

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 09/28/2012

Cumulative Performance (%)¹

	1 mo	1YR	3YRS	5YRS
Fund	1.24	9.55	18.64	32.56
Benchmark ²	0.76	9.50	10.29	13.47

Annualized Performance (%)¹

	1YR	2YRS	3YRS	4YRS	5YRS
Fund	9.55	4.44	5.86	6.18	5.80
Benchmark ²	9.50	4.95	3.32	2.57	2.56

Calendar Year Performance (%)¹

	YTD	2011	2010	2009	2008	2007
Fund	7.22	2.15	6.62	10.09	2.00	4.78
Benchmark ²	6.51	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

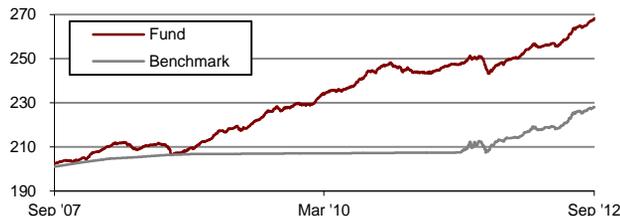
Net Asset Value per Unit (NAVPU)	USD	268.32
Total Fund NAV (Mln)	USD	92.79
Portfolio Weighted Yield to Maturity	%, net	3.43
Current Number of Holdings		50
Information Ratio ³		0.04
Sharpe Ratio ³		7.19

Statistics (Past 5 Years)	Fund
Annualized Return (net)	5.80
Annualized Volatility (%)	1.40
Duration (years)	4.23

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 43.2%, Corporates 47.6%, Deposits and Other Receivables 9.2%

Top Ten Holdings

Name	Yield	Maturity	% of Fund
Republic of the Philippines Bonds 8.875%	1.37	3/17/2015	5.72%
RCBC Perpetual Bonds 9.875%	6.90	10/27/2016	5.63%
Republic of the Philippines Bonds 8.250%	1.40	1/15/2014	5.30%
Republic of the Philippines Global Peso Note 4.950%	4.16	1/15/2021	4.79%
SM Investments Corp. Bonds 6.000%	3.64	9/22/2014	4.52%
SM Investments Corp. Bonds 5.500%	4.32	10/13/2017	4.39%
JG Summit Corporate Bonds 8.000%	3.74	1/18/2013	4.39%
Development Bank of the Philippines Notes 5.500%	3.66	3/25/2021	4.20%
Multicurrency Retail Treasury Bonds 2.8750%	0.94	4/29/2013	4.13%
Republic of the Philippines Bonds 8.000%	1.60	1/15/2016	3.87%

Maturity Profile

Cash and Less than 1 Year	18%
Between 1 and 3 Years	17%
Between 3 and 5 Years	24%
Between 5 and 7 Years	8%
Between 7 and 10 Years	19%
More than 10 Years	14%

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

Average Credit Rating: Ba2 (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 September, Philippine dollar denominated bond prices increased by an average of 1.04%. The resilient local demand and attractive domestic fundamentals relative to the other countries in the emerging market region tempered the effect of the upward movement of US treasury yields on ROP yields.

The Philippines continues to exhibit prudent fiscal management as the budget balance registered a Php2.5 billion surplus in August. The 8-month budget deficit now stands at Php71.2 billion, well below the full year government target deficit of Php279 billion. Furthermore, the external payments position of the country advanced due to improvements in exports and moderation in imports. The 7-month trade deficit improved to US\$4.7 billion compared to US\$6.2 billion in the same period a year ago.

In global markets, US treasuries and Euro benchmark bonds underperformed in September, as yields increased by an average of 2.6 basis points and 12.7 basis points, respectively. Demand for safe-haven assets dwindled as the Federal Reserve announced another round of open-ended bond purchases to bolster the US economy. Weak manufacturing data and prolonged unemployment worries, however, subdued the uptick in US treasury yields. Over in Europe, optimism ensued as the German courts upheld the legality of the permanent European rescue fund (ESM) paving the way for the Euro-zone's bailout fund. A bond-buying program aimed at lowering yields to help distressed sovereign borrowers will be conducted through the ESM.

Fund Performance. The Fund's return for the month was 1.24%, bringing its year-to-date return to 7.22%.

Strategy. The duration of the Fund as of month-end was at 4.23, an increase from the previous month. We shall maintain the Fund's overweight position in terms of duration given the positive outlook on Philippine fundamentals.

