

**INVESTMENT OBJECTIVE**

The Fund aims to preserve capital and generate income for tax exempt entities from medium to long-term fixed-income securities with a portfolio weighted average life of not more than five (5) years.

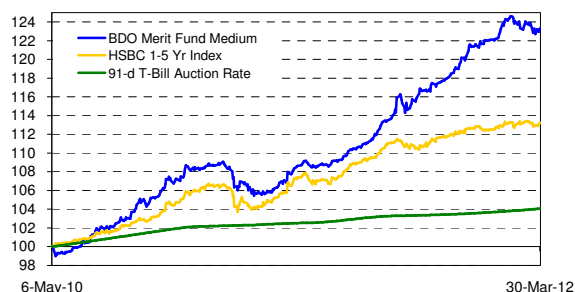
**CLIENT SUITABILITY**

The Fund is suitable for retirement plans with moderate risk profiles looking for higher yields and are willing to take attendant risks that come with portfolios that may have investments with longer tenors. Only tax-exempt Retirement Plans which are deemed reasonable private benefit plans by the Bureau of Internal Revenue (BIR) may participate. In order to minimize risks and maximize earning potential, participants are recommended to stay invested in the Fund for at least three (3) years.

**ALLOWABLE / PROSPECTIVE INVESTMENTS**

The following are the investment outlets where the Trustee may invest the Fund in, depending on their availability or other market circumstances: Deposits in the trustee's bank or in other banks, securities issued or guaranteed by the Philippine Government or the BSP, tradable securities issued by any supranational entity, exchange-listed fixed income securities, marketable fixed income securities such as but not limited to commercial papers, bonds and preferred shares, that are traded in an organized exchange, loans traded in an organized market, financial derivatives instruments solely for the purpose of hedging risk exposures of the existing investments of the Fund, other collective investment plans of the trustee/other trustees and such other tradable investment outlets/categories allowed for UITFs by BSP and approved by the Trustee's Trust Committee as suitable for the Fund.

**NAVPU vs. Benchmark & Alternative Investment**



**FUND PERFORMANCE (Absolute Return, net of fees)**

Period	BDOMERB <sup>1</sup>	Benchmark <sup>2</sup>	Risk-Free <sup>3</sup>
One Month Ago	-0.57%	0.06%	0.18%
Three Months Ago	1.41%	0.34%	0.47%
Year to Date	1.41%	0.34%	0.47%
One Year Ago	15.24%	7.03%	1.56%
Since Inception	23.33%	13.24%	4.07%

<sup>1</sup> Past performance is not indicative of future performance.

<sup>2</sup> The Fund's benchmark is the HSBC 1-5 Yr Bond Index commencing May 7, 2010.

<sup>3</sup> The estimated return on the risk-free rate refers to the compounded daily return of the latest auctioned 91-day T-Bill.

**PORTFOLIO STATISTICS**

	Dec 29, 2011	Mar 30, 2012
Weighted Ave. Duration	4.87	4.98
Volatility, Past One Year <sup>4</sup>	3.57%	3.25%
Sharpe Ratio <sup>5</sup>	2.93	4.21
Information Ratio <sup>6</sup>	1.88	2.64
Weighted Ave. Yield (net <sup>7</sup> )	4.34%	4.32%

<sup>4</sup> Volatility measures the degree to which the Fund fluctuates vis-à-vis its average return over a period of time.

<sup>5</sup> Sharpe Ratio is used to characterize how well the return of a Fund compensates the investor for the level of risk taken. The higher the number, the better.

<sup>6</sup> Information Ratio measures reward-to-risk efficiency of the portfolio relative to the benchmark. The higher the number, the higher the reward per unit of risk.

<sup>7</sup> Net of taxes and trust fees

**BEST PERFORMANCE (Past five years)**

Inclusive Dates	Biggest Gain	No. of days to achieve
5/11/2010 - 2/17/2012	25.92%	647 days

**MAXIMUM DRAWDOWN AND RECOVERY IN NAVpus<sup>8</sup> (Past five years)**

Maximum Drawdown Period	Biggest Loss	Recovery Period (days)
1/4/2011 - 2/17/2011	-3.32%	71 days

<sup>8</sup> Maximum Drawdown is the maximum percentage loss that a fund incurs over a time period.

Maximum Drawdown Period is the length of time the maximum drawdown occurs.

Recovery Period is the length of time taken by a fund to surmount its maximum drawdown.

**SPECIAL REIMBURSABLE EXPENSES**

Nature of Expense	Name of Third Party	Expense Ratio <sup>9</sup>
Custodianship	Deutsche Bank	0.0119%
Financial Info Service	Bloomberg/Reuters	0.0015%
Audit Fees	Punongbayan & Araullo	0.0012%

<sup>9</sup> Ratio of expense to the quarter's average daily NAV of the Fund valued at Php 99,856 Million.

**OTHER FUND FACTS**

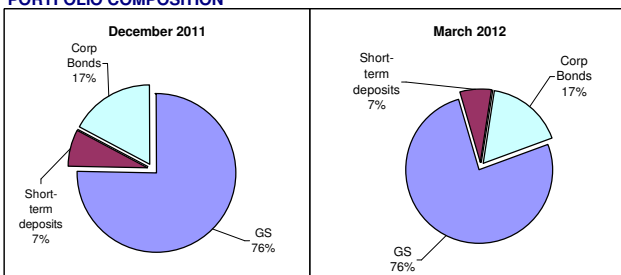
Bloomberg Ticker	EPCIBME <Index>
Fund Type	Tax-Exempt Medium Term Bond Fund
Inception Date	May 6, 2010
Net Asset Value (NAV)	Php 101.171 Million
NAV per unit (NAVPU) <sup>10</sup>	Php 123.3293
Par Value	Php 100.00
Minimum Investment	Php 1,000.00
Minimum Additional	Php 1,000.00
Minimum Holding Period	None
Early Redemption Fee	None
Trust Fee (TF)	0.825% p.a.
TF as Expense Ratio	0.2061%
Availability	For tax-exempt trust accounts with full management discretion
Custodian	Deutsche Bank AG, Manila Branch
Dealing Period	Up to 12:00 nn. of any banking day
Settlement Period	One (1) banking day after notice of redemption is received

<sup>10</sup> The NAVPU of the Fund shall be computed every trading day at 7 p.m.

**FUND MANAGER'S STRATEGY**

A bullish sentiment started off 2012 after the BSP reduced interest rates by 50 basis points as exports and remittances continued to weaken due to the crisis in first world economies. The prospects of a credit rating upgrade also helped spur this mood after officials announced that an upgrade for the Philippines is warranted after efforts by the government for prudent fiscal management. The optimism fizzled however, after crude prices moved higher, threatening to stoke inflation in a nation that imports all of its requirements. This saw yields on long-end tenors retreat by 50-70 basis points. For the quarter, The Merit Fund Medium term portfolio increased holdings of 10- year tenors as the Fund Manager remain bullish on the local bond market.

**PORTFOLIO COMPOSITION**



**TOP TEN HOLDINGS<sup>11</sup>**

Issue	Coupon Rate	Maturity	% of Portfolio
PSALM <sup>11</sup>	7.7500%	04/22/17	17.60%
FXTN <sup>11</sup>	8.0000%	07/19/31	9.99%
FXTN <sup>11</sup>	6.2500%	12/16/35	8.75%
FXTN <sup>11</sup>	6.3750%	01/19/22	8.68%
TD - OTHER BANKS <sup>11</sup>	4.5500%	04/12/12	6.71%
FXTN <sup>11</sup>	7.0000%	01/27/16	5.52%
RTB <sup>11</sup>	6.6250%	08/19/17	5.51%
RTB <sup>11</sup>	9.0000%	07/31/13	5.39%
JG Summit Bond 2014	8.2500%	11/20/14	5.34%
RTB <sup>11</sup>	5.8750%	08/19/15	5.33%

<sup>11</sup> The complete list of portfolio holdings is available upon request

<sup>12</sup> Tax-exempt securities