

## UnionBank Trust and Investment Services Group

UBP Tax Exempt Portfolio  
as of October 28, 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

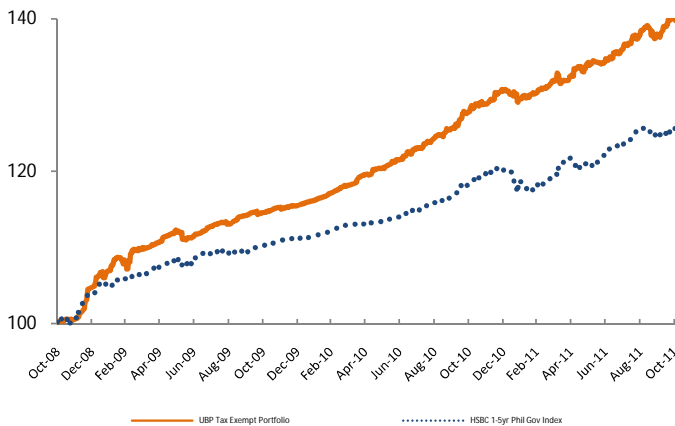
Calendar Absolute Returns*	Tax Exempt	HSBC 1-5 Yr Index
YTD	7.46%	4.93%
2010	13.06%	8.13%
2009	12.30%	6.99%
2008	0.19%	4.35%

Cumulative Annualized Returns*	Tax Exempt	HSBC 1-5 Yr Index
3 Years	11.90%	7.95%

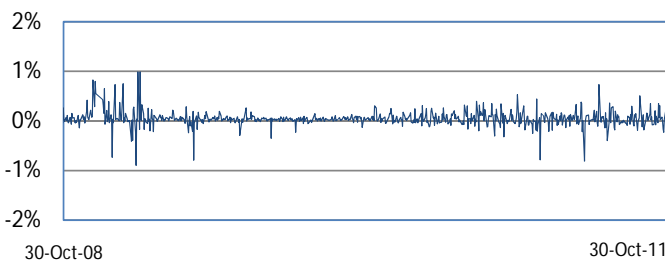
\*Returns are reported net of fees.

Net Asset Value, end-of-period: Php 1.086 Billion  
Bid NAV Per Unit (NAVpu) Php 139.852573  
Offer NAV Per Unit (NAVpu) Php 141.317359

### 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: 3.41  
Sharpe Ratio (Risk Free Rate = 3.29%): 2.30

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

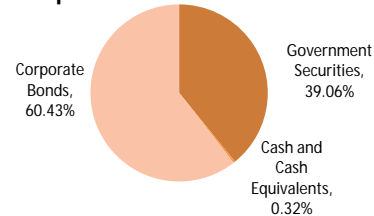
### Fund Manager's Report

Yields of peso government securities declined across the curve for the month of October. The 7, 10, and 15 year-bond declined by 29 bps, 23 bps, and 39 bps month-on-month accordingly.

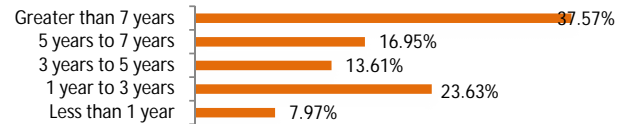
October inflation hit 5.2% (2006 base year) from 4.8% in September on higher food and energy prices. Inflationary pressure is expected to be temporary and is seen to be contained as food supply eases. BSP cuts its inflation forecast to 4.4% from 4.7% in 2011 and to 3.1% from the previous forecast of 3.4% in 2012. The BSP is expected to keep rates unchanged in their last meeting on December.

We expect continued support for the local currency bonds as we tread towards year end. The market is still highly liquid. Fiscal deficit is foreseen to be less than the Php 260 billion target.

### Portfolio Composition



### Maturity Profile



### Top 5 Holdings

Retail Treasury Bond 6.250% 10/26/2026	14.79%
Petron Preferred Shares	11.42%
Fixed Rate Treasury Note 6.375% 1/19/2022	11.25%
Fixed Rate Treasury Note 8.125% 12/16/2035	10.40%
First Preferred Shares	7.58%

### 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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