax:	20% on interest income Sales tax on equity sales
Custodian:	HSBC, Ltd Philippines
External Auditor:	Punongbayan & Araullo
Dealing Time:	Daily up to 12noon
Available Thru:	Unionbank of the Philippines branches
Bloomberg Ticker:	UNPESBA

This document is for information purposes only and does not constitute an offer or a solicitation to buy or sell any investment referred to in this document. All Unit Investment Trust Funds (UITFs) are regulated by the Bangko Sentral ng Pilipinas. The UITF is not a deposit and is not insured by PDIC. Due to the nature of the investments, yield and potential yields cannot be guaranteed. Any income or loss arising from market fluctuations and price volatility of the securities held by the UITF, even if invested in government securities, is for the account of the investor. As such, units of participation of the investor in the UITF, when redeemed, may be worth more or be worth less than his/her initial investment/contributions. Historical performance, when presented, is purely for reference purposes and is not a guarantee of future results. The Trustee is not liable for losses, unless upon willful default, bad faith or gross negligence.

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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.

An investor should read the complete details of the fund in the Plan Rules, and should carefully consider the fund's investment objectives, risks, charges and expenses. He then should make his own risk assessment and, when necessary, seek independent/professional opinion before making an investment.