

UnionBank Trust and Investment Services Group

UBP Tax Exempt Portfolio
as of September 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

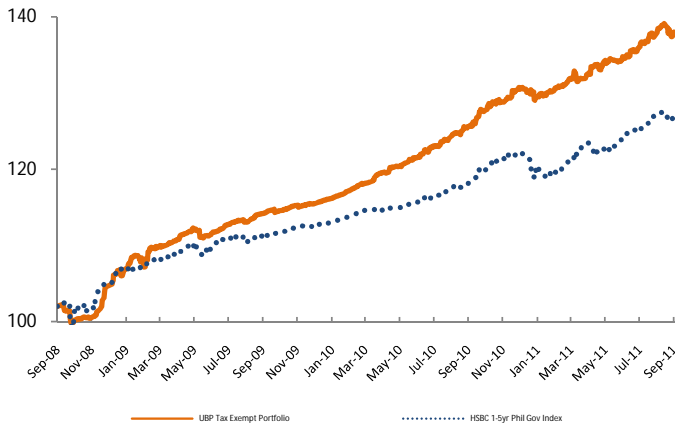
Calendar Absolute Returns*	Tax Exempt	HSBC 1-5 Yr Index
YTD	5.74%	4.32%
2010	13.06%	8.13%
2009	12.30%	6.99%
2008	0.19%	4.35%

Cumulative Annualized Returns*	Tax Exempt	HSBC 1-5 Yr Index
3 Years	10.60%	7.57%

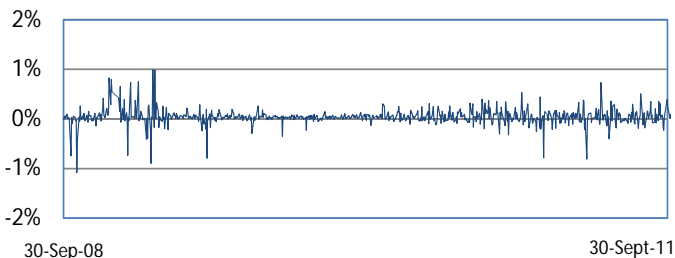
*Returns are reported net of fees.

Net Asset Value, end-of-period:	Php 1.079 Billion
Bid NAV Per Unit (NAVpu)	Php 137.659946
Offer NAV Per Unit (NAVpu)	Php 138.600894

Net Asset Value per Unit



Daily Percentage Change of NAVpu



Risk Characteristics:

One day VAR at 3σ:	0.45%
Volatility, Past 360 Days:	2.82%
Duration:	3.22
Sharpe Ratio (Risk Free Rate = 3.64%):	2.20

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

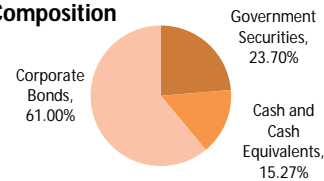
Amidst falling equities and other risk assets, Peso government securities (GS) showed some resiliency in the month of September. Yields of the 15 and the 20 year GS declined 17 bps and 8 bps respectively for the said period. The hosts of good macro economic news were not ignored in the GS market.

Philippine inflation eased to 4.7% in August from 5.1% in July while OFW remittances rose 6.1% in July despite a slowing world economy. Central Bank's reserves rose to US\$ 75.6 billion. Consumer confidence rose on benign inflation and business sentiment improved on lower commodity prices and demand recovery.

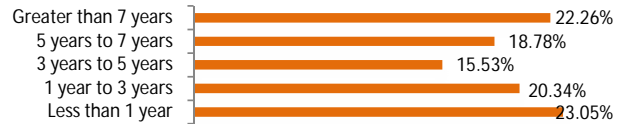
Fiscal deficit is still contained. The government posted a fiscal surplus of Php 9.2 billion in August from a deficit of Php 26.5 billion in July. The improvement was driven mainly by the 15% year-on-year growth in revenue while expenditures were 9% higher. Fiscal deficit now stands at Php 34.5 billion.

A highly liquid market, a slowing economy with a benign inflation outlook, a contained deficit, and a possible credit rating upgrade seem to buoy the GS market. We remain confident that the Peso GS will continue to hold steady despite troubling external markets.

Portfolio Composition



Maturity Profile



Top 5 Holdings

Petron Preferred Shares	11.85%
Fixed Rate Treasury Note 6.375% 1/19/2022	11.05%
Fixed Rate Treasury Note 8.125% 12/16/2035	10.03%
First Preferred Shares	7.63%
Metrobank 7% 10/19/2017	6.05%

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 & Araullo
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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