

## UnionBank Trust and Investment Services Group

UBP Tax Exempt Portfolio  
as of August 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

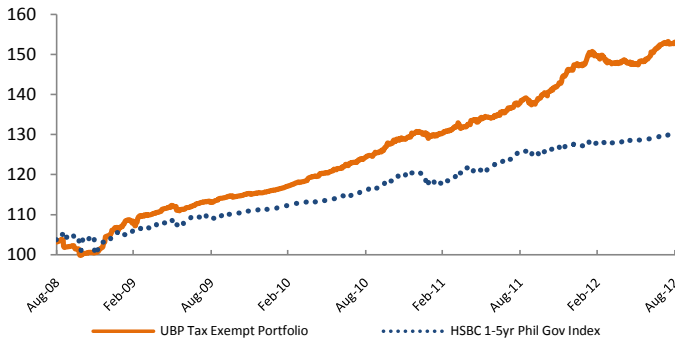
Calendar Absolute Returns*	Tax Exempt	HSBC 1-5 Yr Index
YTD	4.52%	1.96%
2011	12.17%	6.18%
2010	13.06%	8.13%
2009	12.30%	6.99%
2008	0.19%	4.35%

Cumulative Annualized Returns*	Tax Exempt	HSBC 1-5 Yr Index
3 Years	10.57%	6.05%

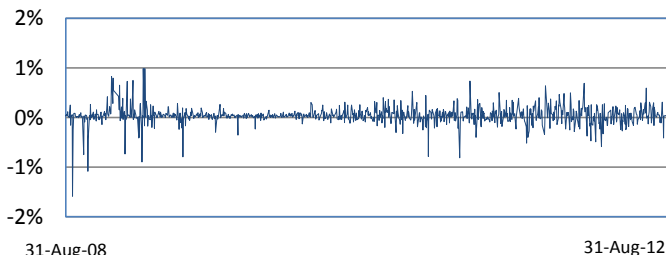
	Net Asset Value (NAV)	NAV Per Unit (NAVpu)
Bid <sup>1</sup>	Php 1.331 Billion	Php 152.889305
Offer <sup>1</sup>	Php 1.333 Billion	Php 153.155778
Mid <sup>1</sup>	Php 1.331 Billion	Php 152.967659

Par Value: Php 100.00

### Net Asset Value per Unit



### Daily Percentage Change of NAVpu



31-Aug-08

31-Aug-12

### Risk Characteristics:

One day VAR at 3σ:	0.48%
Volatility, Past 360 Days:	3.03%
Duration:	5.20
Sharpe Ratio (Risk Free Rate = 1.239%):	3.19

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

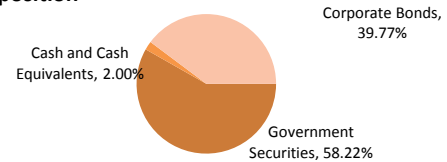
The country's Gross Domestic Product (GDP) in the second quarter was reported at 5.9 percent which is higher than consensus estimate of 5.5 percent. The figure was lifted by strong private consumption and investments. The growth was led by the services and industry sector.

Our fiscal position continues to remain strong. Revenue growth continues to remain strong at 15 percent. The fiscal deficit stood at Php 74 billion year-to-date, which is still below the government's Php 286 billion target.

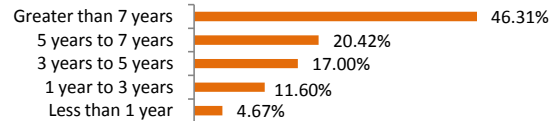
Inflation accelerated to 3.2 percent in July, which is slightly above consensus estimate of 3.1 percent, from 2.8 percent in June. The July figure brings average year-to-date inflation to 3.0 percent which is at the lower end of the Bangko Sentral ng Pilipinas' (BSP) target of 3.0 percent to 5.0 percent.

The peso yield curve for August declined on the short ends by as much as 70 basis points while the long ends rose by as much as 80 basis points. This implied a bullish steepening in the yield curve. Market participants are lowering the duration on their portfolios on a relatively flat yield curve.

### Portfolio Composition



### Maturity Profile



### Top 5 Holdings<sup>2</sup>

Retail Treasury Bond 6.250% 10/26/2026	13.35%
Fixed Rate Treasury Note 6.375% 01/19/2022	12.05%
Globe 6.000% 06/01/2019	8.53%
Fixed Rate Treasury Note 7.000% 03/31/2017	6.72%
Petron Preferred Shares	3.56%

### 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 <sup>3</sup> :	0.25% per annum; 0.064% for the quarter
Audit Fees <sup>3</sup> :	0.0012% for the quarter
Custodianship Fees <sup>3</sup> :	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.

**UnionBank Trust and Investment Services Group**

UBP Tax Exempt Portfolio

**FOOTNOTES:****<sup>1</sup>FUND 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.

**<sup>2</sup>PROSPECTIVE 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.

**<sup>3</sup>FEES & 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.**