

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% JACI Philippines.

Figures as of 08/31/2012

Cumulative Performance (%)¹

	1 mo	1YR	3YRS	5YRS
Fund	0.25	5.78	18.66	32.54
Benchmark ²	0.21	6.81	9.47	13.09

Annualized Performance (%)¹

	1YR	2YRS	3YRS	4YRS	5YRS
Fund	5.78	4.22	5.87	5.86	5.80
Benchmark ²	6.81	4.56	3.06	2.43	2.49

Calendar Year Performance (%)¹

	YTD	2011	2010	2009	2008	2007
Fund	5.91	2.22	6.53	9.76	2.17	4.93
Benchmark ²	5.70	3.39	0.15	0.13	1.77	4.67

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	265.04
Total Fund NAV (Min)	USD	90.66
Portfolio Weighted Yield to Maturity	%, net	3.71
Current Number of Holdings		52
Information Ratio ³		-0.72
Sharpe Ratio ³		3.79

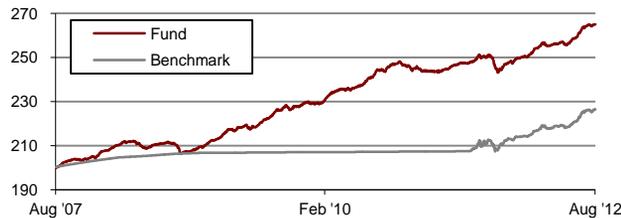
Statistics (Past 5 Years)

	Fund
Annualized Return (net)	5.80
Annualized Volatility (%)	1.39
Duration (years)	4.21

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
Trust Fee	1.00% per annum / 0.25% per quarter ⁵
Custodianship Fees ⁴	0.004%
External Audit Fees ⁵	0.006%
Special Expense ⁶	PHP 2,000.00 per annum
Valuation Methodology	Marked-to-Market
Trustee and Fund Manager	Bank of the Philippine Islands
External Auditor	Isla Lipana & Co.
Receiving Banks	BPI Branches
Third-Party Custodian	HSBC, Ltd. (Philippines)
Dealing Cut-Off	12:00 PM

NAVPU Graph



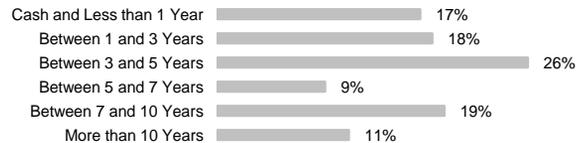
Allocation

Portfolio Composition: Government 42.5%, Corporates 49.0%, Deposits and Other Receivables 8.4%

Top Ten Holdings

Name	Yield	Maturity	% of Fund
Republic of the Philippines Bonds 8.875%	1.68	3/17/2015	5.72%
RCBC Perpetual Bonds 9.875%	7.16	10/27/2016	5.63%
Republic of the Philippines Bonds 8.250%	1.67	1/15/2014	5.30%
Republic of the Philippines Global Peso Note 4.950%	4.22	1/15/2021	4.79%
SM Investments Corp. Bonds 6.000%	3.70	9/22/2014	4.52%
JG Summit Corporate Bonds 8.000%	4.55	1/18/2013	4.39%
SM Investments Corp. Bonds 5.500%	4.67	10/13/2017	4.39%
Multicurrency Retail Treasury Bonds 2.8750%	1.22	4/29/2013	4.20%
Development Bank of the Philippines Notes 5.500%	3.98	3/25/2021	4.13%
Republic of the Philippines Bonds 8.000%	1.84	1/15/2016	3.87%

Maturity Profile



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

Average Credit Rating: Ba2 (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 fall as well as rise as a result of stock price movements. On redemption of units, an investor may receive an amount less than the original amount of investment.

Risk Management

In accordance with the provisions in the Declaration of Trust, the Fund implements a risk management policy that applies the principles of Value-at-Risk (VAR). VAR is a measure of the portfolio's maximum potential loss and is computed based on price volatility and market value of the investment portfolio. The Fund's risk management policy prescribes a dynamic volatility band, such that if the volatility of the Fund's investments as reflected in the NAVPU exceeds the volatility band, adjustments are made for the collective interest of the participants. The Fund may also use financial derivatives to hedge the portfolio against market and credit risks.

³The 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.

⁴Trust fees/management fees/ custodianship fees as a percentage of average daily NAV for the quarter.

⁵ External Audit fees as a percentage of end-year NAV.

⁶ For publication expense.

Manager's Report

Market Review. For the month of August, Philippine dollar denominated bond prices were flat, decreasing slightly by 0.25% on average. The sound macroeconomic fundamentals of the country subdued the effect of the upward movement of US treasury yields on ROP yields.

The Philippine second quarter GDP registered at 5.9% due to notable improvements in investment and private consumption. The number, though lower than the first quarter's adjusted figure of 6.3%, was better than the expected 5.5%. Furthermore, the Philippines continued to exhibit prudent fiscal management as the budget balance registered a Php 39.2 billion deficit in July, following the Php 11.7 billion deficit in June. The seven month budget deficit now stands at Php 74 billion, well below the government's target of Php 82 billion (Full year deficit target of Php 279 billion).

In global markets, US treasuries and Euro benchmark bonds, underperformed for the month of August, as yields increased by an average of 4.4 basis points and 3.3 basis points, respectively. Demand for safe-haven assets dampened as optimism ensued in the world market. Reports showed that the US housing market is slowly rebounding and consumer confidence is gaining strength, as evidenced by home sales figures and confidence surveys. The ECB, likewise, lifted market sentiment as EU officials expressed support for the preservation of the Euro.

Fund Performance. The Fund's return for the month was 0.25%, bringing its year-to-date return to 5.78%.

Strategy. The duration of the Fund as of month-end was at 4.21. Moving forward, we plan to increase the overweight duration position of the fund to take advantage of the positive outlook on Philippine fundamentals, and the continued accommodative monetary policies in Europe and US.

