

## 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 05/30/2014

Cumulative Performance (%) <sup>1</sup>	1 mo	1YR	3YRS	5YRS	S.I. <sup>3</sup>
	Fund	0.04	-4.58	29.22	88.04
Benchmark <sup>2</sup>	-0.41	-2.22	29.94	93.61	132.34

Annualized Performance (%) <sup>1</sup>	1YR	2YRS	3YRS	4YRS	5YRS	S.I. <sup>3</sup>
	Fund	-4.58	8.20	8.92	12.30	13.46
Benchmark <sup>2</sup>	-2.22	7.79	9.12	11.47	14.13	9.64

Calendar Year Performance (%) <sup>1</sup>	YTD	2013	2012	2011	2010	2009
	Fund	7.58	1.37	16.08	-0.72	37.39
Benchmark <sup>2</sup>	6.57	0.94	17.13	2.81	20.41	33.32

### Key Figures and Statistics

Net Asset Value per Unit (NAVPU)	PHP	157.97
Total Fund NAV (Mn)	PHP	3,494.69
Average Daily NAV for the Quarter (Mn) <sup>4</sup>	PHP	3,522.88
Current Number of Holdings		35
Information Ratio <sup>5</sup>		-0.62
Sharpe Ratio <sup>5</sup>		-0.35

Statistics (Past 5 Years)	Fund	Benchmark
Annualized Return (% net)	13.46	14.13
Annualized Volatility (%)	13.05	9.29
Portfolio beta	1.23	

### 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

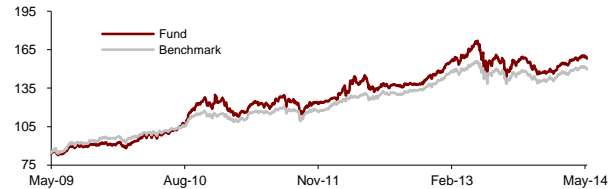
**Market Review.** The Philippine market started the month strong as investor confidence rose on the heels of S&P's Philippine credit upgrade to BBB, one notch above investment grade. The market's positive sentiment coupled with continued foreign flows propelled the index to a year-to-date intra-day high of 6,908.59. However, the upward momentum was tempered and eventually reversed by uninspiring 1Q2014 earnings and disappointing 1Q2014 GDP growth figures. Corporate earnings failed to surprise on the upside with the majority of companies falling in-line or even lagging behind analyst expectations. Banks dragged significantly in the absence of trading gains while retail companies slowed as margins tightened due to steep competition. Moreover, first quarter GDP came in at 5.7%, a slowdown from last quarter's 6.3% and far below market expectations of 6.4%. The decline was primarily a result of muted government spending and a slowdown in agriculture and construction due to typhoon Yolanda. Private consumption remained strong at 5.8%. Month-on-month, the PSEi closed at 6,647.65, 60.26 points or 0.90% lower than last month's close.

**Fund Performance.** The Fund gained 0.04% for the month against its benchmark's loss of 0.41%.

**Strategy.** Looking forward, the market is showing some signs of consolidation although we expect that any correction may not be as deep given the strong support around the 6,600 levels. As such, the market may continue to trade range-bound with support at 6530 and resistance at 6896.

We continue to take a defensive stance, stock picking on value and taking profit on strong rallies.

### NAVPU Graph



### Allocation

Portfolio Allocation: Equities 49.80%, Fixed Income 39.19% and Cash and Other Receivables 11.02%

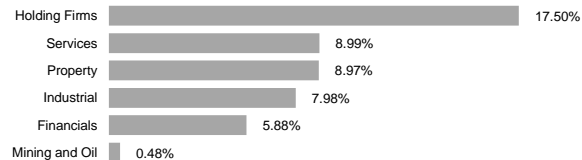
### Top Equity Holdings

Name	Main Business	% of Fund
Philippine Long Distance Telephone Co.	Services	6.07
SM Investments Corporation	Holding Firms	5.75
Ayala Land, Inc.	Property	4.27
Ayala Corporation	Holding Firms	3.87
Universal Robina Corp.	Industrial	2.97

### Top Fixed Income Holdings

Name	Yield (%)	Maturity	% of Fund
BSP Special Deposit Account	1.60	6/9/2014	5.71
BSP Special Deposit Account	1.60	6/10/2014	5.00
BSP Special Deposit Account	1.60	6/11/2014	5.00
BSP Special Deposit Account	1.60	6/5/2014	4.28
BSP Special Deposit Account	1.60	6/3/2014	4.28

### 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.