

## UnionBank Trust and Investment Services Group

UBP Tax Exempt Portfolio  
as of January 31, 2013

### 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

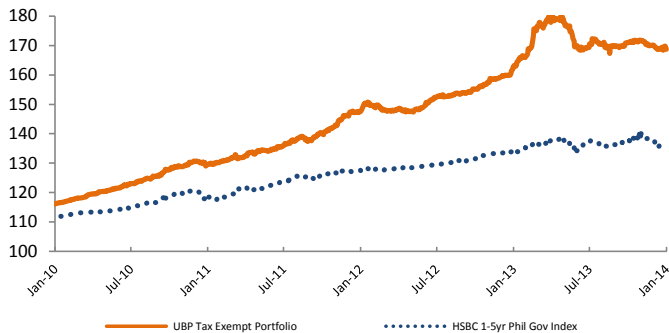
Calendar Absolute Returns*	Tax Exempt	HSBC 1-5 Yr Index
YTD	-0.23%	-0.88%
2013	6.97%	3.20%
2012	8.67%	4.41%
2011	12.17%	6.18%
2010	13.06%	8.13%
2009	12.30%	6.99%
2008	0.19%	4.35%

Cumulative Annualized Returns*	Tax Exempt	HSBC 1-5 Yr Index
3 Years	9.78%	4.60%

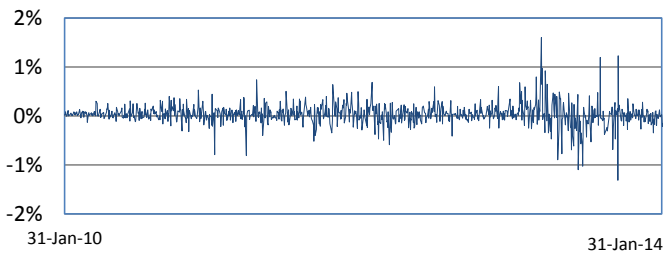
\*Returns are reported net of fees.

Net Asset Value (NAV)	NAV Per Unit (NAVpu)	Par
Php 1.519Billion	Php 168.742559	
Value: Php 100.00		

### Net Asset Value per Unit



### Daily Percentage Change of NAVpu



### Risk Characteristics:

One day VAR at 3σ:	0.82%
Volatility, Past 360 Days:	5.16%
Duration:	3.44
Sharpe Ratio (Risk Free Rate = 0.640%):	0.50

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

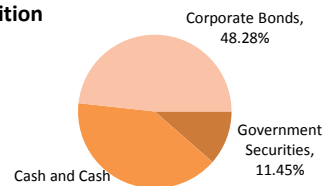
### Fund Manager's Report

Philippine GDP grew 6.5% in Q4 2013 which was slower than revised 6.9% of its previous quarter. Annual GDP was at 7.2%.

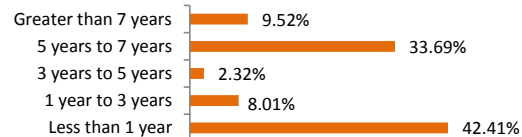
In its scheduled Treasury Bills auction, BTR was able to issue 91-day bills at an average of 0.693% (fully subscribed) and 364-day bills at an average of 1.079% (undersubscribed). The 182-day bills auction was fully rejected. BTR also re-issued FXTN 3-20 at an average rate of 2.399%. Bids reached as high as 3.0% and the lowest was 2.125% with an average bid of 2.681%. The highest bid accepted was at 2.5% and the lowest was 2.125%.

The month of January began with a cautious sentiment as US tapering uncertainties and Philippine's inflation jitters once again plagued the market. This was reflected on the results of the unsuccessful re-issuance of the FXTN 3-20 with market demanding for higher yields. Demand for the 3 yr was 33.222B which was more than the offered 30B. Even the announcement of the Q4 GDP was a non-event as yields on 10 year bucket inched up on the average of 50bps on a month-on-month basis. Market will be waiting for the January inflation for guidance as BSP expects it to fall between 3.4%-4.3%.

### Portfolio Composition



### Maturity Profile



### Top 5 Holdings

GLOPM 6.000 06/01/2019	13.84%
MERPM 4.3750 12/12/2020	6.26%
FLIPM 6.2731 06/08/2019	5.43%
FX 10-54	4.39%
EDCPM 8.6418 06/04/2015	4.05%

### 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
Ave. Gross Market Value for the Qtr.	Php 1,543,976,382.13
Trust Fees <sup>3</sup> :	0.25% per annum; 0.065% for the quarter
Audit Fees: <sup>3</sup>	0.0019% for the quarter
Custodianship Fees: <sup>3</sup>	0.003% 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**

All assets of the Fund shall be marked to market daily in accordance with existing BSP rules and regulations on marking to market valuation of investment instruments. The pricing valuation methodology shall use the following price sources as bases for computing NAVPu.

*Philippine Equity Securities: Philippine Stock Exchange Closing Levels, 3:30 pm daily*

*Other instruments: Closing prices as prescribed by BSP regulations and market conventions*

Valuation Day shall mean any day in which banks are open for business in Manila.

The value of the NAVPu at the start of Fund's operation shall be: Php 100.00

The Admission and Redemption NAVPu of the fund shall be computed 4:30pm of each business day and/or after markets close and shall be available to investors by 9:00 am of the next banking day.

All mark-to-market valuation procedures are in accordance with BSP Memorandum No. M-2007-005 dated February 28, 2007.

#### **<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;
- 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.**