



# ALFM DOLLAR BOND FUND

August 31, 2010

## Investment Objective

To generate a steady stream of income by investing in a diversified portfolio of fixed income instruments issued by foreign and local entities.

## Fund Performance

Absolute Returns	Fund	3-Month U.S. Treasury Bills
Year-to-date	5.19%	0.09%
2009	5.33%	0.15%
2008	2.10%	1.80%
2007	5.36%	4.67%
2006	6.14%	4.64%
2005	4.49%	2.77%

Returns are net of fees. Past performance is not an indication of future returns.

## Fund Facts

Launch Date	February 5, 2002
Structure	Mutual Fund
Fund Type	Medium Term Bond Fund
Base Currency	US Dollar
Net Asset Value	USD 139.18 Million
NAV Per Share (NAVps)	USD 345.56
Minimum Initial Investment	USD 1,000
Minimum Transaction <sup>1</sup>	USD 200
Initial Sales Charge	Waived
Minimum Holding Period	180 calendar days
Early Redemption Fee	1.00%
Management Fee	1.25% per annum
Financial Reporting	Philippine Accounting Standards
Fund Manager	BPI Investment Management, Inc.
Receiving Banks	Bank of the Philippine Islands Branches BPI Family Savings Bank Branches

Custodian	HSBC
	Bank of New York
Dealing	Daily up to 12 noon
Bloomberg Ticker	ALFMDBF PM

<sup>1</sup>Contribution rounded down/ redemption rounded off to the nearest whole share.

## Risk Characteristics

### Risk Measures

	Aug 31, 2010	Past 12 Months		
		Low	High	Average
Duration	4.05	3.85	4.98	4.37
Volatility, Past 360 Days	0.95%	0.63%	3.35%	1.10%
Sharpe Ratio, Past 360 Days	7.65			

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. Volatility measures the fluctuations in NAVps. The higher the number, the higher the potential gain or loss. Sharpe ratio evaluates reward-to-risk efficiency. The higher the number, the higher the reward per unit of risk.

### Risk Disclosure

The Fund is suitable for investors who take medium- to long-term views. The Fund's yield, net asset value and total return may fall as well as rise as a result of interest rate and currency movements and the changes in the credit quality of the investments. On redemption of shares, an investor may receive an amount less than the original amount of the investment. Liquidity risk also need to be taken into account.

### Risk Management

In accordance with the provisions in the Prospectus, 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 NAVps 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.

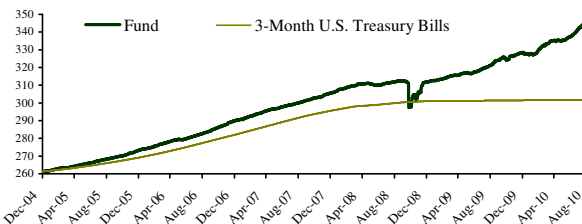
## Fund Manager's Report

Philippine USD-denominated ROP bonds continued to rally as prices rose by an average of 3.88%, while bond yields declined by 44 basis points on average for the month of August. This came on the back of positive news that the Philippine economy grew by 7.9% year-on-year in 2Q2010, while GDP growth figure for the previous quarter was revised upwards from 7.3% to 7.8%. Other economic news that propped up investor sentiment included July inflation tallying at 3.9%, below the 4.1% figure expected by market players, and the Bureau of the Treasury's successful auction for peso-denominated Retail Treasury Bonds, which allowed the government to raise PHP97.50Bn for its coffers. The five-year ROP CDS spreads widened by 17 points though, settling at the 162-level by month-end.

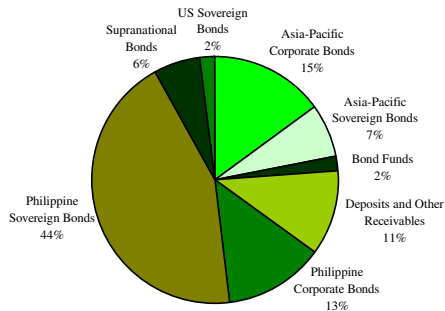
Fears of a double-dip recession and continued high unemployment rate in the US caused investors to seek the relative safety of US government debt. Broad-based buying of US Treasuries triggered yields to drop across the yield curve by an average of 26 basis points.

Against this backdrop, the Fund outperformed its benchmark and we continue to seek new investment outlets to diversify the Fund's portfolio.

## Net Asset Value Per Share



## Portfolio Composition



Average Credit Rating: Baa3 (Moody's) / BBB- (S&P)

Asset Valuation : 54.0% mark-to-market and 46.0% at amortized cost.

Allocation may change according to portfolio strategy and size.

## Top 10 Holdings

	% of Fund
Republic of the Philippines Bonds 9.875% 01/15/2019	10.6%
Multicurrency Retail Treasury Bonds 2.875% 04/29/2013	8.0%
Republic of the Philippines Bonds 9.000% 02/15/2013	5.9%
Republic of the Philippines Bonds 8.750% 10/07/2016	4.5%
Republic of the Philippines Bonds 7.500% 09/25/2024	4.1%
SM Investments Corp. Bonds 6.000% 09/22/2014	3.7%
Bank of the Philippine Islands Time Deposit 10/01/2010	3.6%
Republic of the Philippines Bonds 10.625% 03/16/2025	3.1%
Bank of the Philippine Islands Time Deposit 09/30/2010	2.6%
Landbank Corporate Bonds 7.250% 10/19/2016	2.4%

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

ALFM Dollar Bond Fund is an open-end investment company or "mutual fund" registered with the Securities and Exchange Commission (SEC). It is not guaranteed by the Fund Manager nor by the Philippine Deposit Insurance Corporation (PDIC). As such, shares of participation of the investor, when redeemed, may be worth more or worth less than his/her initial investment/contributions. Due to the nature of the investments, yield and potential yields cannot be guaranteed. Any income or loss arising from market fluctuations and price volatility of the securities held by the mutual fund, even if invested in government securities, is for the account of the investor. Historical performance, when presented, is purely for reference purposes and is not a guarantee of future results. The Fund Manager is not liable for losses, unless upon willful default, bad faith or gross negligence. For the purpose of lodging, clearing, settlement, and delivery of securities in the mutual fund, the Fund Manager is authorized to avail of the services of third party institutions such as but not limited to custodians which the Fund Manager may change or replace without prior notice to or approval from the investors. The Fund Manager will not be responsible for any loss or damage suffered by the Fund as a result of the third parties' willful default, gross negligence, or evident bad faith. Investors are advised to read the Prospectus of the Fund which may be obtained from authorized distributors before deciding to invest. For inquiries, please call: BPI Capital Corporation (632) 845-5695 to 98; BPI Investment Management, Inc (632) 845-5033 to 35; BPI Securities Corporation (632) 816-9190 or (632) 816-9192, email bpi\_trust@bpi.com.ph or visit www.alfm.com.ph