



UNIONBANK OF THE PHILIPPINES - TRUST AND INVESTMENT SERVICES GROUP
UNIONBANK TAX EXEMPT PORTFOLIO
 KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT
 As of June 30, 2016

FUND FACTS			
Classification:	Long-term Bond Fund	Net Asset Value per Unit (NAVPU):	Php 185.906090
Launch Date:	October 1, 2007	Total Fund NAV:	Php 1,200,497,697.83
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 1.20 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.

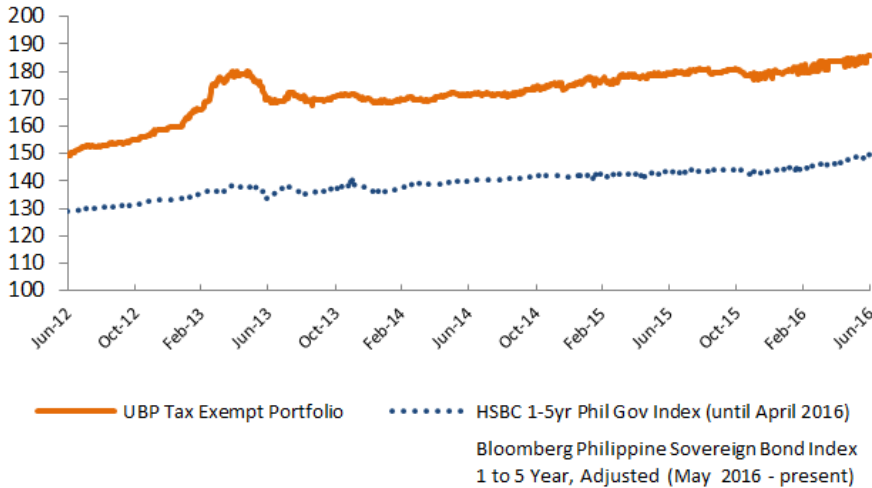
<ul style="list-style-type: none"> ❖ THE UIT FUND IS NOT A DEPOSIT AND IS NOT INSURED BY THE PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC) ❖ RETURNS CANNOT BE GUARANTEED AND HISTORICAL NAVPU IS FOR ILLUSTRATION OF NAVPU MOVEMENTS/FLUCTUATIONS ONLY ❖ WHEN REDEEMING, THE PROCEEDS MAY BE WORTH LESS THAN 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 JUNE 30, 2016

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

Net Asset Value per Unit



NAVPU over the past 12 months

Highest	186.0696050
Lowest	176.8223850
Statistics	
Weighted Ave. Duration	3.7838
Volatility, Past 1 Year *	6.33%
Sharpe Ratio**	0.28
Information Ratio***	0.01

*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 = 1.9438%)

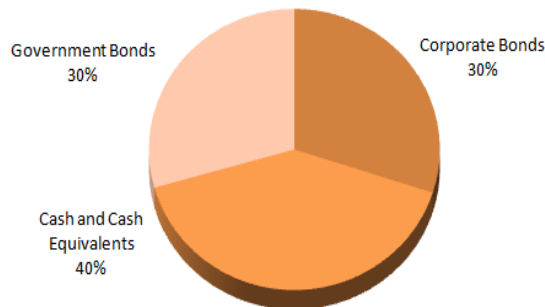
***Information Ratio measures reward-to-risk efficiency of the portfolio relative to the benchmark. The higher the number, the higher the reward per unit of risk.

Fund Performance Vs. Benchmark (%)								Top Ten Holdings (%)		
Period		Cumulative Return					Annualized Return		Security	Yield
		1mo	3mos	6mos	1yr	3yrs	3yrs	5yrs		
Fund		0.73	1.32	3.19	3.74	9.34	3.02	6.71	UnionBank of the Philippines Deposits	18.07
Benchmark*		2.25	1.62	2.23	2.49	8.97	2.91	3.60	FXTN 25-11 4.625 09/09/2040	17.19
Period		Calendar Year Return								
YTD	2011	2012	2013	2014	2015					
Fund	3.19	12.17	5.67	6.97	2.90	2.93	FXTN 07-49 7.000 03/31/2017			
Benchmark*	2.23	6.18	4.41	3.20	3.14	1.34	Philippine Savings Bank Deposits			
										5.14
										4.44
										4.23
										3.35
										3.34
Total									81.31	

*HSBC 1-5 Yr Phil Bond Index (until April 2016)

Bloomberg Philippine Sovereign Bond Index 1 to 5 Years, Adjusted (May 2016 – present)

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 12.25 Mn, Php 136.86 Mn and Php 216.95 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

Surprising results from the United Kingdom referendum made "Brexit" a reality as it heightened uncertainty across the financial markets. Initial post-referendum market painted a risk-averse scenario as bid offers remained wide. However, the bond market jump started its steep rally in anticipation of more stimulus from central banks. The local bond yield curve bull flattened as the long end of the curve rallied in as much as 35 basis points and the belly rallied almost 30 basis points as well. The rally was sustained as bets for a July hike and even a hike for the rest of the year were scrapped off the table. Short end of the curve remained at their current level due to Overnight Deposit Facility's 2.5% floor. We expect July to be a month of yield hunting while headline driven events may throw in more uncertainties in global developments.