

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 10/31/2011

Cumulative Performance (%)¹

	1 mo	1YR	3YRS	5YRS
Fund	0.83	-0.12	19.59	28.68
Benchmark ²	1.88	2.49	2.86	10.41

Annualized Performance (%)¹

	1YR	2YRS	3YRS	4YRS	5YRS
Fund	-0.12	4.48	6.15	4.92	5.17
Benchmark ²	2.49	1.29	0.95	1.26	2.00

Calendar Year Performance (%)¹

	YTD	2010	2009	2008	2007	2006
Fund	0.84	6.53	9.76	2.17	4.93	5.85
Benchmark ²	2.43	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	246.97
Total Fund NAV (Mln)	USD	89.82
Par Value	USD	100.00
Portfolio Weighted Yield to Maturity	% , net	4.28

Past 12 Months

Risk Characteristics	31 Oct '11	Low	High	Average
Duration (years) ³	3.52	3.19	3.81	3.53
Volatility ⁴	1.64%	1.41%	1.64%	1.50%
Sharpe Ratio ⁵	-0.16			

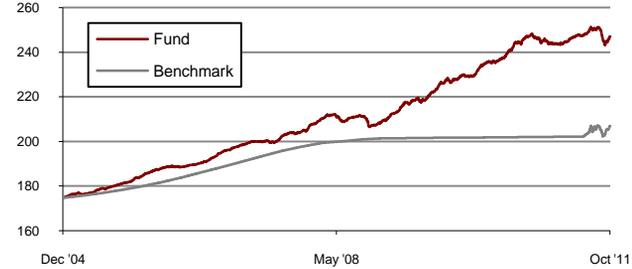
General Information

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 40.8%, Corporates 43.2%, Deposits and Other Receivables 16.0%

Top Ten Holdings

Name	Maturity	% of Fund
Republic of the Philippines Bonds 8.250%	1/15/2014	7.42%
Republic of the Philippines Bonds 8.875%	3/17/2015	6.63%
Republic of the Philippines Global Peso Bonds 4.950%	1/15/2021	6.29%
RCBC Perpetual Bond 9.875%	10/27/2016	5.81%
Development Bank of the Philippines Bonds 5.500%	3/25/2021	5.05%
Universal Robina Corp. Bonds 8.250%	1/20/2012	4.67%
SM Investments Corp. Bonds 6.000%	9/22/2014	4.45%
SM Investments Corp. Bonds 5.500%	10/13/2017	4.37%
Multicurrency Retail Treasury Bond 2.8750%	4/29/2013	4.26%
Republic of the Philippines Bonds 8.000%	1/15/2016	3.98%

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

Maturity Profile

Cash and Less than 1 Year	21%
Between 1 and 3 Years	22%
Between 3 and 5 Years	31%
Between 5 and 7 Years	6%
Between 7 and 10 Years	20%
More than 10 Years	0%

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 toward 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 recovered in October from the previous month's sell-off, with prices rising 2.50% and ROP yields declining by 41 basis points on average. All markets were focused on Europe as developments in the region's sovereign debt drama continued to unravel. Risk-on sentiment prevailed in the markets once again as European nations came to an agreement on several key issues, including a 50% haircut on Greek debt held by the private sector, recapitalization of banks across the continent and the expansion of the European Financial Stability Facility (EFSF) from EUR440Bn to EUR1Tn (equivalent to USD1.4Tn). Investors found extra comfort from news that China and the International Monetary Fund (IMF) could also be tapped for the rescue efforts needed for Greece.

US Treasuries on the other hand, were sold off as demand for safe haven debt waned, causing US benchmark yields to increase, particularly in the long end of the curve. The 30-year US Treasury bond yield increased by 21 bps after moving back up above the 3.0% level, settling at 3.13% as of month-end.

Overseas remittances were reported at USD1.7Bn in August, 11.1% higher than the USD1.5Bn remitted over the same period last year. OFW remittance flows have proven to be resilient this year and will continue to add support to ROP bond prices. Another possible driver for ROP price appreciation is the ROP buyback program conducted by the Philippine government. The government agreed to buy back USD1.3Bn (principal amount) of ROP bonds under the exercise, which drew in USD2.2Bn in offers. The cash amount to be paid by the Philippines is expected to be around USD1.7Bn, and is expected to effectively lower the country's foreign debt-servicing costs.

Fund Performance. The Fund's performance was 0.83% for the month, underperforming the return of its new benchmark.

Strategy. The duration of the Fund as of month-end was at 3.52 and we will look to increase the Fund's duration by purchasing longer-dated ROPs. Moving forward, we will increase the portfolio's exposure to Philippine corporate bonds for the yield pickup that these securities offer over sovereign bonds.

