

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 10/31/13

Cumulative Performance (%)¹

| | 1 mo | 1YR | 3YRS | 5YRS |
|------------------------|-------------|-------------|-------------|--------------|
| Fund | 1.63 | 0.02 | 9.98 | 31.65 |
| Benchmark ² | 1.39 | -1.66 | 9.09 | 9.48 |

Annualized Performance (%)¹

| | 1YR | 2YRS | 3YRS | 4YRS | 5YRS |
|------------------------|-------------|-------------|-------------|-------------|-------------|
| Fund | 0.02 | 4.94 | 3.22 | 4.69 | 5.65 |
| Benchmark ² | -1.66 | 3.18 | 2.94 | 2.23 | 1.83 |

Calendar Year Performance (%)¹

| | YTD | 2012 | 2011 | 2010 | 2009 | 2008 |
|------------------------|--------------|-------------|-------------|-------------|--------------|-------------|
| Fund | -1.01 | 9.75 | 2.15 | 6.62 | 10.09 | 2.00 |
| Benchmark ² | -2.10 | 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

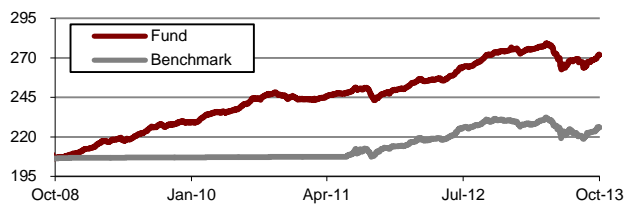
| | | |
|---|--------|--------|
| Net Asset Value per Unit (NAVPU) | USD | 271.88 |
| Total Fund NAV (Mn) | USD | 94.35 |
| Average Daily NAV for the Quarter (Mn) ³ | USD | 93.42 |
| Portfolio Weighted Yield to Maturity | %, net | 3.41 |
| Current Number of Holdings | | 63 |
| Information Ratio ⁴ | | 0.89 |
| Sharpe Ratio ⁴ | | -0.03 |

| Statistics (Past 5 Years) | Fund |
|---------------------------|------|
| Annualized Return (net) | 5.65 |
| Annualized Volatility (%) | 1.79 |
| Duration (years) | 3.27 |

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 | 0.007% |
| 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 32.48%, Corporates 44.41%, Cash and Receivables 23.11%

Top Holdings

| Name | Yield (%) | Maturity | % of Fund |
|---|-----------|------------|-----------|
| Republic of the Philippines Bonds 8.3750% | 2.74 | 6/17/2019 | 6.42% |
| Republic of the Phils. Global Peso Note 4.9500% | 2.96 | 1/15/2021 | 5.40% |
| SM Inv. Corp. Foreign Currency Bonds 5.5000% | 4.37 | 10/13/2017 | 4.63% |
| RCBC Perpetual Bond 9.8750% | 6.60 | 10/27/2016 | 3.85% |
| Republic of the Philippines Bonds 8.8750% | 1.07 | 3/17/2015 | 3.84% |
| Dev't Bank of the Phils. Bonds 5.5000% | 4.48 | 3/25/2021 | 3.69% |
| Republic of the Philippines Bonds 8.0000% | 1.48 | 1/15/2016 | 3.44% |
| Metrobank Perpetual Bonds 9.0000% | 6.37 | 2/15/2016 | 3.35% |
| Energy Dev't Corp. Bonds 6.5000% | 5.58 | 1/20/2021 | 3.21% |
| Int'l Container Terminal Serv. Inc. Bonds 7.3750% | 5.24 | 3/17/2020 | 3.19% |

Portfolio Weightings

| | |
|----------------------------|--------|
| Philippine Corporate Bonds | 57.76% |
| Philippine Sovereign Bonds | 42.24 |

Maturity Profile

| | |
|---------------------------|--------|
| Cash and Less than 1 Year | 26.59% |
| Between 1 and 3 Years | 22.78% |
| Between 3 and 5 Years | 12.72% |
| Between 5 and 7 Years | 15.69% |
| Between 7 and 10 Years | 18.96% |
| More than 10 Years | 3.26% |

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. In October, investors saw a continuation of the upward momentum that bond prices enjoyed from the previous month. The Federal Reserve met during the last days of October and re-affirmed their decision to keep their key policy rates steady and continue on their Quantitative Easing program. This caused the 10-Year US Treasury Bond to rally, with its yield declining by 7 basis points to settle at the 2.54% level by month-end. As the ROPs have been tracking the movement in US Treasuries as of late, ROP bond yields declined as well. On average, ROP yields dropped by 28 basis points. This translated to an average increase of 1.5% in ROP bond prices.

Adding to the positive news for investors was that the US government finally ended their political impasse after they agreed to temporarily suspend the US debt ceiling. However, they would have to go back to the negotiating table on February 2014 to tackle the debt ceiling issue once more. Thus, between now and February, Emerging Markets such as the Philippines should benefit from the Federal Reserve's purchases of US Treasuries and mortgages in the amount of \$85 billion a month

Fund Performance. The Fund has returned -1.01% for the year, outperforming its benchmark by 109 basis points.

Strategy. The duration of the Fund as of month-end was at 3.27 lower than the previous month's 3.45. We will maintain an underweight duration position for the Fund due to the expected volatility that may be brought about by external events.

