

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 Treasury Bill, net of tax.

Figures as of 8/31/2011

Cumulative Performance (%)¹

	1 mo	1YR	3YRS	5YRS
Fund	-2.72	17.68	44.66	54.81
Benchmark ²	-1.64	11.91	35.69	53.32

Annualized Performance (%)¹

	1YR	2YRS	3YRS	4YRS	5YRS
Fund	17.68	16.91	13.10	5.58	9.13
Benchmark ²	11.91	13.10	10.71	5.00	8.92

Calendar Year Performance (%)¹

	YTD	2010	2009	2008	2007	2006
Fund	-0.56	37.38	20.28	-26.80	11.42	26.31
Benchmark ²	2.17	20.41	33.32	-22.30	12.06	23.35

¹Returns are net of fees. Past performance is not an indication of future returns.
²The Benchmark of the fund is 50% PSEI / 50% 91-d T-Bills. Prior to 2009, the Benchmark was 50% PSEI/50% 1-Year T-bills. PSEI is a barometer of stock price movements in the Philippine Stock Exchange.

Key Figures and Statistics

Net Asset Value per Unit (NAVPU)	PHP	124.99
Total Fund NAV (Min)	PHP	805.15
Par Value	PHP	100.00
Current Number of Holdings		34

Risk Characteristics	Past 12 Months			
	Past 1YR	Low	High	Average
Volatility ³	13.72%	10.87%	13.73%	12.72%
Information Ratio ⁴	0.51			

General Information

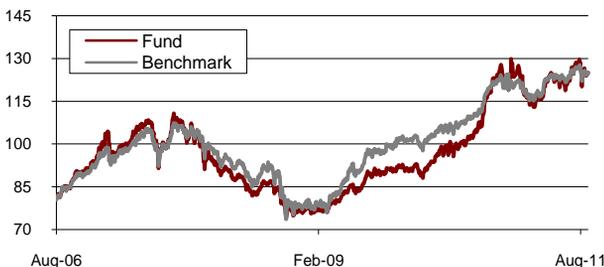
Launch Date	April 4, 2005	
Fund Structure	Unit Investment Trust Fund	
Fund Classification	Balanced Fund	
Fund Currency	Philippine Peso	
Minimum Initial Investment ⁵	PHP	10,000.00
Minimum Transaction ⁵	PHP	1,000.00
Minimum Holding Period	90 calendar days	
Early Redemption Fee	0.50%	
Trust Fee	1.50% per annum / 0.37% per quarter ⁶	
Custodianship Fees ⁷	0.001%	
External Audit Fees ⁸	0.01%	
Special Expense ⁹	PHP 2,000.00 per annum	
Valuation Methodology	Marked-to-Market	
Available Through	BPI Branches	
Trustee	Bank of the Philippine Islands	
Third-Party Custodian	HSBC, Ltd. (Philippines)	
External Auditor	Isla Lipana & Co.	
Dealing	Daily up to 12 noon	

³Volatility measures fluctuations in NAVPU. The higher the number, the higher the potential gain or loss.

⁴Information ratio evaluates reward-to-risk efficiency relative to the benchmark. The higher the number, the higher the reward per unit of risk.

⁵Contribution rounded down/ redemption rounded off to the nearest whole unit.

NAVPU Graph



Allocation

Portfolio Composition: Equities 69.5%, Cash, Fixed Income and Other Receivables 30.5%

Top Ten Equity Holdings

Name	Main Business	% of Fund
Digital Telecom Phils. Inc.	Communications	6.67%
Philippine Long Distance Tel. Company	Communications	6.04%
PNOC Energy Development Corporation	Power/Energy	5.45%
Metro Pacific Investments Corporation	Holdings	4.05%
International Container Terminals, Inc.	Transportation	3.63%
Metropolitan Bank and Trust Company	Financials	3.34%
Alliance Global Group, Inc.	Holdings	3.25%
Philex Mining Corporation	Mining	3.17%
Ayala Land, Inc.	Property	3.10%
Banco De Oro Unibank, Inc.	Financials	2.73%

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

Sector Holdings (Equity Portion)

Holdings	16.3%
Communications	12.7%
Financials	8.9%
Power/Energy	8.7%
Property	8.0%
Mining	7.5%
Foods	3.8%
Transportation	3.6%

Risk Disclosure

The Fund is suitable for investors with an aggressive risk profile or for those who have medium- to long-term views. As a marked-to-market UITF, the Fund's net asset value and total return may fall as well as rise as a result of stock prices and interest rates movements. On redemption of units, an investor may receive an amount less than the original amount of investment.

⁶Trust fees paid for the quarter as a percentage of average daily NAV for the quarter.

⁷Custodianship fees billed for the quarter as a percentage of average daily NAV for the quarter.

⁸External Audit fees as a percentage of end-year 2009 NAV.

⁹For publication expense.

Manager's Report

Monthly Commentary. The local equities market started the month on a positive note with the PSEI marking a new all-time high at 4,550 on August 1 on news that the US had finally increased its debt ceiling. The market, however, did not hold and eventually slipped as the international credit rating agency S&P downgraded the sovereign credit rating of the US from AAA to AA+. This triggered a global sell-off which caused the PSEI to fall to 4,157 on August 9. The oversold levels that followed prompted a lot of bargain hunting which pushed the index to settle at 4,348.50 at the end of the month.

First half earnings reports of local companies came in mostly in line with expectations with a few exceeding consensus. Together with the still higher level of liquidity in the market, local equities managed to weather external shocks, remaining as one of the best performing markets in the region.

The Philippines released its Consumer Price Index (CPI) for the month of July and its second quarter GDP report. The July CPI came in slightly above the 5% consensus at 5.1% while the 2Q GDP surprisingly fell short of the 4.1% forecast at only 3.4% because of the national government's underspending. The local equities market reacted negatively following these lackluster results.

Other market moving events included the stock exchange's planned recomposition of its composite index. Entrants into the index are SMC, CEB, SCC, SM, and BEL and to be removed are FLI, FPH, LC/B, SECB, and ABS/ABSP. Immediate selling faced those that will be removed and buying for those that will be added. The index's recomposition is expected to take effect on September 12, 2011.

Strategy. In the near term, the local market is expected to trade sideways as external risk from the US and the Euro-zone persists. Nonetheless, the PSEI is still seen to reach 4,600 to 4,800 within 6 to 12 months. Any dip in prices can be considered as a buying opportunity for long term funds.



BPI Asset Management