

### 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 08/29/14

#### Cumulative Performance (%)<sup>1</sup>

	1 mo	1YR	3YRS	5YRS
Fund	0.45	5.55	12.52	26.21
Benchmark <sup>2</sup>	0.64	6.34	10.63	13.38

#### Annualized Performance (%)<sup>1</sup>

	1YR	2YRS	3YRS	4YRS	5YRS
Fund	5.55	3.13	4.01	3.67	4.77
Benchmark <sup>2</sup>	6.34	1.77	3.42	3.16	2.54

#### Calendar Year Performance (%)<sup>1</sup>

	YTD	2013	2012	2011	2010	2009
Fund	4.17	-1.46	9.75	2.15	6.62	10.09
Benchmark <sup>2</sup>	4.26	-2.53	7.69	3.39	0.15	0.13

### Key Figures and Statistics

Net Asset Value per Unit (NAVPU)	USD	281.91
Total Fund NAV (Mn)	USD	96.00
Average Daily NAV for the Quarter (Mn) <sup>3</sup>	USD	95.53
Portfolio Weighted Yield to Maturity	% , net	3.12
Current Number of Holdings		67
Information Ratio <sup>4</sup>		-0.45
Sharpe Ratio <sup>4</sup>		3.11
<b>Statistics (Past 5 Years)</b>		
Annualized Return (% , net)		4.77
Annualized Volatility (%)		2.07
Duration (years)		3.30

### 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 <sup>5</sup>	1.00% per annum / 0.25% per quarter	
Custodianship Fee <sup>6</sup>	0.0801%	
External Audit Fee <sup>6</sup>	0.0208%	
Valuation Methodology	Marked-to-Market	
External Auditor	Isla Lipana & Co.	
Available Through	BPI Branches and <a href="http://www.bpiexpressonline.com">www.bpiexpressonline.com</a>	
Trustee	Bank of the Philippine Islands	
Third Party Custodian	HSBC, Ltd. (Philippines)	
Dealing Cut-Off	12:00 PM	

### Manager's Report

**Market Review.** August proved to be a good month for dollar-denominated ROPs as the JP Morgan Chase Asia Total Return Philippine Bond Index gained 1.28%. Prices of sovereign bonds tracked US Treasuries as investors adopted a flight-to-safety stance amid worsening conflicts in Iraq and Ukraine. The ten-year US Treasury benchmark yield ended the month lower by 21 basis points at 2.34%. ROP prices rallied by 0.92 during the month on the average, while the longer dated, liquid bonds due 2024 and 2037 went up by 1.083 and 3.696, respectively.

In the annual meeting of central bankers held in Jackson Hole, Wyoming, Fed Chair Janet Yellen said that a healthier US labor market warrants a more serious discussion on the timing of the interest rate increase. In last month's policy meeting, the Fed said that the target range for the Fed funds rate will remain low for a considerable time after the quantitative easing program ends.

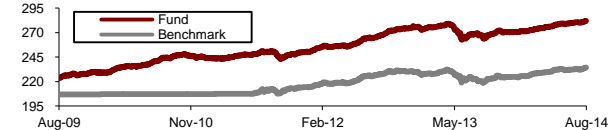
The European Central Bank's stance was the opposite as ECB President Mario Draghi lowered its benchmark rates and assured member economies of continued accommodation in its monetary policies. Inflation in the Eurozone slowed to 0.4% year-on-year while the unemployment rate reached 11.5% in July.

On the local front, the Philippine economy grew by 6.4% in the second quarter. On the production side, agriculture rose by 3.6% compared to a 0.2% contraction last year. Industry and service growth slowed to 7.8% and 6% from 10.5% and 7.8%, respectively. Merchandise exports grew by 21.3% to \$5.444 billion in June. This brought year-to-date growth to 8.3%, above the 6% target for the year. Meanwhile, gross international reserves increased by \$217.1 million to \$80.950 billion in July.

**Fund Performance.** The Fund has returned 4.17% for the year, underperforming its benchmark by 9 basis points.

**Strategy.** The duration of the Fund as of month-end was at 3.30, lower than the previous month's 3.80. Moving forward, we look to maintain the Fund's underweight duration in light of the continued reduction in stimulus by the US Federal Reserve.

### NAVPU Graph



### Allocation

Portfolio Allocation: Government 22.08%, Corporates 45.98%, Cash and Receivables 31.94%

### Top Holdings

Name	Yield (%) <sup>7</sup>	Maturity	% of Fund
First Pacific Company Limited Bond	4.65	9/28/2020	5.97%
Energy Development Corp. Bond	4.85	1/20/2021	4.45%
Int'l Container Terminal Serv. Inc. Bond	4.63	3/17/2020	4.40%
SM Investments Corp. Bond	5.00	6/10/2024	4.12%
Republic of the Philippines Bond	2.42	6/17/2019	3.97%
Development Bank of the Philippines Bond	3.76	3/25/2021	3.75%
Metrobank and Trust Co. Perp. Bond	3.41	2/15/2016	3.37%
Dev't Bank of the Phils. Perpetual Bond	4.11	9/15/2016	3.04%
RCBC Perpetual Bond	5.51	10/27/2016	2.83%
Republic of the Philippines Bond	3.32	1/21/2024	2.78%

### Portfolio Weightings

Philippine Corporate Bonds	45.98%
Philippine Sovereign Bonds	22.08%

### Maturity Profile

Cash and Less than 1 Year	33.32%
Between 1 and 3 Years	18.41%
Between 3 and 5 Years	8.04%
Between 5 and 7 Years	22.67%
Between 7 and 10 Years	11.98%
More than 10 Years	5.58%

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

**Average Credit Rating:** Baa3 (Moody's) / BBB (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.

<sup>1</sup>Returns are net of fees. Past performance is not an indication of future returns.

<sup>2</sup>The 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.

<sup>3</sup>Average daily NAV for the past 3 months

<sup>4</sup>The 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.

<sup>5</sup>Trust fee fee as a percentage of average daily NAV for the quarter

<sup>6</sup>Calculated based on the total billings received in 2013 divided by the average daily NAV in 2013

<sup>7</sup>Net of Tax

\*Plan rules are available upon request.