

## UnionBank Trust and Investment Services Group

UBP Tax Exempt Portfolio  
as of October 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

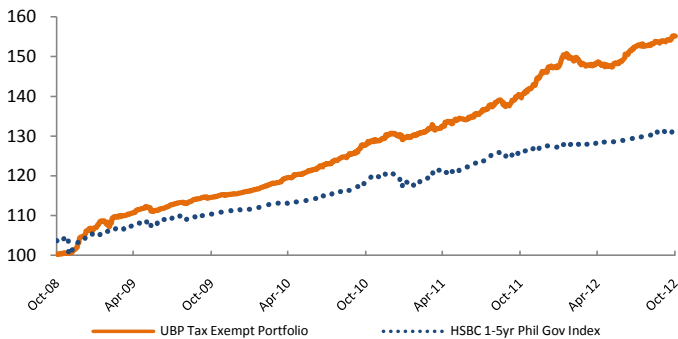
Calendar Absolute Returns*	Tax Exempt	HSBC 1-5 Yr Index
YTD	6.00%	3.06%
2011	12.17%	6.18%
2010	13.06%	8.13%
2009	12.30%	6.99%
2008	0.19%	4.35%

Cumulative Annualized Returns*	Tax Exempt	HSBC 1-5 Yr Index
3 Years	10.70%	5.96%

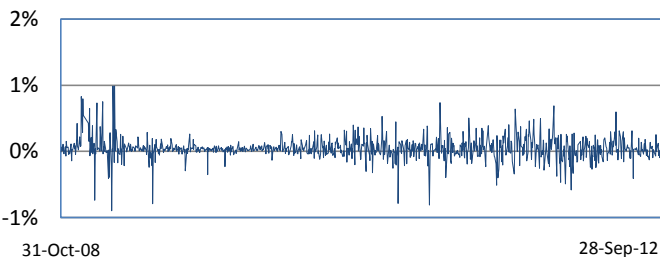
	Net Asset Value (NAV)	NAV Per Unit (NAVpu)
Bid <sup>1</sup>	Php 1.425 Billion	Php 154.870754
Offer <sup>1</sup>	Php 1.430 Billion	Php 155.415315
Mid <sup>1</sup>	Php 1.428 Billion	Php 155.141745

Par Value: Php 100.00

### Net Asset Value per Unit



### Daily Percentage Change of NAVpu



### Risk Characteristics:

One day VAR at 3σ:	0.45%
Volatility, Past 360 Days:	2.85%
Duration:	5.17
Sharpe Ratio (Risk Free Rate = 1.260%):	3.29

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

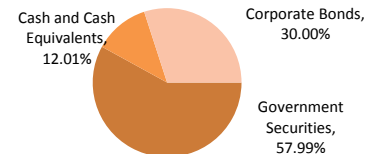
### Fund Manager's Report

Inflation in September eased to 3.6 percent from 3.8 percent in August. Food prices accelerated slightly but was tempered by easing utilities prices. Year-to-date inflation was 3.1 percent, at the lower end of the Bangko Sentral ng Pilipinas' (BSP) 3 to 5 percent target range. With benign inflation expectations and strengthening peso currency, the BSP reduced its overnight policy rates to record low of 3.5 percent

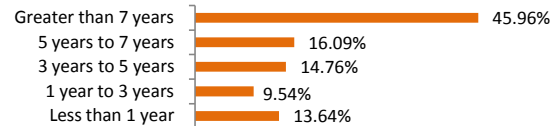
The Philippine government's fiscal position remains strong. The year-to-date fiscal deficit widened to Php 106 billion, but is still below the government's target of Php 183 billion. Trade deficit also widened in August to USD 1.25 billion from USD 236 million in July last year. Exports declined 9 percent year-on-year, coming from 6 percent growth in July. Continued appreciation of the peso has been slowing down the export industry.

Moody's raised the credit rating of the Philippines to one notch below investment grade in view of improving revenue buoyancy in the face of deteriorating global demand, enhanced prospects for growth over the medium-term, and a stable financial system that poses limited contingent risks and provides a stable source of financing for the government.

### Portfolio Composition



### Maturity Profile



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

Retail Treasury Bond 6.250% 10/26/2026	12.52%
Retail Treasury Bond 6.125% 10/24/2037	10.03%
Globe 6.000% 06/01/2019	7.67%
Fixed Rate Treasury Note 6.375% 01/19/2022	6.01%
Retail Treasury Bond 5.875% 03/01/2032	5.16%

### 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 1,372,516,259.73
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.

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.

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**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.**