



UCPB Balanced Fund (UBF)

KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT

For the Quarter Ended September 30, 2018

FUND FACTS

Classification: Balanced	Net Asset Value Per Unit (NAVPU): 2.468891257
Launch Date: March 5, 2007	Total Fund NAV: PhP 122,812,445.28
Minimum Investment: PhP 10,000.00	Dealing Day: On any banking day up to 1:30 p.m.
Additional Investment: PhP 5,000.00 and in multiples of PhP 1,000.00	Redemption Settlement: Three (3) banking days after receipt by TBG of redemption notice
Minimum Holding Period: 30 calendar days	Early Redemption Charge: 5% of the total amount redeemed

FEES*

Trustee Fees: 0.4417% Trustee: UCPB Acting Through Its Trust Banking Group (TBG)	Custodian Fees: 0.0005% Custodian: Deutsche Bank AG Manila & Philippine Depository & Trust Corp.	External Auditor Fees: 0.0040% External Auditor: Punongbayan & Araullo Company	Other Fees: None
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*As a percentage of average daily NAV for the quarter valued at PhP 125,489,363.38

INVESTMENT OBJECTIVE AND STRATEGY

UBF seeks to provide long-term capital appreciation and income by investing in a mix of equities and fixed income securities. It also aims to surpass its benchmark which is the composite return of the Philippine Stock Exchange Index and the Bloomberg Philippine Sovereign Bond Index 1-5 Years. This should not be construed, however, as a guarantee of yield.

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/their investment objective 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 UBF is suitable only for investors who:
 - have a risk profile of moderate based on the results of the accomplished Client Suitability Assessment Form;
 - are seeking a simple way to achieve a diversified holding of stocks and fixed-income investments; and
 - willing to accept moderate fluctuations in unit prices.

KEY RISKS AND RISK MANAGEMENT

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

- Interest Rate Risk. This is the possibility for an investor to experience losses due to changes in interest rates.
- Market/Price Risk. This is the possibility for an investor to experience losses due to changes in market prices of securities (e.g., bonds and equities).
- Credit Risk/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.
- Liquidity Risk. This is the possibility for an investor to experience losses due to the inability to sell or convert assets into cash immediately or in instances where conversion to cash is possible but at a loss.
- Reinvestment Risk. This is associated with the possibility of having lower returns or earnings when maturing funds or the interest earnings of the funds are reinvested.

TBG strictly adheres to the investment outlets as stated in the Fund's Declaration of Trust. Exposure limits and asset allocation is closely monitored on a regular basis. All counterparties and investment outlets underwent thorough evaluation and accreditation in accordance with the Trust Manual of Operations, Policies and Guidelines.

- **THE UITF 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 AND 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**



Talin Cruz (02) 811-9214
Marilyn Pabustan-Perion (02) 811-9512
Hannah Borromeo (02) 811-9553

Nadia Gaetos
Catherine Amador
Elena Hong

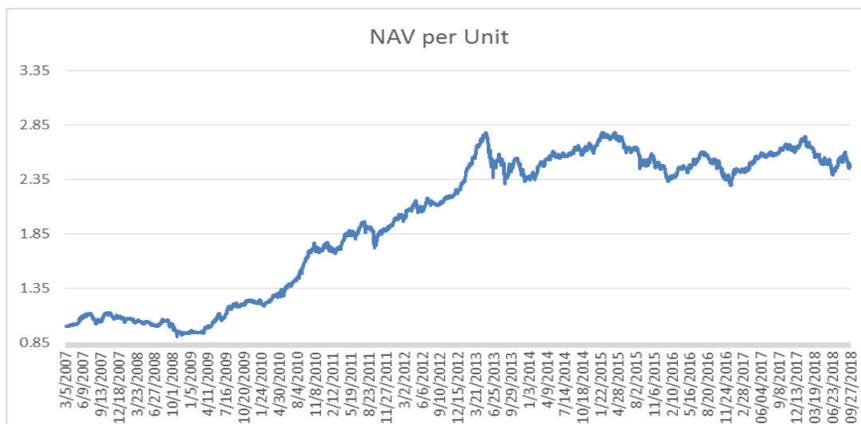
(02) 811-9542
(02) 811-9538
(02) 811-9597

Rosemarie Omet
Alyssa Catapang
Jules Esteva

(02) 811-9522
(02) 811-9515
(02) 811-9544

FUND PERFORMANCE AND STATISTICS AS OF SEPTEMBER 30, 2018
(purely for reference purposes and is not a guarantee of future results)

NAVPU Graph



NAVPU OVER THE PAST 12 MONTHS

Highest	2.744781222
Lowest	2.386863603

STATISTICS

Weighted Ave. Duration	1.79
Volatility, Past 1 Year*	9.23%
Sharpe Ratio**	0.06
Information Ratio***	-0.65

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

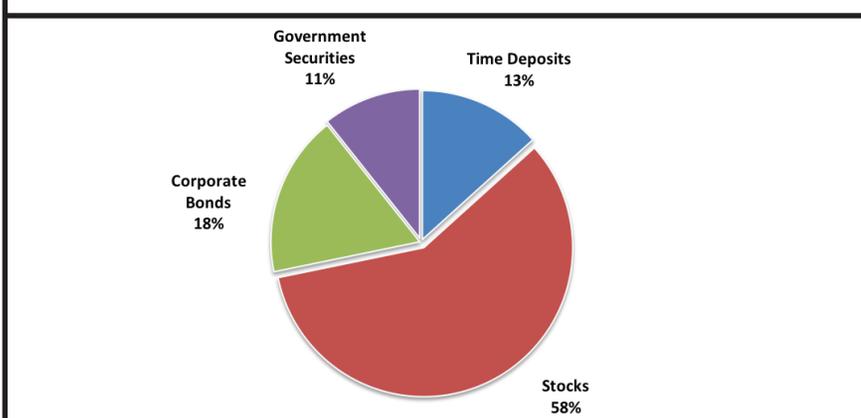
** Sharpe Ratio is used to characterize how well the return of a Fund compensates the investor for the level of risk taken. The higher the number, the better.

*** 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.

CUMULATIVE PERFORMANCE (%)

Period	1 Mo	3 Mos	6 Mos	1 Yr	3 Yrs	5 Yrs	YTD
Fund	-4.88%	1.93%	-3.69%	-5.78%	-0.54%	2.17%	-7.48%
Benchmark	-5.32%	0.03%	-5.96%	-7.15%	N/A	N/A	-9.55%

PORTFOLIO COMPOSITION



TOP TEN HOLDINGS (%)

Time Deposit	13%
RTB 5-11	11%
SM Investments Corporation	8%
SM Prime Holdings, Inc.	5%
Ayala Land, Inc.	5%
FLI Bonds due 2019	5%
JGS Bonds due 2019	5%
San Miguel Corporation	4%
Ayala Corporation	4%
AC Bonds due 2021	4%
Total	64%

OTHER DISCLOSURES

RELATED PARTY TRANSACTIONS

The Fund has deposits with the Bank Proper amounting to P3.3k, which were approved by the Board of Directors. Likewise, all related parties transactions are conducted on an arm's length basis.

OUTLOOK AND STRATEGY

The benchmark PSEi dropped by 7.4% to 7,277 month-on-month as the market continues to be weighed down by the deteriorating terms of trade and current account, rising inflation, higher interest rates, and a weak peso. It also did not help that corporate earnings growth for the first half was an underwhelming 8%. Overseas the escalating trade conflict amongst major economies and contagion fears being generated by Turkey and Argentina were additional headwinds faced by local equities.

Foreigners have been net sellers, unloading USD213 million worth of equities in September alone and about USD1.5 billion year-to-date. Sustained foreign selling has substantially contributed to the current market weakness. Reckoned from its recent peak, the PSEi is now behind by 19.7%, a shade above bear territory. But value is slowly emerging. At current levels, the market is trading at 15.6x full year 2019 earnings. This multiple compares favorably to the 10-year average market earnings multiple of 17.2x.

GDP growth eased to 6.0% in 2Q from a revised 1Q growth rate of 6.6% (originally 6.8%) and slower compared to the 6.6% expansion recorded in 2Q 2017 (Table 1). The headline numbers, however, masked the strength of the underlying economy. Domestic demand remained strong driven by government spending, investments, and to lesser extent, private consumption. On the aggregate, the slowdown was largely due to the continued contraction of net export and weakness of agriculture.

However, higher petroleum taxes, supply bottlenecks in agriculture on top of strong economic growth have all contributed to higher consumer prices. August inflation increased to 6.4% from only 3.4% in January of this year. As inflation accelerated, the Bangko Sentral ng Pilipinas (BSP) hiked rates more aggressively. Since the start of its tightening cycle this year, the BSP has increased its benchmark rate four times for a total of 150 basis points. The central bank's overnight borrowing rate now stands at 4.5%. We remain very defensive in our fixed income portfolio as we continue to expect rates to move even higher in the coming quarters.