

### Investment Objective

The Fund aims to achieve investment returns that closely track the total return of a U.S. dollar-denominated index, the JP Morgan Asia Credit Philippines Total Return Index, before fees and taxes, by investing in a diversified portfolio of Philippine sovereign and corporate fixed income instruments.

### Figures as of 12/31/2011

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

	1 mo	1YR	3YRS	4YRS
Fund	1.18	9.97	50.07	56.54
Benchmark <sup>2</sup>	1.05	10.47	56.31	59.05

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

	1YR	2YRS	3YRS	4YRS	5YRS
Fund	9.97	11.64	14.49	9.93	9.38
Benchmark <sup>2</sup>	10.47	12.10	16.05	10.27	9.73

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

	2011	2010	2009	2008	2007
Fund	9.97	13.34	20.41	-2.70	7.20
Benchmark <sup>2</sup>	10.47	13.76	24.38	-5.43	7.59

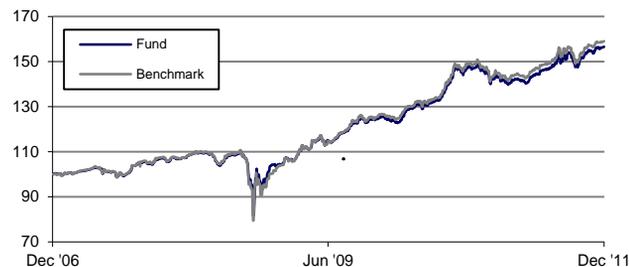
<sup>1</sup>Returns are net of fees. Past performance is not an indication of future returns.

<sup>2</sup>The Benchmark of the fund is the JP Morgan Asia Credit Philippines Total Return Index.

### Key Figures and Statistics

Net Asset Value per Unit (NAVPU)	USD	156.54
Total Fund NAV (Mln)	USD	14.38
Par Value	USD	100.00
Portfolio Weighted Yield to Maturity	% , net	4.12
<b>Risk Characteristics</b>	<b>Fund</b>	<b>Benchmark</b>
Duration (years) <sup>3</sup>	7.64	7.74
Volatility <sup>4</sup>	4.56%	4.29%
Tracking Error <sup>5</sup>	1.89%	
<b>General Information</b>		
Launch Date	December 31, 2006	
Fund Structure	Unit Investment Trust Fund	
Fund Classification	Index Tracker 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	90 calendar days	
Early Redemption Fee	0.25%	
Trust Fee	0.25% per annum / 0.06% per quarter <sup>7</sup>	
Custodianship Fees <sup>8</sup>	0.004%	
External Audit Fees <sup>9</sup>	0.002%	
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)	
External Auditor	Isla Lipana & Co.	
Dealing	Daily up to 12 noon	

### NAVPU Graph



### Allocation

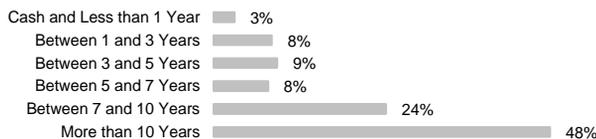
Portfolio Composition Government 78.9%, Corporates 18.2%, Deposits and Other Receivables 2.9%

### Top Ten Holdings

Name	Maturity	% of Fund
Republic of the Philippines Bonds 6.375%	10/23/2034	8.72%
Republic of the Philippines Bonds 7.750%	1/14/2031	8.40%
Republic of the Philippines Bonds 9.500%	2/2/2030	7.49%
Republic of the Philippines Bonds 10.625%	3/16/2025	6.58%
Republic of the Philippines Bonds 6.500%	1/20/2020	5.82%
Republic of the Philippines Bonds 4.000%	1/15/2021	5.33%
Republic of the Philippines Bonds 6.375%	1/15/2032	4.53%
Republic of the Philippines Bonds 9.375%	1/18/2017	4.52%
Republic of the Philippines Bonds 5.500%	3/30/2026	4.28%
PSALM Corporate Bonds 4.800%	12/2/2024	4.22%

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: Ba2 (Moody's) / BB (S&P)

### Risk Disclosure

The fund is suitable for investors with an aggressive risk profile. An index tracker bond fund is suitable for investors who take medium to long-term views and want exposure to Philippine bonds. As a marked-to-market UITF, the Fund's yield, net asset value, and total return may fall as well as rise as a result of interest rate movements and the changes in credit quality of the investments. On redemption of units, an investor may receive an amount less than the original amount of the investment. Liquidity risk also needs to be taken into account.

<sup>3</sup>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.

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

<sup>5</sup>Tracking error is the measure of deviation between the Fund's returns and the benchmark returns. A lower number means the Fund's return is closely aligned with the benchmark.

<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 increased by 0.42% on average in December, supported undoubtedly by the Standard & Poor's (S&P) outlook upgrade on Philippine debt from "Stable" to "Positive" last month. Supporting the rating agency's positive outlook action was the current administration's continuing effort to improve the country's fiscal position. The budget deficit for November came out at PHP22 billion, bringing the 11-month shortfall to just PHP96 billion, well below the target cap of PHP260 billion.

The Philippines took full advantage of this change in outlook by launching a new 25-year global bond in the first week of the year. The new ROP due 2037 was issued with a coupon of 5%, which reflects the strong belief of investors in the nation's economic fundamentals which allows the country to command a low borrowing cost whenever it goes back to the capital markets. The issuance drew in total of USD12.5 billion in orders as against a total issuance of only USD1.5 billion, making the issue more than eight times oversubscribed.

US Treasuries were supported as yields declined by 7 basis points on average in December. Demand for safe haven debt was boosted after S&P put 15 out of the 17 nations under the European Monetary Union on negative watch in December. This came after the European Central Bank (ECB) cut its policy rate by 25 basis points at its last meeting for 2011 held on December 8, bringing the ECB's main refinancing rate back down to 1%.

**Fund Performance.** Against this backdrop, the Fund returned 1.18% for the month, bringing its full-year return to 9.97%. The Fund continues to track the JPMorgan Asia Credit Total Return index.

