

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 9/30/2011

Cumulative Performance (%)¹

	1 mo	1YR	3YRS	5YRS
Fund	-6.35	-0.80	39.31	37.35
Benchmark ²	-3.98	-0.31	32.58	37.27

Annualized Performance (%)¹

	1YR	2YRS	3YRS	4YRS	5YRS
Fund	-0.80	14.11	11.69	2.95	6.55
Benchmark ²	-0.31	11.33	9.86	3.03	6.54

Calendar Year Performance (%)¹

	YTD	2010	2009	2008	2007	2006
Fund	-6.88	37.38	20.28	-26.80	11.42	26.31
Benchmark ²	-1.89	20.41	33.32	-22.30	12.06	23.35

¹ Returns are net of fees. Past performance is not an indication of future returns.
² The 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	117.05
Total Fund NAV (Mln)	PHP	760.09
Par Value	PHP	100.00
Current Number of Holdings		34

Risk Characteristics	Past 12 Months			
	Past 1YR	Low	High	Average
Volatility ³	15.13%	10.95%	15.13%	13.07%
Information Ratio ⁴	0.51			

General Information

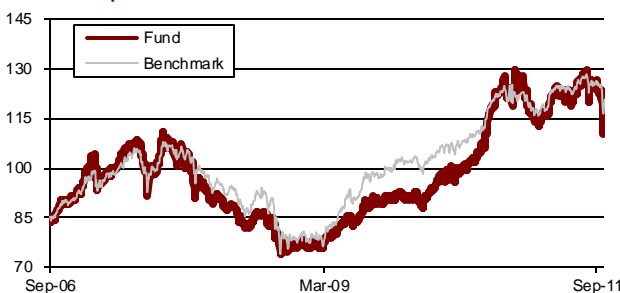
Launch Date	April 4, 2005	
Fund Structure	Unit Investment Trust Fund	
Fund Classification	Balanced Fund	
Fund Currency	Philippine Peso	
Minimum Initial Investment ⁵	PHP	10,000.00
Minimum Transaction ⁵	PHP	1,000.00
Minimum Holding Period	90 calendar days	
Early Redemption Fee	0.50%	
Trust Fee	1.50% per annum / 0.37% per quarter	
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	

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

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

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

NAVPU Graph



Allocation

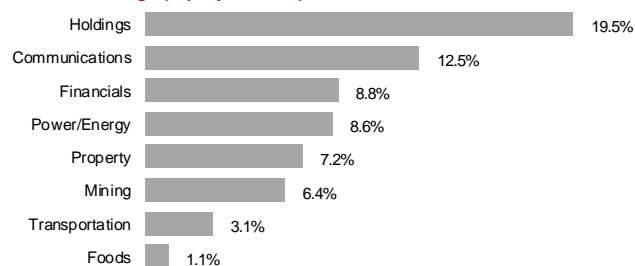
Portfolio Composition: Equities 67.4%, Cash, Fixed Income and Other Receivables 32.6%

Top Ten Equity Holdings

Name	Main Business	% of Fund
Digital Telecom Phils. Inc.	Communications	7.02%
Philippine Long Distance Tel. Company	Communications	5.51%
PNOC Energy Development Corporation	Power/Energy	5.01%
Metro Pacific Investments Corporation	Holdings	3.70%
San Miguel Corporation	Holdings	3.35%
Metropolitan Bank and Trust Company	Financials	3.21%
International Container Terminals, Inc.	Transportation	3.14%
SM Investments Corporation	Holdings	2.96%
Banco De Oro Unibank, Inc.	Financials	2.76%
DMCI Holdings, Inc.	Holdings	2.74%

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

Sector Holdings (Equity Portion)



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.

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

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

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

⁹ For publication expense.

Manager's Report

Local Market Review: Local equities fell 8.02% in September, marking their worst monthly performance since October 2008. Risk aversion was the primary cause of the decline, as worries over a worsening European debt crisis and a slowing US economy led investors to shy away from riskier asset classes. It was a tough month for equities as sentiment continued to dictate the heightened volatility. The good news however, is that the PSEi has stayed resilient relative to major indices due to the country's stable economic fundamentals.

In terms of foreign activity, foreigners turned net sellers in September as we saw a US\$77.5 million net foreign outflow for the month. In addition, foreign participation increased to 46% towards the latter part of the month. This compares to an average of only 41% in the first 6 months of the year, as we saw local bargain hunters take a step back given the volatility of equity markets of late.

Key economic data released in September continued to show a buoyant local economy. OFW remittances increased by 6.3% year-on-year in July. Inflation remained at comfortable levels, with September's consumer price index coming in at 4.8%. The government also saw a Php9.2 billion fiscal surplus in August as revenues grew by 15% year-on-year.

Strategy: Fear levels have significantly gone up, resulting in undervalued stocks. We will be buyers of selective issues as prices decline. Over the next 6-12 month period, we still see higher equity prices as economic fundamentals remain on firm footing and corporate earnings exhibit limited downside risk.

