

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 07/31/2012

Cumulative Performance (%)¹

	1 mo	1YR	3YRS	5YRS
Fund	1.94	5.63	19.67	32.52
Benchmark ²	2.02	7.31	9.24	13.27

Annualized Performance (%)¹

	1YR	2YRS	3YRS	4YRS	5YRS
Fund	5.63	4.77	6.17	5.87	5.79
Benchmark ²	7.31	4.45	2.99	2.39	2.52

Calendar Year Performance (%)¹

	YTD	2011	2010	2009	2008	2007
Fund	5.60	2.22	6.53	9.76	2.17	4.93
Benchmark ²	2.01	3.39	0.14	0.15	1.80	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	264.38
Total Fund NAV (Mln)	USD	89.46
Portfolio Weighted Yield to Maturity	%, net	3.69
Current Number of Holdings		53
Information Ratio ³		-1.01
Sharpe Ratio ³		3.54

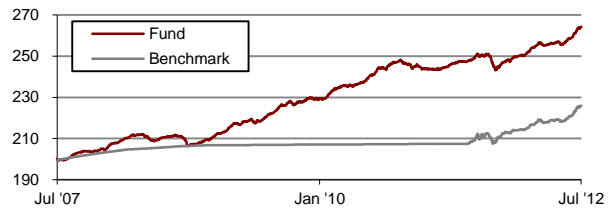
Statistics (Past 5 Years)

	Fund
Annualized Return (net)	5.79
Annualized Volatility (%)	1.40
Duration (years)	4.14

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 ⁴	USD 500.00
Minimum Transaction ⁴	USD 200.00
Trust Fee	1.00% per annum / 0.25% per quarter ⁵
Custodianship Fees ⁵	0.004%
External Audit Fees ⁶	0.006%
Special Expense ⁷	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



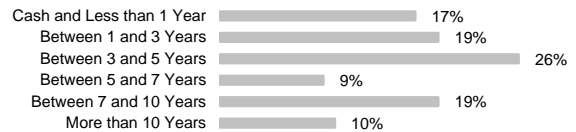
Allocation

Portfolio Composition: Government 43.1%, Corporates 48.9%, Deposits and Other Receivables 8.0%

Top Ten Holdings

Name	Yield	Maturity	% of Fund
Republic of the Philippines Bonds 8.250%	1.74	1/15/2014	6.33%
Republic of the Philippines Bonds 8.875%	1.80	3/17/2015	6.28%
RCBC Perpetual Bonds 9.875%	7.01	10/27/2016	6.05%
SM Investments Corp. Bonds 6.000%	4.33	9/22/2014	4.54%
JG Summit Corporate Bonds 8.000%	3.05	1/18/2013	4.49%
SM Investments Corp. Bonds 5.500%	4.84	10/13/2017	4.28%
Republic of the Philippines Global Peso Note 4.950%	3.83	1/15/2021	4.26%
Multicurrency Retail Treasury Bonds 2.8750%	1.12	4/29/2013	4.26%
Development Bank of the Philippines Notes 5.500%	3.96	3/25/2021	4.19%
Republic of the Philippines Bonds 8.000%	1.92	1/15/2016	3.92%

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: 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. 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.

⁴Contribution rounded down/redemption rounded off to the nearest whole unit.

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

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

⁷For publication expense.

Manager's Report

Market Review. For the month of July, Philippine dollar denominated bond prices increased by an average of 3.23%. Commitment by various central banks to support global growth enhanced demand for ROPs. The Fed stated that it is considering possible easing tools such as purchase of assets and rate cuts to support the economy. The ECB also signaled its willingness to boost growth by cutting the policy rate to a record low 0.75% from 1.00%. Other countries that lowered policy rates include Brazil, Korea, China and Philippines.

The Philippines continued to exhibit sound macroeconomic fundamentals with a number of analysts expecting the second quarter GDP of the country to register a figure above 6%, after posting a solid 6.4% GDP growth in the first quarter. This is on the back of strong non-electronic exports and higher spending. Overseas remittances in May increased by 5.1%, this brought the year-to-date remittances to US\$8.27Bn. Furthermore, the government continued to exhibit strong fiscal management as the budget balance registered a Php 11.7billion deficit in June, following the Php 19.9billion deficit in May. The six month budget deficit now stands at Php 34.5billion, well below the government's first half deficit target of Php 109 billion (Full-year deficit target of Php 279billion).

In contrast, US treasuries underperformed as yields increased by an average of 4bps in July. Appetite for risk emerged as market optimism arose after China registered a GDP that is at par with market expectation (7.6%), and as the ECB pledged to take necessary action to protect the Euro.

Fund Performance. The Fund's return for the month was 1.94%, bringing its year-to-date return to 5.60%.

Strategy. The duration of the Fund as of month-end was at 4.14, a slight increase from the previous month. We shall maintain the Fund's overweight position in terms of duration given the recent S&P credit rating upgrade.

