

## UnionBank Trust and Investment Services Group

UBP Tax Exempt Portfolio  
as of September 30, 2014

### 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	1.17%	2.75%
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%

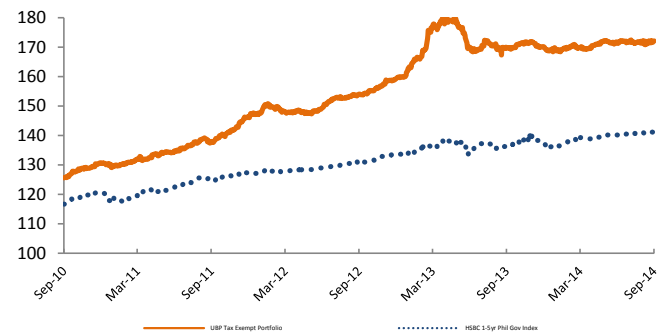
Cumulative Annualized Returns*	Tax Exempt	HSBC 1-5 Yr Index
3 Years	7.55%	4.05%

\*Returns are reported net of fees.

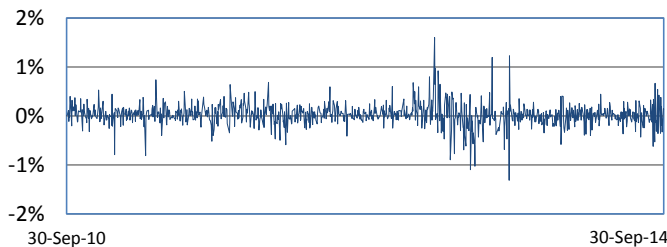
Net Asset Value (NAV)      NAV Per Unit (NAVpu)  
Php 1.262 Billion              Php 172.090761      Par

Value:      Php 100.00

### Net Asset Value per Unit



### Daily Percentage Change of NAVpu



### Risk Characteristics:

One day VAR at 3σ:	0.57%
Volatility, Past 360 Days:	3.60%
Duration:	3.7357
Sharpe Ratio (Risk Free Rate = 0.7999%):	0.13

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

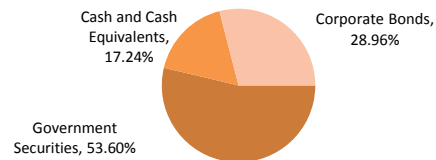
### Fund Manager's Report

Bureau of Treasury awarded in full 91 day, 182 day and 364 day treasury bills at an average rate of 1.244%, 1.65% and 1.864% respectively. Also, BTR had an undersubscribed re issuance of FXTN 20-20. PHP 15.95B was the only amount awarded with an average rate of 5.095%. The volume offered was PHP 25B of which total bids tendered were only PHP 17.32B.

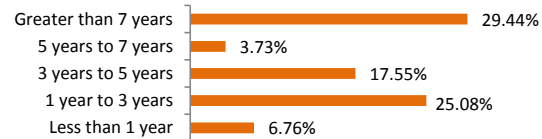
Inflation in August printed at 4.9% which was flat from the previous month. This was slightly lower than what market expected as BSP's range for that month is 4.7%-5.5%. The average 8 month inflation is now at 4.4%. Bangko Sentral ng Pilipinas raised its Overnight borrowing rate and its special deposit account by 25 basis points. Aimed as a pre-emptive move to curb rising inflation, the Central bank surprised some market players by hiking both monetary instruments while leaving the reserve requirement ratio on hold. The decision was based on the assessment that inflation target for 2015 remains at risk.

Month-on-Month the yield curve continued to flatten as yields on the short end rose 5 to 10 bps and the yields on the long end went down 5bps. The belly of the curve remained flat. Activity was mostly on the liquid issues.

### Portfolio Composition



### Maturity Profile



### Top 5 Holdings

RTB 15-01	15.00%
FX 07-48	12.74%
GLOPM 6.000 06/01/2019	8.34%
FX 10-54	6.93%
FX 25-08	5.51%

### 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.

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.

## **UnionBank Trust and Investment Services Group**

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### **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.**