

### 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 09/30/13

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

|                        | 1 mo | 1YR   | 3YRS | 5YRS  |
|------------------------|------|-------|------|-------|
| Fund                   | 0.16 | -0.29 | 8.77 | 26.71 |
| Benchmark <sup>2</sup> | 1.06 | -2.37 | 7.57 | 8.10  |

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

|                        | 1YR   | 2YRS | 3YRS | 4YRS | 5YRS |
|------------------------|-------|------|------|------|------|
| Fund                   | -0.29 | 4.51 | 2.84 | 4.29 | 4.85 |
| Benchmark <sup>2</sup> | -2.37 | 3.41 | 2.46 | 1.87 | 1.57 |

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

|                        | YTD   | 2012 | 2011 | 2010 | 2009  | 2008 |
|------------------------|-------|------|------|------|-------|------|
| Fund                   | -2.59 | 9.75 | 2.15 | 6.62 | 10.09 | 2.00 |
| Benchmark <sup>2</sup> | -3.41 | 7.69 | 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

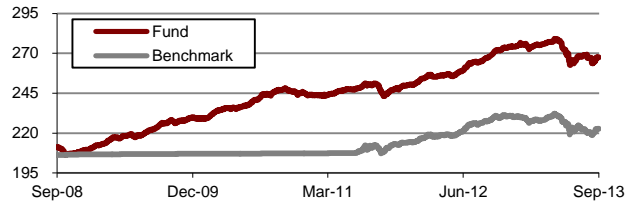
|   |         |        |
|---|---------|--------|
| Net Asset Value per Unit (NAVPU)                    | USD     | 267.53 |
| Total Fund NAV (Mn)                                 | USD     | 92.28  |
| Average Daily NAV for the Quarter (Mn) <sup>3</sup> | USD     | 93.56  |
| Portfolio Weighted Yield to Maturity                | % , net | 3.83   |
| Current Number of Holdings                          |         | 61     |
| Information Ratio <sup>4</sup>                      |         | 1.12   |
| Sharpe Ratio <sup>4</sup>                           |         | -0.14  |

| Statistics (Past 5 Years) | Fund |
|---------------------------|------|
| Annualized Return (net)   | 4.85 |
| Annualized Volatility (%) | 1.78 |
| Duration (years)          | 3.45 |

### 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   |        |
| Days to Settlement (Contribution) | Day 1 End-of-Day                             |        |
| Days to Settlement (Redemption)   | Day 1 End-of-Day                             |        |
| Trust Fee <sup>5</sup>            | 1.00% per annum / 0.25% per quarter          |        |
| Custodianship Fees <sup>5</sup>   | 0.007%                                       |        |
| External Audit Fees <sup>6</sup>  | 0.008%                                       |        |
| Valuation Methodology             | Marked-to-Market                             |        |
| Trustee                           | Bank of the Philippine Islands               |        |
| External Auditor                  | Isla Lipana & Co.                            |        |
| Available Through                 | BPI Branches and<br>www.bpiexpressonline.com |        |
| Third-Party Custodian             | HSBC, Ltd. (Philippines)                     |        |
| Dealing Cut-Off                   | 12:00 PM                                     |        |

### NAVPU Graph



### Allocation

Portfolio Composition: Government 31.90%, Corporates 45.45%, Cash and Receivables 22.65%

### Top Holdings

| Name  | Yield (%) | Maturity   | % of Fund |
|---|-----------|------------|-----------|
| Republic of the Philippines Bonds 8.3750%         | 3.22      | 6/17/2019  | 6.42%     |
| Republic of the Phils. Global Peso Note 4.9500%   | 3.41      | 1/15/2021  | 5.37%     |
| SM Inv. Corp. Foreign Currency Bonds 5.5000%      | 4.67      | 10/13/2017 | 4.68%     |
| Deve't Bank of the Philippines Bonds 5.5000%      | 4.94      | 3/25/2021  | 3.89%     |
| RCBC Perpetual Bond 9.8750%                       | 7.82      | 10/27/2016 | 3.81%     |
| Republic of the Philippines Bonds 8.0000%         | 1.70      | 1/15/2016  | 3.51%     |
| Metrobank and Trust Co. Perp. Series 9.0000%      | 6.02      | 2/15/2016  | 3.45%     |
| Energy Dev't Corp. Bonds 6.5000%                  | 5.83      | 1/20/2021  | 3.23%     |
| Int'l Container Terminal Serv. Inc. Bonds 7.3750% | 5.40      | 3/17/2020  | 3.23%     |
| SM Inv. Corp. Foreign Currency Bonds 6.0000%      | 3.77      | 9/22/2014  | 3.21%     |

### Portfolio Weightings

|                            |        |
|----------------------------|--------|
| Philippine Corporate Bonds | 58.76% |
| Philippine Sovereign Bonds | 41.24  |

### Maturity Profile

|                           |        |
|---------------------------|--------|
| Cash and Less than 1 Year | 25.09% |
| Between 1 and 3 Years     | 15.63% |
| Between 3 and 5 Years     | 19.15% |
| Between 5 and 7 Years     | 15.70% |
| Between 7 and 10 Years    | 19.63% |
| More than 10 Years        | 4.79%  |

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 2012 end-year NAV.

<sup>\*</sup>Plan rules are available upon request.

### Manager's Report

**Market Review.** September proved to be a good month for Emerging Markets as investors were surprised to see that no tapering took effect following the Federal Reserve's meeting during the month. This meant that the bond purchases in the amount of \$85 billion every month by the Federal Reserve would continue at least until December, if not until next year.

This caused the price of the 10-Year US Treasury bond to rally, with its yield initially declining by 15 basis points, and finally settling at the 2.60% level. Since RoPs have been tracking the movement in US Treasuries, RoP yields declined as well. On average, yields of Philippine dollar-denominated bonds dropped by 31 basis points, with the 25-year ROP bond price rising by as much as 5 price points to the 109 level by month-end.

Looking ahead, ROP prices will remain volatile due to market news from abroad, particularly in the US. The US government has been partially shut down due to the budget impasse and the debt ceiling deadline is drawing closer. The US government must raise the debt ceiling by October 17, otherwise the US government will run out of borrowing capacity. All these could lead to a slowdown in US economic growth and ultimately, adversely affect the global economy.

On a positive note, the Philippines was upgraded by Moody's Investors Service from Ba1 to Baa3 last October 3. This further affirms the country's investment grade status as the rating action puts Moody's at par with ratings from both Standard and Poor's and Fitch Ratings.

**Fund Performance.** The Fund has returned -2.59% for the year, outperforming its benchmark by 82 basis points.

**Strategy.** The duration of the Fund as of month-end was at 3.45 lower than the previous month's 3.87. We look to maintain an underweight duration position for the Fund in light of the uncertainty in the US.

