

# Odyssey Asia Pacific High Dividend Equity Fund

A Unit Investment Trust Fund of the Bank of the Philippine Islands



## Investment Objective

The objective of the fund is to pursue long term capital appreciation by investing in a diversified portfolio of attractively priced stocks with high dividend yields in the Asia Pacific region. The Fund aims to outperform its benchmark (gross of fees) which is the MSCI AC Asia Pacific ex-Japan Total Return Index.

## FIGURES AS OF 10/28/2011

### Cumulative Performance (%)

	1 mo	6 mos	1YR	3YRS	S.I. <sup>1</sup>
Fund	14.14	-15.01	-6.44	60.99	-8.00
Benchmark	14.82	-12.74	-2.79	93.70	-3.50

Past performance not indicative of future results.

### Annualized Performance (%)

	1YR	2YRS	3YRS	S.I.
Fund	-6.44	3.91	17.20	-2.39
Benchmark	-2.79	8.07	24.65	-1.03

### Calendar Year Performance (%)

	YTD	2010	2009	2008*
Fund	-10.35	15.46	62.90	-45.44
Benchmark	-6.85	19.24	76.77	-50.85

\*The Fund was launched on May 20, 2008. Returns are from May 20, 2008 to December 24, 2008.

## Key Figures and Statistics

Net Asset Value per Unit (NAVPU) <sup>2</sup>	USD	9.2
Total Fund NAV (mIn)	USD	90.38
Current Number of Holdings		142
Information Ratio <sup>3</sup>		-0.92
<b>Statistics - Past 3 Years</b>		
	Fund	Benchmark
Annualized Return (net)	17.20%	24.65%
Annualized Volatility	22.89%	25.20%
Portfolio Beta	0.90	
<b>General Information</b>		
Launch Date	20-May-08	
Fund Structure	Unit Investment Trust Fund	
Fund Currency	US Dollar	
Domicile	Manila, Philippines	
Valuation Method	Marked-to-Market	
Fund Classification	Equity Fund	
Management/Trust Fee	1.75% per annum	
	0.44% per quarter <sup>2</sup>	
Custodianship Fees	0.013% per quarter <sup>2</sup>	
External Audit Fees	0.0004% per quarter <sup>2</sup>	
Minimum Holding Period	20 calendar days	
Redemption Notice Period	7 calendar days	
Trustee	BPI	
Fund Manager	ING Investment Management Asia Pacific (Hong Kong) Ltd.	
Third-Party Custodian	HSBC, Ltd. (Philippines)	

1 Since Inception

2 Trust fees/custodianship fees/audit fees as a percentage of average daily NAV for the quarter.

## Manager's Report

**Market Review.** The global economy is currently slowing down again. This is most evident in those DM economies characterized by household and financial sector deleveraging. Nevertheless, core Europe as well as EM space is affected as well through a slowing of external demand. There are two broad reasons behind this. First, the oil and Japan disaster shocks have taken a greater toll on DM domestic demand growth than previously anticipated. Furthermore, there are increasing concerns about the competency of policymakers on both sides of the Atlantic to deal with the challenges facing them. In the US this has raised the prospect of more near-term fiscal tightening without a solution for the long-term fiscal problems while in Europe it implies a heightened degree of systemic risk. Risk aversion has risen considerably over the past few weeks. This potentially opens the door to a self-fulfilling negative feedback loop between financial conditions and confidence, on the one hand, and growth, on the other.

**Fund Performance.** The Fund underperformed the benchmark by 68 bps during the month and year-to-date by 350 bps. Stock selection was strong for Industrials and Financials adding +58bps to the fund. Conversely, Energy and Consumer Discretionary hurt perfectly contributing to the underperformance. Other than a +4bps allocation effect as a result of a 1.8% Cash position, the allocation effect was fairly muted.

On a country level, China, India and Indonesia helped the most while Thailand, Hong Kong and Malaysia hurt. While active country exposures were maintained, the country allocation effect was negligible.

**Fund Strategy.** We see attractive opportunities in the Asia Pacific markets for the medium to long term. GDP growth for Asia Pacific ex Japan, even with downward revised estimates, continues to be higher than other major regions in the world. We are seeing more Asian companies having attractive and sustainable dividend yields.

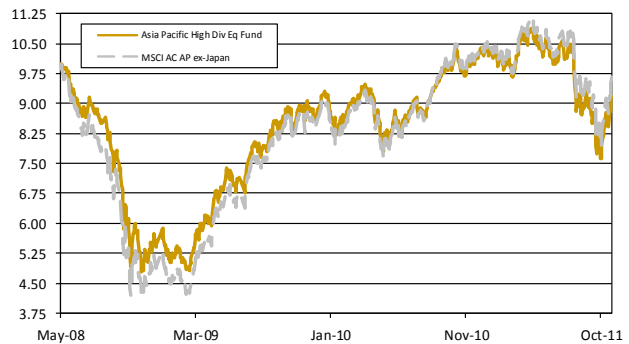
Research has shown that the high dividend yield strategy is one of the best medium to long term alpha sources in the Asia Pacific ex Japan region. There have been periods, such as in the tech bubble in 1999, and the recent rally of low dividend yielding large cap stocks in the second half of 2007, when the fund may underperform on a relative basis. However, over the medium to long term, the return/risk profile of a high dividend yield strategy is attractive in that it provides exposure to the long term capital appreciation growth story of the Asia Pacific region, whilst at the same time its high dividend defensive characteristics should normally provide downside risk control. The portfolio dividend yield tends to be around 3.4% to 4.0%, and the volatility of the fund tends to be generally lower than the MSCI Asia Pacific ex Japan benchmark.

Recently we have improved our stock selection model. The enhanced model uses broader criteria to evaluate companies. Besides dividend and earnings yields, we look into operating cash flow, earning quality, debt to equity level, return on equity, earning surprises, as well as long term dividend and earnings growth. Moreover, the model has the features to incorporate region-, country- and sector- specific information. On the top of model enhancement, our portfolio construction process has improved to better control risks.

Within our high dividend universe, we invest in approximately 135-160 stocks which offer not only high dividend yields but also attractive fundamentals and growth prospects identified via a combination of quantitative and qualitative investment research as well as local insights gained through ING investment teams and professionals who live and work in the Asia Pacific region.

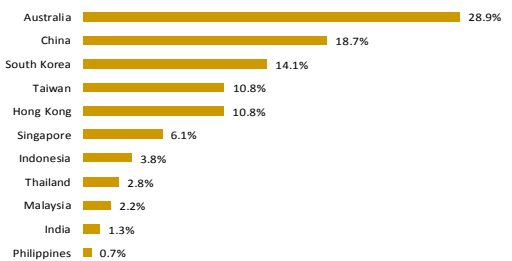


## NAVPU Graph

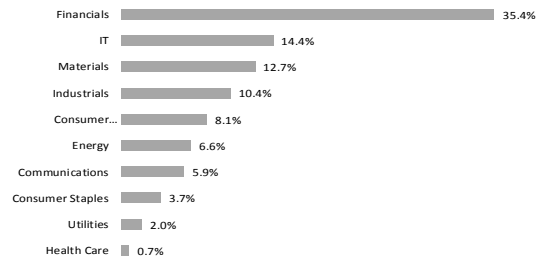


## Allocation

### By Country



### By Industry



## Risk Disclosure

The Fund is suitable for investors who take medium to long-term views. As a marked-to-market UITF, the Fund's net asset value and total return may fall as well as rise as a result of stock prices and interest rates movements. On redemption of units, an investor may receive an amount less than the original amount of investment.

3 Information ratio evaluates reward-to-risk efficiency relative to the benchmark. The higher the number, the higher the reward per unit of risk. <sup>2</sup>Plan Rules are available upon request.