

Investment Objective

The Fund aims to achieve capital appreciation and income by investing in a diversified portfolio of foreign currency-denominated fixed income instruments issued by the Philippine government and by Philippine corporations and financial institutions. The Fund aims to provide excess return over the composite benchmark, 50% return of the 3-month U.S. Treasury Bill and 50% JP Morgan Asia Credit Philippines Total Return Index.

Figures as of 12/27/13

Cumulative Performance (%)¹

| | 1 mo | 1YR | 3YRS | 5YRS |
|------------------------|------|-------|-------|-------|
| Fund | 0.05 | -1.46 | 10.47 | 29.67 |
| Benchmark ² | 0.08 | -2.53 | 8.54 | 8.86 |

Annualized Performance (%)¹

| | 1YR | 2YRS | 3YRS | 4YRS | 5YRS |
|------------------------|-------|------|------|------|------|
| Fund | -1.46 | 3.99 | 3.37 | 4.18 | 5.33 |
| Benchmark ² | -2.53 | 2.46 | 2.77 | 2.11 | 1.71 |

Calendar Year Performance (%)¹

| | YTD | 2012 | 2011 | 2010 | 2009 | 2008 |
|------------------------|-------|------|------|------|-------|------|
| Fund | -1.46 | 9.75 | 2.15 | 6.62 | 10.09 | 2.00 |
| Benchmark ² | -2.53 | 7.69 | 3.39 | 0.15 | 0.13 | 1.77 |

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

²The Benchmark of the Fund is a composite of 50% 3-month U.S. Treasury Bill and 50% JP Morgan Asia Credit Philippines Total Return Index. The Fund adopted the Benchmark on July 1, 2011. The previous Benchmark of the Fund is the 3-month U.S. Treasury Bill.

Key Figures and Statistics

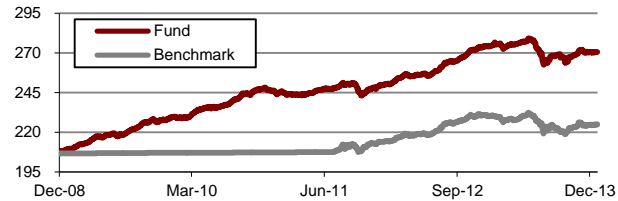
| | | |
|---|---------|--------|
| Net Asset Value per Unit (NAVPU) | USD | 270.63 |
| Total Fund NAV (Mn) | USD | 92.56 |
| Average Daily NAV for the Quarter (Mn) ³ | USD | 92.97 |
| Portfolio Weighted Yield to Maturity | % , net | 3.36 |
| Current Number of Holdings | | 61 |
| Information Ratio ⁴ | | 0.55 |
| Sharpe Ratio ⁴ | | -0.58 |

| Statistics (Past 5 Years) | Fund |
|---------------------------|------|
| Annualized Return (net) | 5.33 |
| Annualized Volatility (%) | 1.76 |
| Duration (years) | 3.01 |

General Information

| | | |
|-----------------------------------|--|--------|
| Launch Date | August 30, 1994 | |
| Fund Structure | Unit Investment Trust Fund | |
| Fund Classification | Medium-Term Bond Fund | |
| Fund Currency | US Dollar | |
| Minimum Initial Investment | USD | 500.00 |
| Minimum Transaction | USD | 200.00 |
| Minimum Holding Period | None | |
| Days to Settlement (Contribution) | Day 1 End-of-Day | |
| Days to Settlement (Redemption) | Day 1 End-of-Day | |
| Trust Fee ⁵ | 1.00% per annum / 0.25% per quarter | |
| Custodianship Fees ⁵ | 0.004% | |
| External Audit Fees ⁶ | 0.009% | |
| Valuation Methodology | Marked-to-Market | |
| Trustee | Bank of the Philippine Islands | |
| External Auditor | Isla Lipana & Co. | |
| Available Through | BPI Branches and www.bpiexpressonline.com | |
| Third-Party Custodian | HSBC, Ltd. (Philippines) | |
| Dealing Cut-Off | 12:00 PM | |

NAVPU Graph



Allocation

Portfolio Composition: Government 32.28%, Corporates 40.65%, Cash and Receivables 27.07%

Top Holdings

| Name | Yield (%) | Maturity | % of Fund |
|---|-----------|------------|-----------|
| Republic of the Philippines Bonds 8.3750% | 2.85 | 6/17/2019 | 6.47% |
| Republic of the Phils. Global Peso Note 4.9500% | 3.37 | 1/15/2021 | 5.11% |
| SM Inv. Corp. Foreign Currency Bonds 5.5000% | 4.29 | 10/13/2017 | 4.17% |
| Republic of the Philippines Bonds 8.8750% | 0.87 | 3/17/2015 | 3.92% |
| Dev't. Bank of the Phils. Bonds 5.5000% | 4.54 | 3/25/2021 | 3.74% |
| Republic of the Philippines Bonds 8.0000% | 1.26 | 1/15/2016 | 3.49% |
| Metrobank Perpetual Bonds 9.0000% | 5.76 | 2/15/2016 | 3.44% |
| BPI Time Deposit | | 1/3/2014 | 3.24% |
| Int'l Container Terminal Serv. Inc. Bonds 7.3750% | 5.30 | 3/17/2020 | 3.23% |
| Energy Dev't Corp. Bonds 6.5000% | 6.06 | 1/20/2021 | 3.18% |

Portfolio Weightings

| | |
|----------------------------|--------|
| Philippine Corporate Bonds | 55.74% |
| Philippine Sovereign Bonds | 44.26 |

Maturity Profile

| | |
|---------------------------|--------|
| Cash and Less than 1 Year | 29.25% |
| Between 1 and 3 Years | 22.38% |
| Between 3 and 5 Years | 12.24% |
| Between 5 and 7 Years | 15.83% |
| Between 7 and 10 Years | 17.07% |
| More than 10 Years | 3.23% |

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

Average Credit Rating: Ba1 (Moody's) / BB+ (S&P)

Risk Disclosure

The Fund is suitable for investors with at least a moderately conservative profile. The Fund is suitable for investors who take 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. The Fund's net asset value, and total return may fluctuate as a result of interest rate and currency movements and the changes in the credit quality of the investments. 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.

Risk Management

In accordance with the provisions in the Declaration of Trust, the Fund employs a risk management policy based on duration. Duration measures the sensitivity of NAVPU to interest rate movements. As interest rates rise, bond prices fall. The higher the duration, the more NAVPU will fluctuate in relation to changes in interest rates. The Fund may also use financial derivatives to hedge the portfolio against market and credit risks.

³Average daily NAV for the past 3 months.

⁴The 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.

⁵Trust fees/custodianship fees as a percentage of average daily NAV for the quarter.

⁶External Audit fees as a percentage of 2012 end-year NAV.

^{*}Plan rules are available upon request.

Manager's Report

Market Review. Interest rates in the US increased in December after Federal Reserve Chairman Ben Bernanke announced that the central bank would begin tapering its bond purchases by January 2014. According to Bernanke, the Fed would be reducing the pace of its asset purchase program from US\$85 billion a month to US\$75 billion. He further detailed the breakdown as US\$5 billion in reductions each, for US Treasuries and agency Mortgage Backed Securities. As a result, US Treasury yields went up by 21 basis points month-on-month. For the year, US Treasury yields rose by an average of 72 basis points with the most noticeable increase occurring in the 10-year US Treasury bond. The 10-year benchmark yield spiked from 1.75% at the end of 2012 to the 3% level by December 2013.

However, ROP bonds were mixed. Yields declined in the short end of the curve, while those with tenors of 5 years and longer increased by 3 basis points on the average. On a year-on-year basis, ROP bonds continued to track the movement of US Treasuries as ROP bond yields increased by an average of 94 basis points.

2013 was a challenging year for Philippine dollar-denominated bonds as these were sold down following hints from the Federal Reserve that tapering could begin earlier than expected, way back in May. The 5-year CDS spreads spiked from a low of 78 basis points before Bernanke's speech on May 21, to almost double at 150 basis points by June. This caused a sudden drop in the price of emerging market bonds including ROPs.

Fund Performance. The Fund returned -1.46% for the year, outperforming its benchmark by 107 basis points.

Strategy. The duration of the Fund as of month-end was at 3.01 lower than the previous month's 3.19. We will maintain an underweight duration position for the Fund due to the expected volatility that may be brought about by tapering in the US.

