

## BPI Global Philippine Fund A Unit Investment Trust Fund of the Bank of the Philippine Islands



### 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 09/30/2011

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

	1 mo	1YR	3YRS	5YRS
Fund	-2.24	-0.42	16.01	28.55
Benchmark <sup>2</sup>	-1.71	0.59	1.08	8.75

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

	1YR	2YRS	3YRS	4YRS	5YRS
Fund	-0.42	4.06	5.07	4.88	5.15
Benchmark <sup>2</sup>	0.59	0.36	0.36	0.90	1.69

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

	YTD	2010	2009	2008	2007	2006
Fund	0.00	6.53	9.76	2.17	4.93	5.85
Benchmark <sup>2</sup>	0.55	0.14	0.15	1.80	4.67	4.64

<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	244.93
Total Fund NAV (Mln)	USD	90.20
Par Value	USD	100.00
Portfolio Weighted Yield to Maturity	% , net	5.04

#### Past 12 Months

Risk Characteristics	30 Sep '11	Low	High	Average
Duration (years) <sup>3</sup>	3.81	3.19	3.81	3.54
Volatility <sup>4</sup>	1.52%	1.41%	1.54%	1.49%
Sharpe Ratio <sup>5</sup>	-0.37			

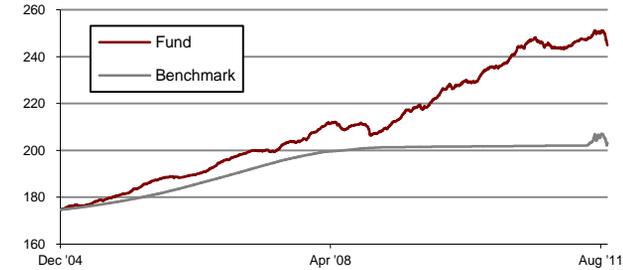
### General Information

Launch Date	August 30, 1994
Fund Structure	Unit Investment Trust Fund
Fund Classification	Medium Term Bond Fund
Fund Currency	US Dollar
Minimum Initial Investment <sup>6</sup>	USD 500.00
Minimum Transaction <sup>6</sup>	USD 200.00
Minimum Holding Period	30 calendar days
Early Redemption Fee	0.25%
Trust Fee	1.00% per annum / 0.25% per quarter <sup>7</sup>
Custodianship Fees <sup>8</sup>	0.003%
External Audit Fees <sup>9</sup>	0.002% per quarter
Special Expense <sup>10</sup>	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

<sup>3</sup>Duration 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.

<sup>4</sup>Volatility measures the fluctuations in NAVPS. The higher the number, the higher the potential gain or loss.

### NAVPU Graph



### Allocation

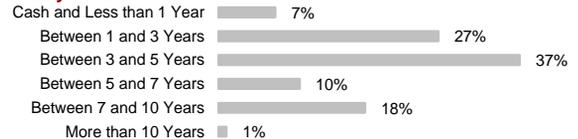
Portfolio Composition: Government 51.7%, Corporates 45.9%, Deposits and Other Receivables 2.4%

### Top Ten Holdings

Name	Maturity	% of Fund
Republic of the Philippines Bonds 8.250%	1/15/2014	8.05%
Republic of the Philippines Bonds 8.875%	3/17/2015	7.13%
SM Investments Corp. Bonds 6.000%	9/22/2014	6.00%
RCBC Perpetual Bonds 9.875%	10/27/2016	5.87%
Republic of the Philippines Bonds 9.000%	2/15/2013	5.86%
Republic of the Philippines Global Peso Bonds 4.950%	1/15/2021	5.01%
Universal Robina Corp. Bonds 8.250%	1/20/2012	4.62%
Multicurrency Retail Treasury Bond 2.8750%	4/29/2013	4.25%
SM Investments Corp. Bonds 5.500%	10/13/2017	4.15%
Republic of the Philippines Bonds 8.000%	1/15/2016	3.97%

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

### Maturity Profile



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.

<sup>5</sup>Sharpe ratio evaluates reward-to-risk efficiency. The higher the number, the higher the reward per unit of risk.

<sup>6</sup>Contribution rounded down/redemption rounded off to the nearest whole unit.

<sup>7</sup>Trust fees paid for the quarter as a percentage of average daily NAV for the quarter.

<sup>8</sup>Custodianship fees billed for the quarter as a percentage of average daily NAV for the quarter.

<sup>9</sup>External Audit fees as a percentage of end-year 2009 NAV.

<sup>10</sup>For publication expense.

### Manager's Report

**Monthly Commentary.** Philippine dollar-denominated bond prices declined significantly in September, dropping by 2.8% on average, as risk-off sentiment prevailed in financial markets. Interest rates rose as investors' flight to safe haven debt caused an outflow of funds from emerging markets including the Philippines. Risk aversion escalated after the United States reported zero jobs growth in the first week of September. The negative mood that pervaded the markets was further exacerbated by news that Standard & Poor's cut Italy's credit rating by a notch from "A+" to "A", as the country's weak growth prospects is seen to make the Italian government's fiscal targets difficult to achieve.

The corporate sector was not spared as speculation about the health of banks on both sides of the Atlantic gained traction amidst recent rating actions. Moody's Rating Service downgraded Credit Agricole and Societe Generale, France's second and third largest banks, by one notch each due to their exposure to Greek debt, while putting its rating for BNP Paribas, France's biggest bank, under review. In the US, Moody's also downgraded the long term credit ratings of Citigroup, Bank of America and Wells Fargo.

Meanwhile, the Federal Reserve announced that it would sell USD400Bn of short-term US Treasuries and buy an equivalent amount of long-term US Treasuries maturing in 6 to 30 years. The move, dubbed as "Operation Twist", is expected to ultimately bring down interest rates in the long end of the yield curve. US Treasuries rallied following the announcement, with interest rates declining by 6 bps on the average.

**Fund Performance.** The Fund returned -2.24% for the month, bringing the year-to-date performance to flat and causing the Fund to underperform its benchmark. The Fund's duration as of end-September was at 3.81.

**Strategy.** Moving forward, we intend to reduce the Fund's duration, and the portfolio's exposure to Philippine corporate bonds whose prices have been declining as of late.

