

ALFM EURO 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 German Treasury Bills
Year-to-date	4.88%	0.18%
2009	6.27%	0.71%
2008	0.20%	4.69%
2007	1.66%	3.83%
2006	4.64%	2.85%

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

Fund Facts

Launch Date	January 19, 2006
Structure	Mutual Fund
Fund Type	Medium Term Bond Fund
Base Currency	Euro
Net Asset Value	EUR 8.17 Million
NAV Per Share (NAVps)	EUR 178.98
Minimum Initial Investment	EUR 1,000
Minimum Transaction ¹	EUR 200
Minimum Holding Period	180 days
Initial Sales Charge	Waived
Early Redemption Fee	1.00%
Management Fee	0.50% p.a.
Financial Reporting	Philippine Accounting Standards
Fund Manager	BPI Investment Management, Inc.
Receiving Banks	Bank of the Philippine Islands Branches
Custodian	HSBC
	Bank of New York
Dealing	Daily up to 12 noon
Bloomberg Ticker	ALFMEUR PM

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

Risk Characteristics

Risk Measures	Past 12 Months			
	Aug 31, 2010	Low	High	Average
Duration	2.99	2.01	3.12	2.56
Volatility, Past 360 Days	0.84%	0.74%	1.38%	0.84%
Sharpe Ratio, Past 360 Days	7.97			

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 units 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.

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.

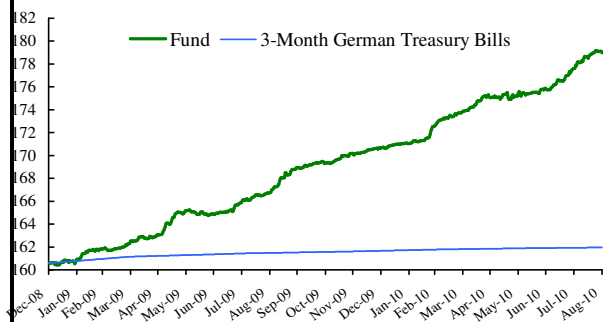
Fund Manager's Report

Philippine Euro-denominated bonds due in 2016 rallied by 1%, causing its yield to decline by 24 bps to 3.3% by the end of August. This came on the back of positive news that the Philippine economy had grown by 7.9% year-on-year in the second quarter of 2010, up from a revised GDP figure of 7.8% year-on-year in the first quarter. Other positive economic news that investors took note of was the lower-than-expected inflation of 3.9% reported for the month of July and the Bureau of the Treasury's successful auction of the peso-denominated Retail Treasury Bonds which allowed them to raise PhP97.50 Billion for the government's coffers.

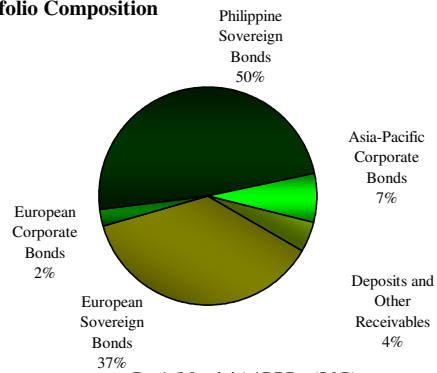
Yields for the benchmark Euro yield curve declined across the board for the month of August dropping by 46 bps on average. Investors shifted to bonds as equity markets in Europe suffered a setback last month as fears of a prolonged financial crisis triggered a sell-off in stocks across the Eurozone.

Given this environment, the Fund outperformed the benchmark 3-month German Treasury Bill in the month of August.

Net Asset Value Per Share



Portfolio Composition



Average Credit Rating: Baa1 (Moody's) / BBB+ (S&P)
 Asset Valuation : 86% marked-to-market and 14% at amortized cost.
 Allocation may change according to portfolio strategy and size.

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

ALFM Euro 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.