



UNIONBANK OF THE PHILIPPINES - TRUST AND INVESTMENT SERVICES GROUP
UNIONBANK TAX EXEMPT PORTFOLIO
 KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT
 As of October 28, 2016

FUND FACTS			
Classification:	Long-term Bond Fund	Net Asset Value per Unit (NAVPU):	Php 184.849475
Launch Date:	October 1, 2007	Total Fund NAV:	Php 1,200,825,683.70
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: 0.018%	Custodianship Fees: 0.001%	Audit Fees: 0.001%	Other Fees: 0.002%
<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.

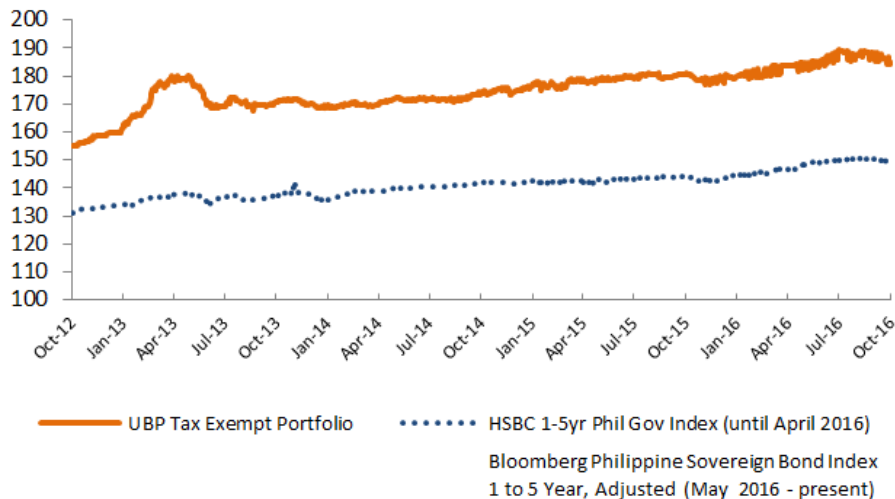
<ul style="list-style-type: none"> ❖ THE UIT FUND IS NOT A DEPOSIT AND IS NOT INSURED BY THE PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC) ❖ RETURNS CANNOT BE GUARANTEED AND HISTORICAL NAVPU IS FOR ILLUSTRATION OF NAVPU MOVEMENTS/FLUCTUATIONS ONLY ❖ WHEN REDEEMING, THE PROCEEDS MAY BE WORTH LESS THAN 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 OCTOBER 28, 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	188.744722
Lowest	176.822385

Statistics	
Weighted Ave. Duration	4.8232
Volatility, Past 1 Year *	11.89%
Sharpe Ratio**	0.05
Information Ratio***	0.02

*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 = 1.7545%)

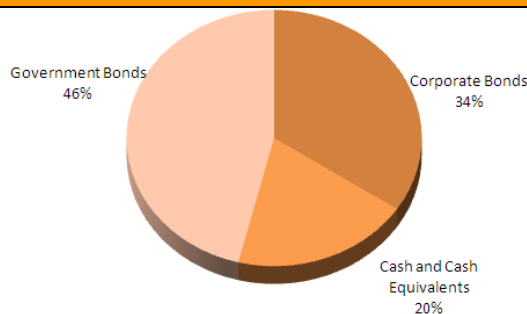
***Information Ratio measures reward-to-risk efficiency of the portfolio relative to the benchmark. The higher the number, the higher the reward per unit of risk.

Fund Performance Vs. Benchmark (%)								Top Ten Holdings (%)		
		Cumulative Return				Annualized Return				
Period	1mo	3mos	6mos	1yr	3yrs	3yrs	5yrs			
Fund	-0.30	-2.20	0.64	2.30	8.03	2.61	5.68	FXTN 07-58 3.500 04/21/2023	20.60	
Benchmark*	-0.53	-0.48	1.50	3.34	8.30	2.69	3.41	FXTN 25-11 4.625 09/09/2040	16.49	
		Calendar Year Return								
Period	YTD	2011	2012	2013	2014	2015				
Fund	2.60	12.17	5.67	6.97	2.90	2.93	CITY SAVINGS BANK 10.49			
Benchmark*	3.76	6.18	4.41	3.20	3.14	1.34	GLOPM 6.000 06/01/2019 9.03			
								DBP	5.71	
								FXTN 07-49 7.000 03/31/2017	5.20	
								PCORPM 4.5219 10/27/2023	4.55	
								FLIPM 6.2731 06/08/2019	4.42	
								MERPM 4.3750 12/12/2020	4.26	
								EAST WEST BANK	3.36	
								TOTAL	84.11	

*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 and time deposits with City Savings Bank amounting to Php 12.40 Mn and Php 124.92 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

Consumer prices rose 2.3 percent year-on-year in September of 2016, following a 1.8 percent increase in August while market expected a 2.1 percent rise. It was the highest inflation rate since March 2015 as prices rose at a faster pace for food and non-alcoholic beverages and housing and utilities. BSP's Term Deposit Facility reached new highs with the central bank accepting bids up to 2.75% on the 28 days. BSP Governor is said to be on the same sentiment to keep policy stance and TDF offer size amidst higher rates.

Local bond yields continue to take heavy hitting from the intermediate part of the curve (5 to 7 years) to the long end (mostly liquid 15 years). 2nd half of October saw massive sellers from end accounts and foreign players as benchmark bonds rose as high as 40 to 50 basis points. Yields corrected after the steep drop in prices however rose back again after factoring the higher probability of a rate hike this year combined with rising inflation. With thin volume turn around on most days, bids remained defensive and with some selling pressure ahead of key risk events.