



**UNIONBANK OF THE PHILIPPINES - TRUST AND INVESTMENT SERVICES GROUP**  
**UNIONBANK TAX EXEMPT PORTFOLIO**  
 KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT  
 As of January 29, 2016

<b>FUND FACTS</b>			
Classification:	Long-term Bond Fund	Net Asset Value per Unit (NAVPU):	Php 180.22010025
Launch Date:	October 1, 2007	Total Fund NAV:	Php 1,151,856,660.75
Minimum Investment:	Php 100,000	Dealing Day:	Up to 12 noon, any banking day
Additional Investment:	Not Applicable	Redemption Settlement:	One (1) banking day after initial notice
Minimum Holding Period:	None	Early Redemption Charge:	Not Applicable
<b>FEES*</b>			
Trust Fees: 0.022%	Custodianship Fees: 0.001%	Audit Fees: 0.001%	Other Fees: 0.003%
<i>UnionBank of the Philippines</i>	<i>HSBC, Ltd. Philippines</i>	<i>Punongbayan &amp; Arullo</i>	

\*As a percentage of the net fund value for the month valued at Php 1.15 Bn

**INVESTMENT OBJECTIVE AND STRATEGY**

The UnionBank Tax Exempt Portfolio is a peso-denominated bond fund that seeks for participating qualified tax-exempt entities the total return of a diversified portfolio of primarily investment-grade fixed-income instruments.

**CLIENT SUITABILITY**

A client profiling process should be performed prior to participating in the Fund to guide the prospective investor if the Fund is suited to his/her investment objectives and risk tolerance. Clients are advised to read the Declaration of Trust/Plan Rules of the Fund, which may be obtained from the Trustee, before deciding to invest.

- The UnionBank Tax Exempt Portfolio is suitable only for investors who:
  - Are qualified tax-exempt institutions with a long-term investment horizon
  - Have a moderately conservative risk profile
- The principal is at risk. Loss in the original investment may arise due to market fluctuations and price volatility of the securities held by the fund.

**KEY RISKS AND RISK MANAGEMENT**

You should not invest in this Fund if you do not understand or are comfortable with the accompanying risks.

Some of the key risks associated with this Fund are listed below:

- **Interest Rate Risk:** This is the possibility to experience losses due to changes in interest rates. The purchase and sale of a debt instrument may result in profit or loss because the value of a debt instrument changes inversely with prevailing interest rates.
- **Market/Price Risk:** This is the possibility to experience losses due to adverse changes in market prices of securities. It is the exposure to the uncertain market value of a portfolio due to price fluctuations.
- **Liquidity Risk:** This is the possibility to experience losses due to the fund's inability to sell and convert assets into cash immediately or in instances where conversion to cash is possible but at a highly disadvantageous price.
- **Credit/Default Risk:** This is the possibility for an investor to experience losses due to a borrower's failure to pay principal and/or interest in a timely manner on instruments such as bonds, loans, or other forms of security which the borrower issued.

The Fund invests in quality assets which are evaluated under the Trust Department's accreditation process and BSP regulations. Internal risk limits, together with regulatory exposure limits, are monitored, reviewed and strictly adhered to on a daily basis.

❖ **THE UIT FUND IS NOT A DEPOSIT AND IS NOT INSURED BY THE PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC)**  
 ❖ **RETURNS CANNOT BE GUARANTEED AND HISTORICAL NAVPU IS FOR ILLUSTRATION OF NAVPU MOVEMENTS/FLUCTUATIONS ONLY**  
 ❖ **WHEN REDEEMING, THE PROCEEDS MAY BE WORTH LESS THAN THE ORIGINAL INVESTMENT AND ANY LOSSES WILL BE SOLELY FOR THE ACCOUNT OF THE CLIENT**  
 ❖ **THE TRUSTEE IS NOT LIABLE FOR ANY LOSS UNLESS UPON WILLFUL DEFAULT, BAD FAITH OR GROSS NEGLIGENCE**

For any queries, you may call UnionBank-Trust and Investment Services Group at 667-6388 or visit our website at www.unionbankph.com .

**FUND PERFORMANCE AND STATISTICS AS OF JANUARY 29, 2016**

(Purely for reference purposes and is not a guarantee of future results)

**NAVPU over the past 12 months**

<b>Highest</b>	180.9366813
<b>Lowest</b>	174.9216651

**Statistics**

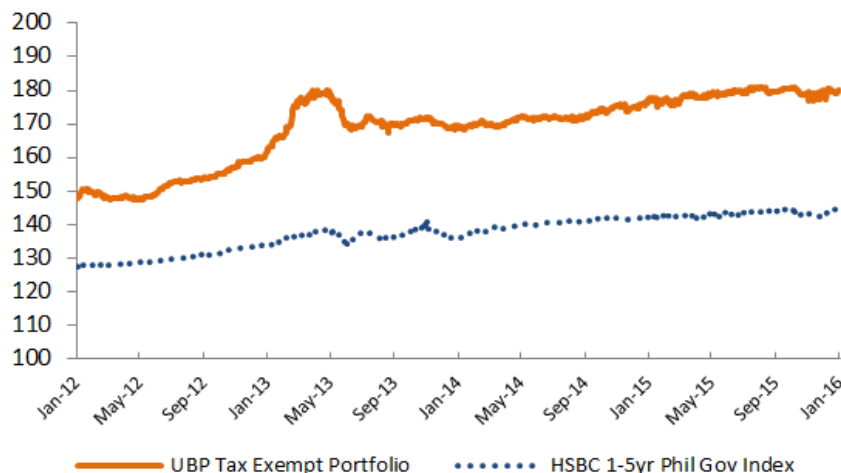
<b>Weighted Ave. Duration</b>	3.9157
<b>Volatility, Past 1 Year *</b>	4.68%
<b>Sharpe Ratio**</b>	-0.06
<b>Information Ratio***</b>	-0.12

\*Volatility measures the degree to which the Fund fluctuates vis-a-vis its average return over a period of time.

\*\*Sharpe Ratio is used to characterize how well the return of Fund compensates the investor for the level of risk taken. The higher the number, the better. (Risk Free Rate = 1.7018%)

\*\*\*Information Ratio measures reward-to-risk efficiency of the portfolio relative to the benchmark. The higher the number, the higher the reward per unit of risk.

**Net Asset Value per Unit**



**Fund Performance Vs. Benchmark (%)**

Period	Cumulative Return					Annualized Return	
	1mo	3mos	6mos	1yr	3yrs	3yrs	5yrs
Fund	0.03	-0.27	0.48	1.44	10.52	3.39	6.82
Benchmark*	1.01	0.61	1.01	1.70	8.32	2.70	4.04

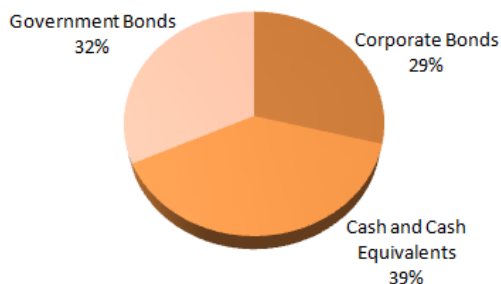
Period	YTD	Calendar Year Return				
		2011	2012	2013	2014	2015
Fund	0.02	12.17	5.67	6.97	2.90	2.93
Benchmark*	1.00	6.18	4.41	3.20	3.14	1.34

**Top Ten Holdings (%)**

FXTN 25-11 4.625 09/09/2040	16.70
DBP Deposits	13.94
City Savings Bank Deposits	13.93
ANZ Bank Deposits	9.83
GLOPM 6.000 06/01/2019	9.42
FXTN 07-49 7.000 03/31/2017	5.66
FLIPM 6.2731 06/08/2019	4.70
MERPM 4.3750 12/12/2020	4.42
FXTN 10-60 3.625 09/09/2025	3.30
FXTN 10-42 9.125 09/04/2016	3.05
<b>Total</b>	<b>84.94</b>

\*HSBC 1-5 Yr Phil Bond Index

**Portfolio Composition**



**OTHER DISCLOSURES**

**RELATED PARTY TRANSACTIONS**

The fund has bond investments with Aboitiz Equity Ventures, time deposits with City Savings Bank and time deposits with UnionBank of the Philippines amounting to Php 12.32 Mn, Php 160.41 Mn and Php 4.39 Mn respectively. These investment outlets were approved by the Trust Committee. Likewise, all related parties transactions are conducted on an arm's length basis.

**OUTLOOK AND STRATEGY**

The local bond market proved resilient amidst a global risk off sentiment. With a massive PHP87 billion maturing by the end of the month(FXTN 7-48), client driven buying initiated to pull down yields on the short end of the curve. Most of the buying activity was below the 5 years tenor while the rest of the curve remained quiet. After a successful re-issuance of FXTN 10-60, market started to sell off the belly and the long ends as the yield curve steepened. However, as the month nears its end, liquidity spilled over to the belly and the long ends. The month of January saw how resilient the GS market was compared to its peers being supported by awash liquidity. However, it also experienced flashes of risk off sentiment as it tracked the drop in US treasury yields and the drop of oil in the global market. In addition to the uncertainty, details of the Interest Rate Corridor remains unclear which might cause volatility especially in the short end of the curve.