



UNIONBANK OF THE PHILIPPINES - TRUST AND INVESTMENT SERVICES GROUP
UNIONBANK TAX EXEMPT PORTFOLIO
 KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT
 As of May 31, 2016

FUND FACTS			
Classification:	Long-term Bond Fund	Net Asset Value per Unit (NAVPU):	Php 184.5600046
Launch Date:	October 1, 2007	Total Fund NAV:	Php 1,167,100,630.93
Minimum Investment:	Php 100,000	Dealing Day:	Up to 2:30 pm, 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
FEES*			
Trust Fees: 0.021%	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 & Arullo</i>	

*As a percentage of the net fund value for the month valued at Php 1.18 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 MAY 31, 2016

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

NAVPu over the past 12 months

Highest	184.6372950
Lowest	176.8223850

Statistics

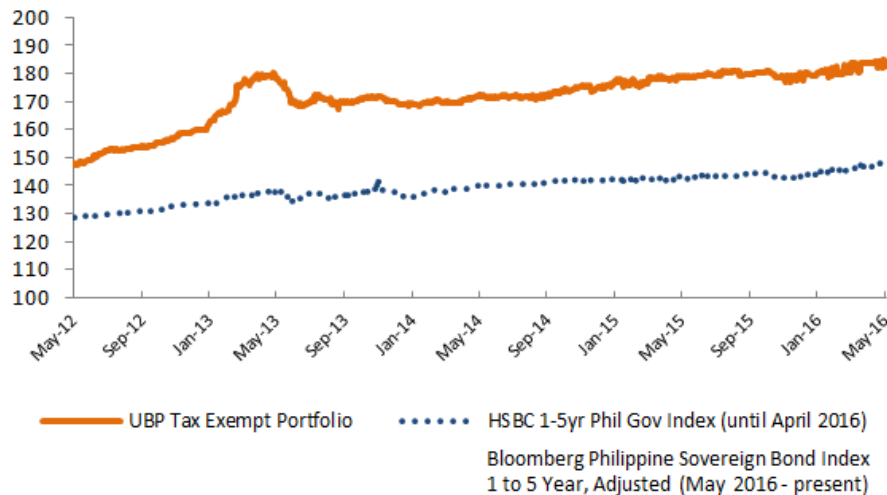
Weighted Ave. Duration	3.7901
Volatility, Past 1 Year *	6.02%
Sharpe Ratio**	0.22
Information Ratio***	-0.04

*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 = 1.9891%)

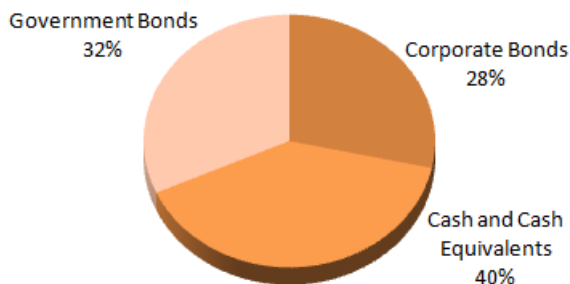
***Information Ratio measures reward-to-risk efficiency of the portfolio relative to the benchmark. The higher the number, the higher the reward per unit of risk.

Net Asset Value per Unit



Fund Performance Vs. Benchmark (%)								Top Ten Holdings (%)	
Cumulative Return						Annualized Return		FXTN 25-11 4.625 09/09/2040	17.14
Period	1mo	3mos	6mos	1yr	3yrs	3yrs	5yrs	CITY SAVINGS BANK	14.07
Fund	0.49	1.66	3.03	3.31	3.40	1.12	6.57	UNIONBANK OF THE PHILIPPINES	14.03
Benchmark*	1.67	1.29	2.53	2.62	6.29	2.05	3.88	GLOPM 6.000 06/01/2019	9.29
Calendar Year Return									
Period	YTD	2011	2012	2013	2014	2015			
Fund	2.43	12.17	5.67	6.97	2.90	2.93	ANZ BANK 8.71		
Benchmark*	2.11	6.18	4.41	3.20	3.14	1.34	FXTN 07-49 7.000 03/31/2017 5.38		
								FLIPM 6.2731 06/08/2019 4.57	
								MERPM 4.3750 12/12/2020 4.34	
								FXTN 10-60 3.625 09/09/2025 3.36	
								FXTN 10-42 9.125 09/04/2016 2.85	
PORTFOLIO COMPOSITION								Total	83.74

*HSBC 1-5 Yr Phil Bond Index (until April 2016)
 Bloomberg Philippine Sovereign Bond Index 1 to 5 Years, Adjusted (May 2016 – present)



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 12.20 Mn, Php 164.30 Mn and Php 163.76 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 month of May started off with the national election jitters as local market players maintained a cautious stance with the yield curve steepening. Longer dated bonds rose 10 to 15 bps and short dated bonds gained 10 basis points as well. After the relatively peaceful elections, yields on the belly to the long ends rallied back gaining back losses from pre election levels. Market further rallied after being surprised on the news of narrowing the upcoming Interest Rate Corridor system. The yield curve bull flattened as the Central Bank cut its overnight borrowing rate to 3% from 4% and overnight lending rate to 3.5% from 6% while keeping the SDA rate unchanged. After digesting several announcements with the IRC and uncertainties in the global peripherals, the 3yr, 5yr and 7yr tenor bonds continued to see demand rallying further by as much as 20 to 30 bps.

The Central Bank's new Interest Rate Corridor announced the details of the scheduled auction in June. The Term Deposit facility will have 7 days and 28 days for PHP 10B and PHP 20B every week for the month to shore up excess liquidity in the financial system. The previously tenored SDA will be an Overnight Deposit Facility to represent the floor for the new IRC.