

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 12/31/2011

Cumulative Performance (%)¹

| | 1 mo | 1YR | 3YRS | 5YRS |
|------------------------|------|------|-------|-------|
| Fund | 0.82 | 2.22 | 19.52 | 28.13 |
| Benchmark ² | 0.53 | 3.39 | 3.70 | 10.50 |

Annualized Performance (%)¹

| | 1YR | 2YRS | 3YRS | 4YRS | 5YRS |
|------------------------|------|------|------|------|------|
| Fund | 2.22 | 4.35 | 6.12 | 5.12 | 5.08 |
| Benchmark ² | 3.39 | 1.75 | 1.22 | 1.36 | 2.02 |

Calendar Year Performance (%)¹

| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|------------------------|------|------|------|------|------|------|
| Fund | 2.22 | 6.53 | 9.76 | 2.17 | 4.93 | 5.85 |
| Benchmark ² | 3.39 | 0.14 | 0.15 | 1.80 | 4.67 | 4.64 |

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 | 250.35 |
| Total Fund NAV (Mln) | USD | 88.24 |
| Par Value | USD | 100.00 |
| Portfolio Weighted Yield to Maturity | % , net | 4.19 |

Past 12 Months

| Risk Characteristics | 31 Dec '11 | Low | High | Average |
|-------------------------------|------------|-------|-------|---------|
| Duration (years) ³ | 4.15 | 3.19 | 4.16 | 3.61 |
| Volatility ⁴ | 1.56% | 1.41% | 1.64% | 1.51% |
| Sharpe Ratio ⁵ | 1.32 | | | |

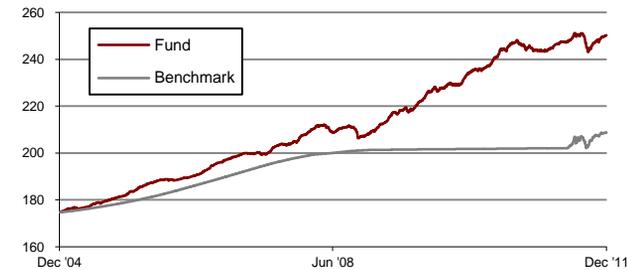
General Information

| | |
|---|--|
| Launch Date | August 30, 1994 |
| Fund Structure | Unit Investment Trust Fund |
| Fund Classification | Medium Term Bond Fund |
| Fund Currency | US Dollar |
| Minimum Initial Investment ⁶ | USD 500.00 |
| Minimum Transaction ⁶ | USD 200.00 |
| Minimum Holding Period | 30 calendar days |
| Early Redemption Fee | 0.25% |
| Trust Fee | 1.00% per annum / 0.25% per quarter ⁷ |
| Custodianship Fees ⁸ | 0.003% |
| External Audit Fees ⁹ | 0.002% per quarter |
| Special Expense ¹⁰ | PHP 2,000.00 per annum |
| Valuation Methodology | Marked-to-Market |
| Trustee and Fund Manager | Bank of the Philippine Islands |
| Available Through | BPI Branches |
| Third-Party Custodian | HSBC, Ltd. (Philippines) |
| Dealing | Daily up to 12 noon |

³Duration measures the sensitivity of NAVPS to interest rate movements. As interest rates rise, bond prices fall. The higher the duration, the more NAVPS will fluctuate in relation to changes in interest rates.

⁴Volatility measures the fluctuations in NAVPS. The higher the number, the higher the potential gain or loss.

NAVPU Graph



Allocation

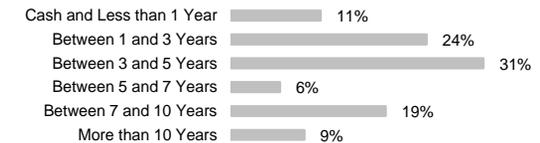
Portfolio Composition: Government 48.9%, Corporates 45.0%, Deposits and Other Receivables 6.1%

Top Ten Holdings

| Name | Maturity | % of Fund |
|--|------------|-----------|
| Republic of the Philippines Bonds 8.250% | 1/15/2014 | 7.54% |
| Republic of the Philippines Bonds 8.875% | 3/17/2015 | 6.77% |
| RCBC Perpetual Bonds 9.875% | 10/27/2016 | 6.01% |
| Republic of the Philippines Global Peso Bonds 4.950% | 1/15/2021 | 5.31% |
| Universal Robina Corp. Bonds 8.250% | 1/20/2012 | 4.73% |
| SM Investments Corp. Bonds 6.000% | 9/22/2014 | 4.64% |
| SM Investments Corp. Bonds 5.500% | 10/13/2017 | 4.42% |
| Multicurrency Retail Treasury Bond 2.8750% | 4/29/2013 | 4.34% |
| Republic of the Philippines Bonds 8.000% | 1/15/2016 | 4.15% |
| Metrobank and Trust Co. Perpetual Bonds 9.000% | 2/15/2016 | 3.79% |

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

Maturity Profile



Average Credit Rating: Ba3 (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. 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.

⁵Sharpe ratio evaluates reward-to-risk efficiency. The higher the number, the higher the reward per unit of risk.

⁶Contribution rounded down redemption rounded off to the nearest whole unit.

⁷Trust fees paid for the quarter as a percentage of average daily NAV for the quarter.

⁸Custodianship fees billed for the quarter as a percentage of average daily NAV for the quarter.

⁹External Audit fees as a percentage of end-year 2009 NAV.

¹⁰For publication expense.

Manager's Report

Monthly Commentary. Philippine dollar-denominated bond prices increased by 0.42% on average in December, supported undoubtedly by the Standard & Poor's (S&P) outlook upgrade on Philippine debt from "Stable" to "Positive" last month. Supporting the rating agency's positive outlook action was the current administration's continuing effort to improve the country's fiscal position. The budget deficit for November came out at PHP22 billion, bringing the 11-month shortfall to just PHP96 billion, well below the target cap of PHP260 billion.

The Philippines took full advantage of this change in outlook by launching a new 25-year global bond in the first week of the year. The new ROP due 2037 was issued with a coupon of 5%, which reflects the strong belief of investors in the nation's economic fundamentals which allows the country to command a low borrowing cost whenever it goes back to the capital markets. The issuance drew in total of USD12.5 billion in orders as against a total issuance of only USD1.5 billion, making the issue more than eight times oversubscribed.

US Treasuries were supported as yields declined by 7 basis points on average in December. Demand for safe haven debt was boosted after S&P put 15 out of the 17 nations under the European Monetary Union on negative watch in December. This came after the European Central Bank (ECB) cut its policy rate by 25 basis points at its last meeting for 2011 held on December 8, bringing the ECB's main refinancing rate back down to 1%.

Fund Performance. The Fund's performance was 0.82% for the month, bringing its full-year return to 2.22%.

Strategy. The duration of the Fund as of year-end was at 4.15 and we will keep the Fund's overweight duration. Moving forward, we will increase the portfolio's exposure to Philippine corporate bonds for the yield pickup.

