

### 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 05/31/13

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

	1 mo	1YR	3YRS	5YRS
Fund	-1.70	6.47	15.68	29.23
Benchmark <sup>2</sup>	-1.83	3.96	9.76	10.96

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

	1YR	2YRS	3YRS	4YRS	5YRS
Fund	6.47	5.06	4.98	5.70	5.26
Benchmark <sup>2</sup>	3.96	4.54	3.15	2.39	2.10

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

	YTD	2012	2011	2010	2009	2008
Fund	-0.60	9.75	2.15	6.62	10.09	2.00
Benchmark <sup>2</sup>	-1.54	0.62	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	273.00
Total Fund NAV (Mn)	USD	98.99
Average Daily NAV for the Quarter (Mn) <sup>3</sup>	USD	99.12
Portfolio Weighted Yield to Maturity	% net	3.55
Current Number of Holdings		48
Information Ratio <sup>4</sup>		2.10
Sharpe Ratio <sup>4</sup>		4.20
<b>Statistics (Past 5 Years)</b>		
Annualized Return (net)		5.26
Annualized Volatility (%)		1.47
Duration (years)		4.56

#### 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 <sup>5</sup>	1.00% per annum / 0.25% per quarter	
Custodianship Fees <sup>6</sup>	0.004%	
External Audit Fees <sup>6</sup>	0.006%	
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

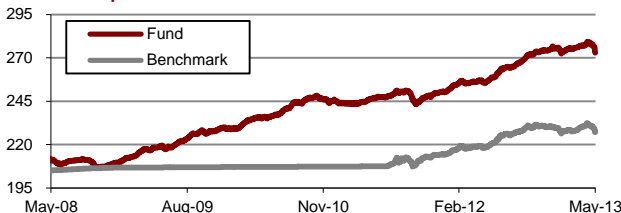
**Market Review.** Prices of Philippine dollar-denominated bonds fell in May as the market reacted to comments from the US Federal Reserve, which hinted at a possible slowdown in their Quantitative Easing Program. Talk of QE tapering was at the fore for global bonds as investors chose to lock in gains. The rise was most evident in the long-end of the yield curve with the 25-year ROP trading at the 111.00 price level, its lowest for 2013. This decline in bond prices caused ROP yields to rise by an average of 38 basis points across the yield curve.

On the local front, the Philippines saw its 1st Quarter GDP figure beat estimates as it registered a 7.8% year-on-year growth, making it the fastest-growing nation among its Southeast Asian peers. Looking ahead, ROP prices appear to be susceptible to news from abroad but may find support from the country's strong macroeconomic fundamentals.

**Fund Performance.** The Fund has returned -0.60% for the year, outperforming its benchmark by 94 basis points.

**Strategy.** The duration of the Fund as of month-end was at 4.56 lower than the previous month's 4.64. Moving forward, we look to maintain a slightly overweight duration for the Fund in light of the recent volatility that we have observed in the markets.

### NAVPU Graph



### Allocation

Portfolio Composition: Government 42.13%, Corporates 43.72%, Cash and Receivables 14.14%

### Top Holdings

Name	Yield (%)	Maturity	% of Fund
Republic of the Philippines Bonds 10.6250%	3.73	3/16/2025	6.73%
Republic of the Philippines Bonds 8.3750%	2.49	6/17/2019	6.27%
Republic of the Phils. Global Peso Note 4.9500%	3.66	1/15/2021	5.45%
SM Inv. Corp. Foreign Currency Bonds 6.0000%	4.24	9/22/2014	4.00%
Dev't Bank of the Philippines Notes 5.5000%	3.68	3/25/2021	3.80%
RCBC Perpetual Bond 9.8750%	6.09	10/27/2016	3.73%
Republic of the Philippines Bonds 6.5000%	2.63	1/20/2020	3.65%
BPI Time Deposit	1.04	6/4/2013	3.56%
Metrobank and Trust Co. Perp. Series 9.0000%	5.35	2/15/2016	3.50%
SM Inv. Corp. Foreign Currency Bonds 5.5000%	4.46	10/13/2017	3.45%

### Portfolio Weightings

Philippine Corporate Bonds	50.93%
Philippine Sovereign Bonds	49.07%

### Maturity Profile

Cash and Less than 1 Year	14.44%
Between 1 and 3 Years	16.98%
Between 3 and 5 Years	16.23%
Between 5 and 7 Years	15.29%
Between 7 and 10 Years	20.73%
More than 10 Years	16.34%

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) / 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 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 end-year NAV.

\*Plan rules are available upon request.

