

UnionBank Trust and Investment Services Group

UBP Tax Exempt Portfolio
as of June 30, 2011

Investment Objective

The UnionBank Tax Exempt Portfolio is a peso-denominated fund that seeks capital preservation and the total return for participating qualified tax-exempt institutions by investing in a diversified portfolio of primarily investment-grade fixed-income securities.

Fund Performance

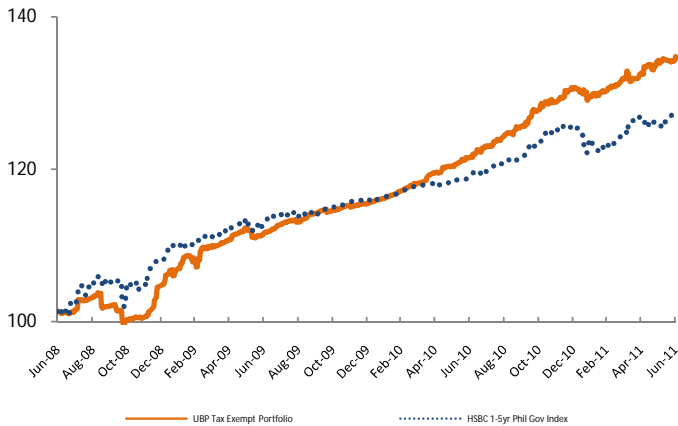
Calendar Absolute Returns*	Tax Exempt	HSBC 1-5 Yr Index
YTD	2.98%	1.91%
2010	13.06%	8.13%
2009	12.30%	6.99%
2008	0.19%	4.35%

Cumulative Annualized Returns*	Tax Exempt	HSBC 1-5 Yr Index
3 Years	9.86%	7.98%

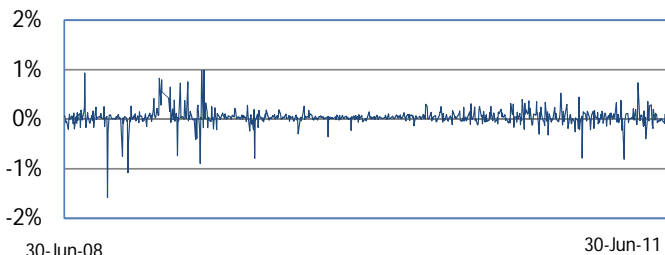
*Returns are reported net of fees.

Net Asset Value, end-of-period: Php 1.064 Billion
Bid NAV Per Unit (NAVpu) Php 134.152709
Offer NAV Per Unit (NAVpu) Php 134.919131

Net Asset Value per Unit



Daily Percentage Change of NAVpu



30-Jun-08

30-Jun-11

Risk Characteristics:

One day VAR at 3σ: 0.41%
Volatility, Past 360 Days: 2.59%
Duration: 3.19
Sharpe Ratio (Risk Free Rate = 3.68%): 2.68

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

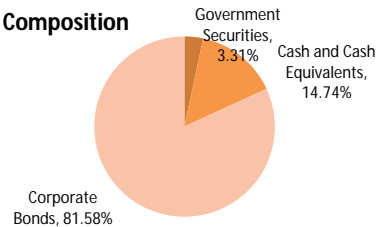
Fund Manager's Report

The BSP Monetary Board kept policy rates steady for the month of June after two successive rate hikes of 25bps each in the past two policy rate meetings. The more moderate than expected May inflation, although higher than the downwardly revised April numbers, indicated a slower path of inflation.

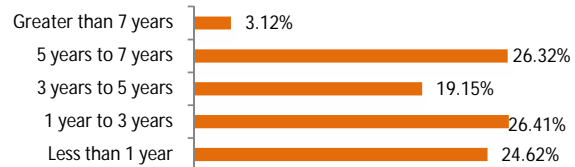
Despite the steady policy rate decision, market remains on the lookout for inflation breaching 5%. BSP reckons that inflation reaches a peak in October. Fiscal risk remains low. Moody's recent upgrade in sovereign ratings recognizes the improvement made in the fiscal consolidation program. Growth in tax revenues are likely to continue while prudent spending would keep the fiscal sector in line with the programmed deficit target of P300bn or 3.2% of GDP.

The government is planning to issue 10-and 20-year Treasury bonds in exchange for shorter-dated bonds. Development Bank of the Philippines and Land Bank of the Philippines will manage the debt swap. The issue size would likely be close to a similar P200bn offer last December 2010. The 10-year bond is said to be issued at 6.375% while the 20-year bond is to be issued at 8.0%.

Portfolio Composition



Maturity Profile



Top 5 Holdings

Petron Preferred Shares	14.54%
First Preferred Shares	9.46%
Metrobank 7% 10/19/2017	8.01%
Ayala Corp. 6.825% 11/22/2012	7.03%
Aboitiz Power 8.7% 4/30/2014	6.83%

Fund Facts

Classification:	Long-term Bond Fund
Launch Date:	October 01, 2007
Client Suitability:	Moderately conservative to Moderately aggressive risk tolerance
Base currency:	Philippine Peso
Initial Investment:	Php 100,000
Minimum Additional Investment:	Not Applicable
Minimum Holding Period:	None
Settlement Period:	One (1) Banking day after initial notice
Early Redemption Charge:	Not Applicable
Trust Fees:	0.25% per annum
Custodianship Fees:	0.02% per annum
Applicable Tax:	Not Applicable
Custodian:	HSBC, Ltd Philippines
External Auditor:	Punong-bayan & Araulo
Dealing Time:	Daily up to 12noon
Available Thru:	UBP Trust and Investment Services Grp
Bloomberg Ticker:	IFFITEP

* All fees are accrued daily against the fund's total market value.
Complete list of holdings available upon request

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