

UnionBank Trust and Investment Services Group

UBP Peso Balanced Portfolio

as of January 31, 2014

Investment Objective

The UnionBank 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	0.697%	0.843%
2013	4.67%	2.26%
2012	21.29%	19.10%
Feb-Dec 2011	7.44%	1.86%

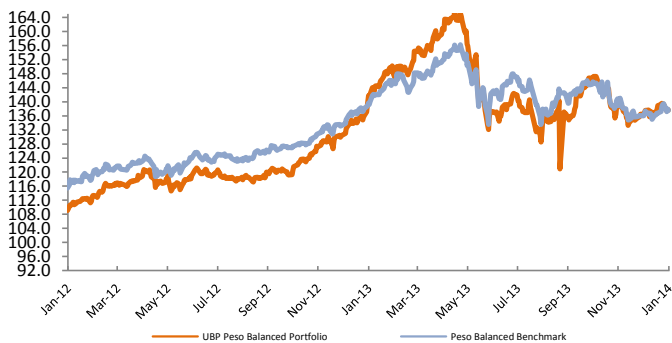
* Returns are reported net of fees.

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

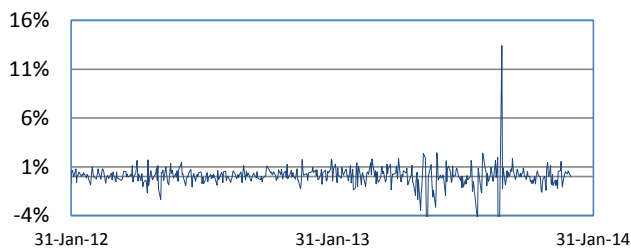
Net Asset Value (NAV)	NAV Per Unit (NAVpu)
Php 704.588Million	Php 137.673973

Par Value: Php 100.00

Net Asset Value per Unit



Daily Percentage Change of NAVpu



Risk Characteristics:

One day VAR at 3σ:	4.04%
Volatility, Past 360 days	25.47%
Duration:	0.93
Sharpe Ratio (Risk-Free Rate = 0.640%):	-0.13

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.

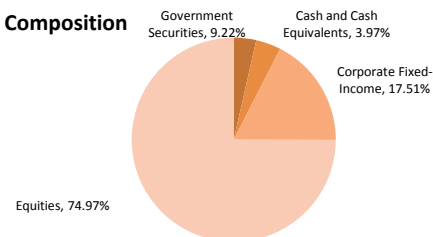
Fund Manager's Report

Philippine GDP grew 6.5% in Q4 2013 which was slower than revised 6.9% of its previous quarter. Annual GDP was at 7.2%.

In its scheduled Treasury Bills auction, BTR was able to issue 91-day bills at an average of 0.693% (fully subscribed) and 364-day bills at an average of 1.079% (undersubscribed). The 182-day bills auction was fully rejected. BTR also re-issued FXTN 3-20 at an average rate of 2.399%. Bids reached as high as 3.0% and the lowest was 2.125% with an average bid of 2.681%. The highest bid accepted was at 2.5% and the lowest was 2.125%.

The PSE index climbed by 2.57 % in January, turning the corner from a 5.14% decline the previous month. Stocks performed well, even those which are sensitive to interest rate changes. A trend which continued, however, was that of foreign investors being net sellers for a sixth straight month. GDP growth for the 4th quarter slowed to 6.5% from 3.9% in the previous quarter. The slowdown was expected by many given the effects of Typhoon Haiyan but marks a 2013 GDP growth at 7.2% compared to the 6.8% in 2012. Inflation surged to 4.1% as compared to the 3.3% in the previous month caused by higher food and power prices yet again. A P1bn budget surplus in November was reported but government revenues remained strong.

Portfolio Composition



Maturity Profile of Fixed-Income Holdings

Greater than 7 years	3.55%
3 years to 5 years	0.00%
1 year to 3 years	0.00%
Less than 1 year	10.83%

Top 5 Holdings

Emperador Distillery Inc	15.19%
San Miguel Purefoods	14.90%
Universal Robina Corp	14.01%
MERPM 4.3750 12/12/2020	10.66%
Rizal Banking Corp	8.15%

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 730,821,933.78
Trust Fees ³ :	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 ³ :	0.0018% for the quarter
Custodianship Fees ³ :	0.0045% for the quarter
Applicable Tax:	20% on interest income Sales tax on equity sales HSBC, Ltd Philippines
Custodian:	Punongbayan & Araullo
External Auditor:	Daily up to 12noon Unionbank of the Philippines branches
Dealing Time:	UNPESBA
Available Thru:	
Bloomberg Ticker:	
* All fees are accrued daily against the fund's total market value.	

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FOOTNOTES:

¹FUND VALUATION

All assets of the Fund shall be marked to market daily in accordance with existing BSP rules and regulations on marking to market valuation of investment instruments. The pricing valuation methodology shall use the following price sources as bases for computing NAVPu.

Philippine Equity Securities: Philippine Stock Exchange Closing Levels, 3:30 pm daily

Other instruments: Closing prices as prescribed by BSP regulations and market conventions

Valuation Day shall mean any day in which banks are open for business in Manila.

The value of the NAVPu at the start of Fund's operation shall be: Php 100.00

The Admission and Redemption NAVPu of the fund shall be computed 4:30pm of each business day and/or after markets close and shall be available to investors by 9:00 am of the next banking day.

All mark-to-market valuation procedures are in accordance with BSP Memorandum No. M-2007-005 dated February 28, 2007.

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.