

## BPI Balanced Fund

A Unit Investment Trust Fund of the Bank of the Philippine Islands

### Investment Objective

The Fund aims to achieve long-term capital growth by investing in a diversified portfolio of equity and fixed income securities. The Fund aims to provide excess return over the composite benchmark, 50% Philippine Stock Exchange index (PSEi) and 50% return of the 91-day Philippine Treasury Bill, net of tax.

### Figures as of 04/30/2014

Cumulative Performance (%) <sup>1</sup>	1 mo	1YR	3YRS	5YRS	S.I. <sup>3</sup>
	<b>Fund</b>	<b>2.12</b>	<b>-4.53</b>	<b>27.23</b>	<b>96.43</b>
<b>Benchmark<sup>2</sup></b>	<b>2.22</b>	<b>-2.31</b>	<b>28.93</b>	<b>113.98</b>	<b>133.78</b>

Annualized Performance (%) <sup>1</sup>	1YR	2YRS	3YRS	4YRS	5YRS	S.I. <sup>3</sup>
	<b>Fund</b>	<b>-4.53</b>	<b>5.02</b>	<b>8.36</b>	<b>12.35</b>	<b>14.46</b>
<b>Benchmark<sup>2</sup></b>	<b>-2.31</b>	<b>7.31</b>	<b>8.84</b>	<b>11.54</b>	<b>16.43</b>	<b>9.81</b>

Calendar Year Performance (%) <sup>1</sup>	YTD	2013	2012	2011	2010	2009
	<b>Fund</b>	<b>7.54</b>	<b>1.37</b>	<b>16.08</b>	<b>-0.72</b>	<b>37.39</b>
<b>Benchmark<sup>2</sup></b>	<b>7.03</b>	<b>0.94</b>	<b>17.13</b>	<b>2.81</b>	<b>20.41</b>	<b>33.32</b>

### Key Figures and Statistics

Net Asset Value per Unit (NAVPU)	PHP	157.91
Total Fund NAV (Mn)	PHP	3,539.79
Average Daily NAV for the Quarter (Mn) <sup>4</sup>	PHP	3,474.49
Current Number of Holdings		35
Information Ratio <sup>5</sup>		-0.70
Sharpe Ratio <sup>5</sup>		-0.38

Statistics (Past 5 Years)	Fund	Benchmark
Annualized Return (% net)	14.46	16.43
Annualized Volatility (%)	13.07	9.35
Portfolio beta	1.22	

### General Information

Launch Date	April 4, 2005
Fund Structure	Unit Investment Trust Fund
Fund Classification	Balanced Fund
Fund Currency	Philippine Peso
Minimum Initial Investment	PHP 10,000.00
Minimum Transaction	PHP 1,000.00
Minimum Holding Period	None
Days to Settlement (Contribution)	Day 1 End-of-Day
Days to Settlement (Redemption)	Day 4 5:00 PM
Trust Fee <sup>6</sup>	1.50% per annum / 0.37% per quarter
Custodianship Fee <sup>6</sup>	0.003% per quarter
External Audit Fee <sup>7</sup>	0.004%
Valuation Methodology	Marked-to-Market
External Auditor	Isla Lipana & Co.
Available Through	BPI Branches and <a href="http://www.bpiexpressonline.com">www.bpiexpressonline.com</a>
Trustee	Bank of the Philippine Islands
Third Party Custodian	HSBC, Ltd. (Philippines)
Dealing Cut-Off	2:30 PM

### Manager's Report

**Market Review.** The Philippine Stock Exchange Index (PSEi) ended the month at 6,707.91 level, increasing 4.3% in the month of April. Year to date the PSEi is up 13.9%. This month's gain can be attributed to the strong foreign inflows.

Net foreign inflow was strong at US\$363m, with foreigners net buying every trading day in April. YTD inflow of US\$756m has surpassed last year's total of US\$580m. Volumes were at US\$183m, vs US\$200m in the previous month. Gains for the month were mostly flow driven rather than on fundamentals. Big index movers were TEL, SMPH, AGI, AC, and MBT. These five names alone accounted for over half of the market's jump in April. Only four of the 30 index names ended down during the month.

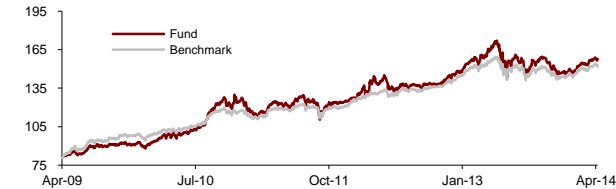
Several 4Q13 earnings releases came out for the month. The banking sector mostly showed an impressive net interest income growth on the back of loan growth. Loan growth accelerated to 19.4% YoY in February, from 16.4% at end-2013 and 17.5% in January. This is the highest growth rate since November 2011. The Consumer sector results were in line with expectation. The gaming sector was strong in March on market talk that tax issues between BIR and PAGCOR are close to being resolved.

**Fund Performance.** The Fund gained 2.12% for the month against its benchmark's return of 2.22%.

**Strategy.** We expect the local equities market to consolidate its gains in the first 4 months of the year on the back of poor earnings releases from banks and holding companies. Foreign flows will continue to limit the downside however, as foreigners sustained their buying for 25 consecutive days. The recent high of 6,800 (18x P/E) will be the resistance level. At this point, some investors might already book profits and can send the index down to its next support at 6,680.

We continue to take a defensive stance, and sell on opportunities of a rally. Market has risen to lofty valuations (18x P/E) and will be subject to profit-taking. The fund has sufficient cash that we can utilize to purchase shares at more comfortable valuations.

### NAVPU Graph



### Allocation

Portfolio Allocation: Equities 50.11%, Fixed Income 40.12% and Cash and Other Receivables 9.77%

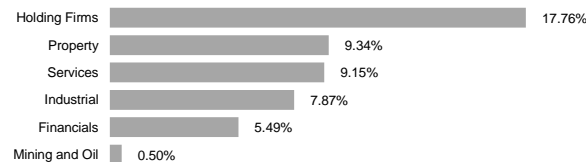
### Top Equity Holdings

Name	Main Business	% of Fund
Philippine Long Distance Telephone Co.	Services	6.12
SM Investments Corporation	Holding Firms	5.73
Ayala Land, Inc.	Property	4.48
Ayala Corporation	Holding Firms	4.25
SM Prime Holdings, Inc.	Property	2.81

### Top Fixed Income Holdings

Name	Yield (%)	Maturity	% of Fund
BSP Special Deposit Account	1.60	5/9/2014	5.64
BSP Special Deposit Account	1.60	5/14/2014	4.93
BSP Special Deposit Account	1.60	5/12/2014	4.93
Fixed Rate Treasury Note	2.71	8/18/2018	4.55
BSP Special Deposit Account	1.60	5/13/2014	4.51

### Sector Holdings (Equity Portion)



Any prospective investment shall be limited to the type of investments described in the Declaration of Trust for the Fund.

### Risk Disclosure

The Fund is suitable for investors with an aggressive risk profile or for those who have medium- to long-term views. Prior to investment in the Fund, the investor shall undergo a client suitability assessment procedure to determine whether the Fund is appropriate for him considering his investment objective, risk tolerance, preferences and experience. As a marked-to-market UITF, the Fund's net asset value and total return may fluctuate as a result of movements in stock prices and interest rates. On redemption of units, an investor may receive an amount less than the original amount of investment. Liquidity risk also needs to be taken into account.

<sup>1</sup> Returns are net of fees. Past performance is not an indication of future returns.

<sup>2</sup> The Benchmark of the fund is 50% PSEi / 50% 91-day Philippine Treasury Bill. Prior to 2009, the Benchmark was 50% PSEi/50% 1-Year Philippine Treasury bill, net of tax.

<sup>3</sup> Since Inception

<sup>4</sup> Average daily NAV for the past three months

<sup>5</sup> The Information Ratio evaluates reward-to-risk efficiency relative to the benchmark, while the Sharpe Ratio evaluates reward-to-risk efficiency relative to the risk free rate. The higher the number, the higher the reward per unit of risk. Sharpe and Information Ratios between funds of different classifications are non-comparable.

<sup>6</sup> Trust fee/custodianship fee as a percentage of average daily NAV for the quarter

<sup>7</sup> External Audit fee as a percentage of 2013 end-year NAV.

\* Plan rules are available upon request.