

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 06/30/2012

Cumulative Performance (%)¹

	1 mo	1YR	3YRS	5YRS
Fund	1.15	4.80	18.72	29.86
Benchmark ²	1.33	6.82	7.11	11.46

Annualized Performance (%)¹

	1YR	2YRS	3YRS	4YRS	5YRS
Fund	4.80	4.49	5.89	5.55	5.37
Benchmark ²	6.82	3.42	2.32	1.92	2.19

Calendar Year Performance (%)¹

	YTD	2011	2010	2009	2008	2007
Fund	3.59	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.

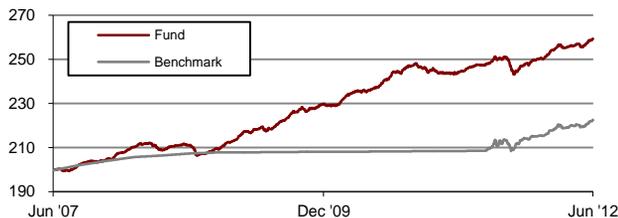
Key Figures and Statistics

Net Asset Value per Unit (NAVPU)	USD	259.34
Total Fund NAV (Mln)	USD	88.17
Portfolio Weighted Yield to Maturity	%, net	3.97
Current Number of Holdings		46
Information Ratio ³		-1.25
Sharpe Ratio ³		3.15
Statistics (Past 5 Years)	Fund	
Annualized Return (net)		5.37
Annualized Volatility (%)		1.38
Duration (years)		4.07

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
Minimum Holding Period	30 calendar days	
Early Redemption Fee	0.25%	
Trust Fee	1.00% per annum / 0.25% per quarter ⁵	
Custodianship Fees ⁵	0.005%	
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 44.9%, Corporates 45.6%, Deposits and Other Receivables 9.5%

Top Ten Holdings

Name	Yield (%)	Maturity	% of Fund
Republic of the Philippines Bonds 8.250%	2.18	1/15/2014	6.63%
Republic of the Philippines Bonds 8.875%	2.15	3/17/2015	6.43%
RCBC Perpetual Bonds 9.875%	7.47	10/27/2016	6.06%
Rep of the Philippines Global Peso Bonds 4.950%	4.45	1/15/2021	5.75%
SM Investments Corp. Bonds 6.000%	4.29	9/22/2014	4.62%
JG Summit Corporate Bonds 8.000%	4.26	1/18/2013	4.55%
SM Investments Corp. Bonds 5.500%	5.10	10/13/2017	4.40%
Multicurrency Retail Treasury Bonds 2.8750%	1.37	4/29/2013	4.32%
Devt Bank of the Philippines Notes 5.500%	4.62	3/25/2021	4.09%
Republic of the Philippines Bonds 8.000%	2.25	1/15/2016	4.03%

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 June, prices of Philippine dollar-denominated bonds increased by 1.9% on average, as the strong macroeconomic fundamentals of the country overshadowed the uncertainty hovering over global markets. The Philippines posted a first quarter GDP growth of 6.4%, an upside surprise to the market, mainly due to robust household consumption and government spending. The rise in domestic spending was supported by the continued growth in OFW remittances, which has already reached USD6.5Bn year-to-date. Furthermore, the government continued to exhibit strong fiscal management as the budget balance registered a PHP19.9Bn deficit in May, a turnaround from the PHP31.0Bn surplus in April. The five month budget deficit is now at PHP22.8Bn, well below the full-year target of PHP279Bn or 2.6% of GDP.

The international community has taken notice of the Philippines anew as Standard and Poor's (S&P) upgraded the credit rating of the country to BB+ from BB, just weeks after Moody's Investor Service raised its outlook on the country to Positive. The Philippines is now rated one notch below investment grade by two of the three major credit ratings agencies (S&P and Fitch Ratings).

In contrast, US Treasuries underperformed, with yields increasing by 4 basis points on average, on the back of risk-on sentiment stemming from optimism over the European Union leaders' conformity to have the European Central Bank as a supervisory institution for EU banks, and the agreement on principally less restrictive austerity measures.

Fund Performance. The Fund's return for the month was 1.15%, bringing its year-to-date return to 3.59%.

Strategy. The duration of the Fund as of month-end was at 4.07, little changed from the previous month's. We shall maintain the Fund's overweight position in terms of duration given the recent S&P credit rating upgrade.

