

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 10/31/2012

Cumulative Performance (%)¹

	1 mo	1YR	3YRS	5YRS
Fund	1.31	10.11	20.11	33.36
Benchmark ²	0.55	8.08	10.87	13.63

Annualized Performance (%)¹

	1YR	2YRS	3YRS	4YRS	5YRS
Fund	10.11	4.86	6.30	7.11	5.93
Benchmark ²	8.08	5.23	3.50	2.68	2.59

Calendar Year Performance (%)¹

	YTD	2011	2010	2009	2008	2007
Fund	8.62	2.15	6.62	10.09	2.00	4.78
Benchmark ²	7.22	3.39	0.15	0.13	1.77	4.67

¹ Returns are net of fees. Past performance is not an indication of future returns.

² 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	271.83
Total Fund NAV (Min)	USD	94.31
Portfolio Weighted Yield to Maturity	%, net	3.27
Current Number of Holdings		51
Information Ratio ³		1.84
Sharpe Ratio ³		8.65

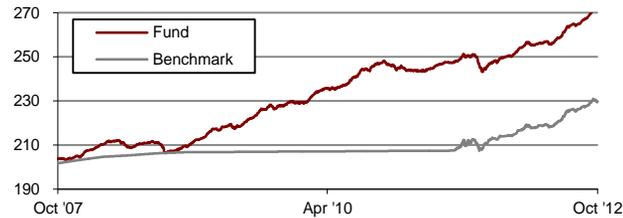
Statistics (Past 5 Years)

	Fund
Annualized Return (net)	5.93
Annualized Volatility (%)	1.40
Duration (years)	4.26

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	1.00% per annum / 0.25% per quarter ⁵
Custodianship Fees ⁴	0.004%
External Audit Fees ⁵	0.006%
Special Expense ⁶	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



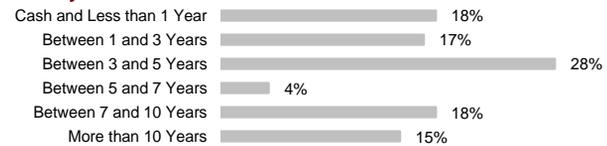
Allocation

Portfolio Composition: Government and Supranational 38.4%, Corporates 52.1%, Deposits and Other Receivables 9.5%

Top Ten Holdings

Name	Yield	Maturity	% of Fund
RCBC Perpetual Bonds 9.875%	6.65	10/27/2016	5.72%
Republic of the Philippines Bonds 8.875%	1.24	3/17/2015	5.63%
Republic of the Philippines Bonds 8.250%	1.32	1/15/2014	5.30%
Republic of the Philippines Global Peso Note 4.950%	3.77	1/15/2021	4.79%
SM Investments Corp. Bonds 6.000%	3.46	9/22/2014	4.52%
SM Investments Corp. Bonds 5.500%	3.96	10/13/2017	4.39%
JG Summit Corporate Bonds 8.000%	3.55	1/18/2013	4.39%
Multicurrency Retail Treasury Bonds 2.8750%	0.76	4/29/2013	4.20%
Development Bank of the Philippines Notes 5.500%	3.49	3/25/2021	4.13%
Republic of the Philippines Bonds 8.000%	1.38	1/15/2016	3.87%

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: 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 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.

³ 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.

⁴ Trust fees/management fees/custodianship fees as a percentage of average daily NAV for the quarter.

⁵ External Audit fees as a percentage of end-year NAV.

⁶ For publication expense.

Manager's Report

Market Review. For the month of October, Philippine dollar denominated bond prices increased by an average of 0.49%. The solid macroeconomic fundamentals and positive action on the country's credit rating by Moody's contributed to the attractiveness of ROPs.

Moody's upgraded the Philippine credit rating by one notch to Ba1 from Ba2, citing the country's continued economic strength and fiscal resilience. All three major credit ratings agencies now rate the Philippines at one notch below investment grade. Moreover, S&P raised the 2012 growth forecast of the Philippines to 4.9% from 4.3%.

The Philippines continues to exhibit prudent fiscal management as the 9-month budget balance accumulated to a deficit of Php106 billion, well below the full year government target deficit of Php279 billion. The government registered a Php34.9 billion deficit in September.

In contrast, US treasuries and Euro benchmark bonds underperformed in October, as yields increased by an average of 5 basis points and 2.8 basis points, respectively. Demand for safe haven assets dwindled as economic data coming from the world's largest economy came out better than expected. Signs of a recovering US economy brought about by positive housing and retail sales data were confirmed with the US 3Q GDP coming out at 2%, higher than the previous quarter's 1.3%. However, risk-off sentiment towards the end of the month tempered the rise in yields as Moody's downgraded Spain's sovereign credit rating by two notches to Baa3, and five of the country's autonomous regions to below investment grade.

Fund Performance. The Fund's return for the month was 1.31%, bringing its year-to-date return to 8.62%.

Strategy. The duration of the Fund as of month-end was at 4.26, a slight increase from the previous month. We shall maintain the Fund's overweight position in terms of duration given the positive outlook on Philippine fundamentals.

