

### 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 07/31/13

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

	1 mo	1YR	3YRS	5YRS
Fund	1.18	1.45	11.38	27.44
Benchmark <sup>2</sup>	0.51	-1.26	7.74	8.54

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

	1YR	2YRS	3YRS	4YRS	5YRS
Fund	1.45	3.53	3.66	4.97	4.97
Benchmark <sup>2</sup>	-1.26	2.94	2.51	1.91	1.65

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

	YTD	2012	2011	2010	2009	2008
Fund	-2.34	9.75	2.15	6.62	10.09	2.00
Benchmark <sup>2</sup>	-3.24	7.69	3.39	0.15	0.13	1.77

<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.

### Key Figures and Statistics

Net Asset Value per Unit (NAVPU)	USD	268.21
Total Fund NAV (Mn)	USD	95.20
Average Daily NAV for the Quarter (Mn) <sup>3</sup>	USD	97.12
Portfolio Weighted Yield to Maturity	%, net	3.92
Current Number of Holdings		54
Information Ratio <sup>4</sup>		1.81
Sharpe Ratio <sup>4</sup>		0.58

Statistics (Past 5 Years)	Fund
Annualized Return (net)	4.97
Annualized Volatility (%)	1.68
Duration (years)	3.94

### 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 Fees <sup>5</sup>	0.007%
External Audit Fees <sup>6</sup>	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

### Manager's Report

**Market Review.** July provided a brief respite for Emerging Markets as investors reacted to Federal Reserve Chairman Ben Bernanke's attempt to clarify his prior statements on the tapering of the Quantitative Easing (QE) stimulus. Bond markets experienced a return in investors' appetite for risk after the Fed Chair alluded to a possible pushback in the reduction of the US\$85 billion in monthly securities purchases by the central bank, which was originally thought to begin as early as September.

ROP yields declined by 11 basis points on average with the 25-year ROP bond price rising to as much as 110 mid-July, before setting down to the 107 level by month-end. Investors mostly remained on the sidelines awaiting the release of the July US Non-Farm Payrolls (NFP) Report. The July NFP figure came out indicating that employment increased by only 162,000 jobs, which was below the market consensus of 185,000. This caused 10-Year US Treasury yields to decline by 10 basis points to the 2.60% level and since ROPs have been tracking the movement of US Treasuries, ROP yields declined as well.

Looking ahead, ROP prices will remain volatile due to market news from abroad but may benefit from a possible credit rating upgrade from Moody's Investors Service. Note that it is the only major credit rating agency who has not yet given the Philippines an investment grade rating. We remain bullish on the country's economic fundamentals, with the government's fiscal deficit as of June at Php51 billion, well below the full-year target of Php238 billion. Domestic inflation was likewise a positive surprise as the CPI figure for July came out at only 2.5%, giving the Monetary Board further leeway to not hike interest rates any time soon.

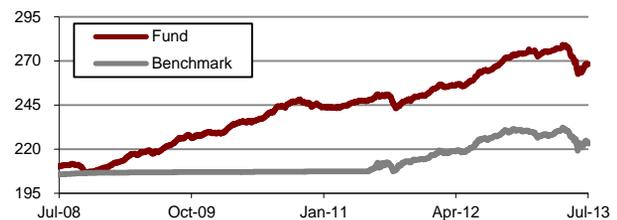
Looking ahead, ROP prices will remain susceptible to news flows from abroad but may continue to find support from local bids as investors engage in bargain-hunting. We remain bullish on the economic fundamentals of the country and believe that the selling was mostly sentiment-driven and may have been overdone. Moving forward, we will increase our cash levels and stay away from the longer-dated ROP bonds in the meantime to reduce overall volatility of the Fund.

**Fund Performance.** The Fund has returned -2.34% for the year, outperforming its benchmark by 90 basis points.

**Strategy.** The duration of the Fund as of month-end was at 3.94, lower than the previous month's 4.13. We look to maintain a neutral duration position for the Fund in light of the recent volatility that we have observed in the markets.



### NAVPU Graph



Portfolio Composition: Government 36.35%, Corporates 45.68%, Cash and Receivables 17.97%

### Top Holdings

Name	Yield (%)	Maturity	% of Fund
Republic of the Philippines Bonds 8.3750%	2.99	6/17/2019	6.99%
Republic of the Phils. Global Peso Note 4.9500%	3.22	1/15/2021	5.13%
SM Inv. Corp. Foreign Currency Bonds 5.5000%	4.56	10/13/2017	4.55%
Dev't Bank of the Phils. Bonds 5.5000%	4.52	3/25/2021	3.75%
Republic of the Philippines Bonds 8.3750%	4.25	3/16/2025	3.73%
RCBC Perpetual Bond 9.8750%	7.52	10/27/2016	3.72%
Metrobank and Trust Co. Perp. Series 9.0000%	6.19	2/15/2016	3.56%
Republic of the Philippines Bonds 8.0000%	1.69	1/15/2016	3.43%
Energy Dev't Corp. Bonds 6.5000%	5.51	1/20/2021	3.19%
Int'l Container Terminal Serv. Inc. Bonds 7.3750%	5.30	3/17/2020	3.15%

### Portfolio Weightings

Philippine Corporate Bonds	55.68%
Philippine Sovereign Bonds	44.32

### Maturity Profile

Cash and Less than 1 Year	17.23%
Between 1 and 3 Years	15.58%
Between 3 and 5 Years	21.54%
Between 5 and 7 Years	15.59%
Between 7 and 10 Years	21.73%
More than 10 Years	8.33%

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) / 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>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 fees/custodianship fees as a percentage of average daily NAV for the quarter.

<sup>6</sup> External Audit fees as a percentage of 2011 end-year NAV.

<sup>\*</sup> Plan rules are available upon request.