

UnionBank Trust and Investment Services Group

UBP Tax Exempt Portfolio
as of July 31, 2012

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

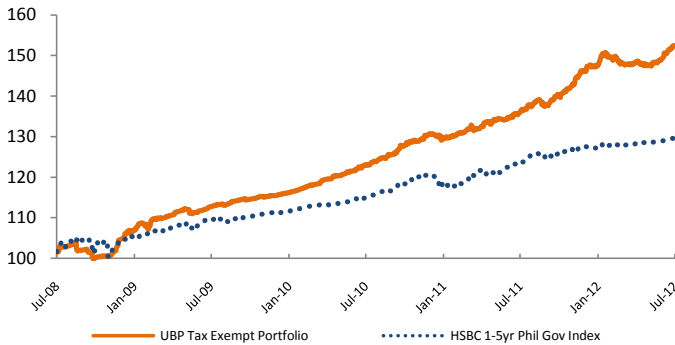
Calendar Absolute Returns*	Tax Exempt	HSBC 1-5 Yr Index
YTD	4.21%	1.63%
2011	12.17%	6.18%
2010	13.06%	8.13%
2009	12.30%	6.99%
2008	0.19%	4.35%

Cumulative Annualized Returns*	Tax Exempt	HSBC 1-5 Yr Index
3 Years	10.58%	5.82%

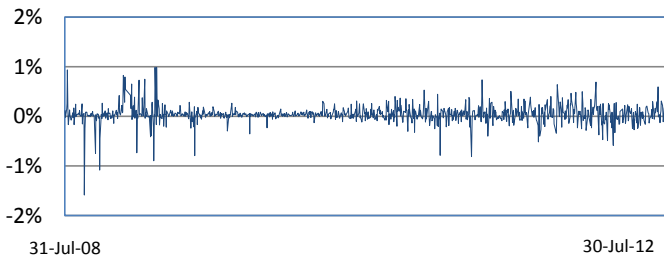
	Net Asset Value (NAV)	NAV Per Unit (NAVpu)
Bid ¹	Php 1.326 Billion	Php 152.382595
Offer ¹	Php 1.328 Billion	Php 152.619060
Mid ¹	Php 1.327 Billion	Php 152.515824

Par Value: Php 100.00

Net Asset Value per Unit



Daily Percentage Change of NAVpu



Risk Characteristics:

One day VAR at 3σ:	0.48%
Volatility, Past 360 Days:	3.04%
Duration:	5.05
Sharpe Ratio (Risk Free Rate = 2.460%):	3.21

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

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.

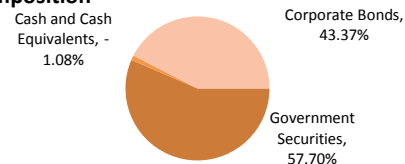
Fund Manager's Report

The Bangko Sentral ng Pilipinas (BSP) reduced its policy rates by 25 basis points to a record low. The BSP's Special Deposit Account (SDA) rates are now at 3.84375 percent for the 14-day placement and 3.90625 percent for the one-month placement. The lower rates tempered the Philippine Peso's appreciation and lowered the BSP's cost on the SDA instruments. The market had already anticipated the rate cut and priced it in early on.

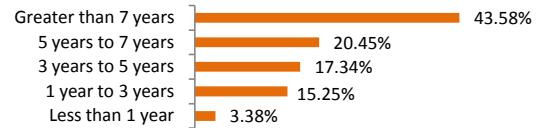
Standard & Poor's (S&P) also upgraded the Philippine sovereign credit rating from BB to BB+. The Philippines' rating is now just one notch below investment grade. Inflation in June eased to 2.8 percent year-on-year from 2.9 percent in May. The lower inflation was attributed to declining crude oil prices. The BSP July inflation forecast range of 2.6 percent to 3.5 percent is consistent with their benign outlook.

The bond yield curve had an almost parallel shift downwards month-on-month. Yields on the shorter tenors declined by 7 to 50 basis points. Yields on the longer tenors, such as the 20-year benchmark Treasury note, declined by 32 basis points, while the 25-year benchmark note declined by 40 basis points.

Portfolio Composition



Maturity Profile



Top 5 Holdings²

Retail Treasury Bond 6.250% 10/26/2026	13.34%
Fixed Rate Treasury Note 6.375% 01/19/2022	11.98%
Globe 6.000% 06/01/2019	8.52%
Fixed Rate Treasury Note 7.000% 03/31/2017	6.70%
Petron Preferred Shares	6.41%

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
Ave. Gross Market Value for the Qtr.	Php 1,296,442,793.33
Trust Fees ³ :	0.25% per annum; 0.06% for the quarter
Audit Fees ³ :	0.0013% for the quarter
Custodianship Fees ³ :	0.004% for the quarter
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.

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FOOTNOTES:

¹FUND 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.

²PROSPECTIVE INVESTMENTS

The Fund may be invested and reinvested in:

- i. Securities issued by or guaranteed by the Philippine government, or the Bangko Sentral ng Pilipinas;
- ii. Exchange-listed securities;
- iii. Marketable instruments that are traded in an organized exchange;
- 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;
- vi. Derivative instruments for the purpose of hedging market risk exposures.
- vii. Such other 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 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.