

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 09/30/2014

| | Cumulative Performance (%) ¹ | | | | |
|------------------------|---|-------------|--------------|--------------|-------------------|
| | 1 mo | 1YR | 3YRS | 5YRS | S.I. ³ |
| Fund | 1.54 | 8.19 | 41.08 | 83.70 | 140.65 |
| Benchmark ² | 1.69 | 9.00 | 41.50 | 82.04 | 144.74 |

| | Annualized Performance (%) ¹ | | | | | |
|------------------------|---|-------------|--------------|-------------|--------------|-------------------|
| | 1YR | 2YRS | 3YRS | 4YRS | 5YRS | S.I. ³ |
| Fund | 8.19 | 9.37 | 12.15 | 8.77 | 12.93 | 9.69 |
| Benchmark ² | 9.00 | 8.78 | 12.27 | 8.84 | 12.73 | 9.88 |

| | Calendar Year Performance (%) ¹ | | | | | |
|------------------------|--|-------------|--------------|--------------|--------------|--------------|
| | YTD | 2013 | 2012 | 2011 | 2010 | 2009 |
| Fund | 12.46 | 1.37 | 16.08 | -0.72 | 37.39 | 20.27 |
| Benchmark ² | 11.88 | 0.94 | 17.13 | 2.81 | 20.41 | 33.32 |

Key Figures and Statistics

| | | |
|---|-------------|------------------|
| Net Asset Value per Unit (NAVPU) | PHP | 165.13 |
| Total Fund NAV (Mn) | PHP | 3,457.23 |
| Average Daily NAV for the Quarter (Mn) ⁴ | PHP | 3,430.09 |
| Current Number of Holdings | | 35 |
| Information Ratio ⁵ | | -0.30 |
| Sharpe Ratio ⁵ | | 1.02 |
| Statistics (Past 5 Years) | Fund | Benchmark |
| Annualized Return (% net) | 12.93 | 12.73 |
| Annualized Volatility (%) | 12.94 | 8.90 |
| Portfolio beta | 1.29 | |

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 ⁶ | 1.50% per annum / 0.37% per quarter |
| Custodianship Fee ⁷ | 0.0175% |
| External Audit Fee ⁷ | 0.0142% |
| Valuation Methodology | Marked-to-Market |
| External Auditor | Isla Lipana & Co. |
| Available Through | BPI Branches and www.bpiexpressonline.com |
| Trustee | Bank of the Philippine Islands |
| Third Party Custodian | HSBC, Ltd. (Philippines) |
| Dealing Cut-Off | 2:30 PM |

Manager's Report

Market Review. The PSEi continued its uptrend for another month, rising by 232.18 points or 3.29% in September, to close at 7,283.07. The local bourse was able to reach an all-time intraday high of 7,413.62 towards the tail end of the month, catapulted by the property sector after GISIS sold its property at record levels. The market also got a boost from the utilities sector as investors favored power generators (FGEN +11.83%, EDC +11.28%, AP +8.67%) in anticipation that these issues will benefit from the possible power shortage in Luzon next year. However, the market corrected to its month-end close after PLDT and GLO announced free internet promos, an indication of a more intense competition. On the local economic front, BSP raised the policy and SDA rates by 25 basis points to 4.0% and 2.5%, respectively, to mitigate upside risks in inflation. In August, inflation remained at 4.9% year-on-year, sitting at the high end of BSP's 3-5% target range on food price pressures and higher utility costs.

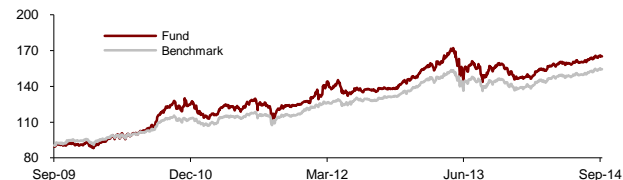
In terms of foreign activity, foreigners remained net buyers, registering US\$11.3 million in September, substantially lower than the US\$298 million in August. Average daily turnover remained firm at Php8.69 billion in September, or 8.6% lower month-on-month.

Top gainers for the month include BLOOM (+17.22%), MEG (+15.10%) and URC (+15.08%), while laggards consist of TEL (-10.20%), GLO (-9.83%) and SCC (-8.90%).

Fund Performance. The Fund gained 1.54% for the month against its benchmark's gain of 1.69%.

Strategy. We are maintaining our beta strategy and will continue to stick to large cap issues. We are also looking to deploy cash during marked dips in the market.

NAVPU Graph



Allocation

Portfolio Allocation: Equities 50.15%, Fixed Income 38.10% and Cash and Other Receivables 11.75%

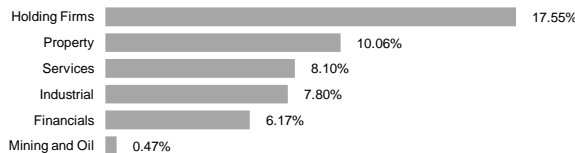
Top Equity Holdings

| Name | Main Business | % of Fund |
|--|---------------|-----------|
| SM Investments Corporation | Holding Firms | 5.98 |
| Philippine Long Distance Telephone Co. | Services | 4.70 |
| Ayala Land, Inc. | Property | 4.08 |
| Ayala Corporation | Holding Firms | 3.57 |
| SM Prime Holdings, Inc. | Property | 2.93 |

Top Fixed Income Holdings

| Name | Yield (%) ⁸ | Maturity | % of Fund |
|-----------------------------|------------------------|------------|-----------|
| BSP Special Deposit Account | 1.88 | 10/7/2014 | 8.65 |
| BSP Special Deposit Account | 1.88 | 10/14/2014 | 5.77 |
| BSP Special Deposit Account | 1.88 | 10/13/2014 | 5.77 |
| BSP Special Deposit Account | 1.88 | 10/10/2014 | 5.77 |
| Fixed Rate Treasury Note | 2.50 | 8/18/2018 | 3.15 |

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.

¹Returns are net of fees. Past performance is not an indication of future returns.

²The 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.

³Since Inception

⁴Average daily NAV for the past three months

⁵The 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.

⁶Trust fee as a percentage of average daily NAV for the quarter

⁷Calculated based on the total billings received in 2013 divided by the average daily NAV in 2013

⁸Net of Tax

*Declaration of Trust and List of Prospective Investment Outlets are available upon request through branch of account.