

## UnionBank Trust and Investment Services Group

UBP Philippine Peso Balanced Portfolio  
as of October 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	13.06%	13.88%
Feb-Dec 2011	7.51%	11.86%

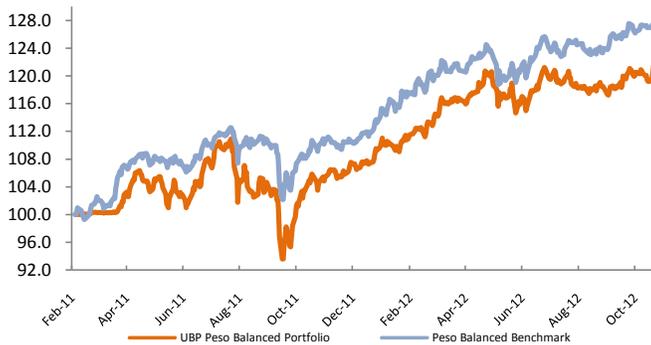
\* Returns are reported net of fees.

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

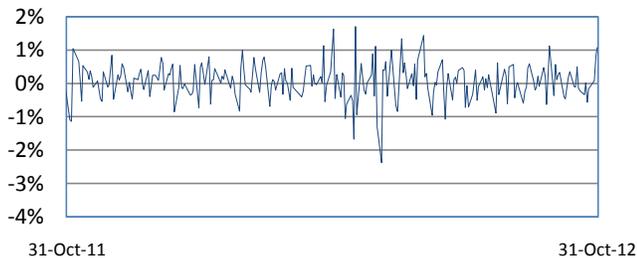
	Net Asset Value (NAV)	NAV Per Unit (NAVpu)
Bid <sup>1</sup>	Php 193.504 Million	Php 121.392557
Offer <sup>1</sup>	Php 193.797 Million	Php 121.576188
Mid <sup>1</sup>	Php 193.754 Million	Php 121.549508

Par Value: Php 100.00

### Net Asset Value per Unit



### Daily Percentage Change of NAVpu



### Risk Characteristics:

One day VAR at 3σ:	1.35%
Volatility, Past 360 days	8.47%
Duration:	0.67
Sharpe Ratio (Risk-Free Rate = 1.260%):	1.60

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 compute the Sharpe ratio is the 1yr TBill rate.

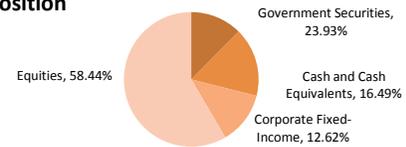
### Fund Manager's Report

The Philippine Stock Exchange Index (PSEi) rose to new highs for the month of October. The PSEi closed higher at 5,424.51, up 1.47 percent from 5,346.10 last September. Foreign investors were net buyers for the month of October. The Philippine market is the top performer in the region as it soared 37.10 percent year to date and outperformed its regional peers. Hot money net inflows in September amounted to USD 407 million, which is more than twice the net inflow in the same period last year of which, USD 146 million went into PSE-listed companies.

Inflation in September eased to 3.6 percent from 3.8 percent in August. Food prices accelerated slightly but was tempered by easing utilities prices. Year-to-date inflation was 3.1 percent, at the lower end of the Bangko Sentral ng Pilipinas' (BSP) 3 to 5 percent target range. With benign inflation expectations and strengthening peso currency, the BSP reduced its overnight policy rates to record low of 3.5 percent

Moody's raised the credit rating of the Philippines to one notch below investment grade in view of improving revenue buoyancy in the face of deteriorating global demand, enhanced prospects for growth over the medium-term, and a stable financial system that poses limited contingent risks and provides a stable source of financing for the government. All three credit rating agencies now have rated Philippines just one notch below investment grade.

### Portfolio Composition



### Maturity Profile of Fixed-Income Holdings

Greater than 7 years	2.81%
5 years to 7 years	12.21%
3 years to 5 years	10.04%
Less than 1 year	16.49%

### Top 5 Holdings<sup>2</sup>

FPH	12.18%
San Miguel Purefoods Preferred Shares	10.04%
Fixed Rate Treasury Note 5.000% 08/18/2018	9.62%
EDC	8.82%
MPI	8.49%

### 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 180,209,573.64
Trust Fees <sup>3</sup> :	2% per annum on equity holdings 1% per annum on fixed income holdings 0.25% per annum of pooled funds; 0.45% for the quarter
Audit Fees <sup>3</sup> :	0.0012% for the quarter
Custodianship Fees <sup>3</sup> :	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

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:

##### <sup>1</sup>FUND 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.

##### <sup>2</sup>PROSPECTIVE 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.

##### <sup>3</sup>FEES & 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.**