

**INVESTMENT OBJECTIVE**

The Fund aims to preserve capital and generate high level of income for tax - exempt entities by investing such funds in a combination of short-term to long-term fixed income securities.

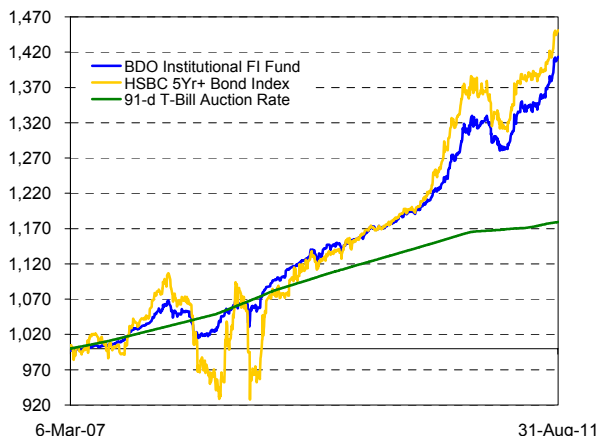
**CLIENT SUITABILITY**

The Fund is suitable for risk-tolerant retirement plans and other entities whose tax-exemptions are supported by Bureau of Internal Revenue tax-exemption certificates and who are looking for higher yields and are willing to take the attendant risks that come with portfolios that may have investments with longer tenors.

**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 that are traded in an organized exchange, loans traded in an organized market, 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**



**OTHER FUND FACTS**

Bloomberg Ticker	BDOIFXI <Index>
Fund Type	Tax-exempt Bond Fund
Inception Date	March 6, 2007
Net Asset Value (NAV)	Php 386.876 Million
NAV per unit (NAVPU) <sup>9</sup>	Php1,413.5134
Par Value	Php 1,000.00
Minimum Investment	Php1,000.00
Minimum Additional	Php1,000.00
Minimum Holding Period	None
Early Redemption Fee	None
Trust Fee	0.50% p.a.
Availability	For tax-exempt trust accounts with full management discretion
Custodian	Deutsche Bank AG, Manila Branch / Standard Chartered Bank
Dealing Period	Up to 12:00 nn. of any banking day
Settlement Period	One (1) banking day after notice of redemption is received

<sup>9</sup> The NAVPU of the Fund shall be computed every trading day at 7 p.m.

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

Period	BDOIFXI <sup>1</sup>	Benchmark <sup>2</sup>	Risk-Free Rate <sup>3</sup>
One Month Ago	2.99%	2.91%	0.15%
Three Months Ago	5.16%	4.41%	0.59%
Year to Date	6.72%	6.25%	1.01%
One Year Ago	12.53%	11.56%	1.95%
Three Years Ago	33.80%	40.36%	11.46%
Since Inception	41.49%	45.04%	18.01%

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

<sup>2</sup> The Fund's benchmark is the HSBC 5Yr+ Bond Index.

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

**PORTFOLIO STATISTICS**

	Jul 29, 2011	Aug 31, 2011
Weighted Ave. Duration	6.82	6.57
Volatility, Past One Year <sup>4</sup>	5.04%	5.06%
Sharpe Ratio <sup>5</sup>	1.93	2.09
Information Ratio <sup>6</sup>	-0.11	0.28
Weighted Ave. Yield (net <sup>7</sup> )	5.91%	5.54%

<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 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
3/21/2007	42.31%	1,624 days

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

Maximum Drawdown Period	Biggest Loss	Recovery Period (days)
1/29/2008	-5.08%	128 days

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

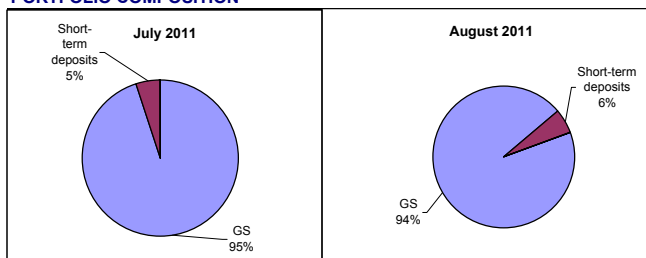
Maximum Drawdown Period is the length of time the maximum drawdown occurs.

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

**FUND MANAGER'S REPORT**

Improvements in the country's fiscal position further fueled a market rally that saw bond prices climb towards the highs of 2010. The government's budget gap for the first half of the year was recorded at P17.3 billion, merely 10% of last year's levels, due to heightened tax administration and controlled government spending. As had been expected, other economic data provided the same picture. Inflation slightly eased from a 26-month high of 5.2% in June to 5.1% (2006 base year) in July. However, GDP was disappointing, growing by only 3.4% in real terms in the second quarter of the year. Nonetheless, this augurs well for bond prices as it precludes the BSP from raising its policy rates even more. The Fund Manager increased exposure in the 5-year tenor.

**PORTFOLIO COMPOSITION**



**TOP TEN HOLDINGS<sup>10</sup>**

Issue	Coupon Rate	Maturity	% of Portfolio
FXTN <sup>11</sup>	8.1250%	12/16/35	21.75%
FXTN <sup>11</sup>	6.1250%	09/16/20	13.58%
RTB <sup>11</sup>	7.2500%	08/19/20	11.71%
RTB <sup>11</sup>	6.6250%	08/19/17	10.05%
PSALM <sup>11</sup>	7.7500%	04/22/17	9.08%
FXTN <sup>11</sup>	8.0000%	07/19/31	8.68%
RTB <sup>11</sup>	5.8750%	08/19/15	6.92%
TD - OTHER BANKS	4.8750%	11/02/11	5.64%
RTB <sup>11</sup>	6.2500%	09/24/14	2.84%
FXTN <sup>11</sup>	6.2500%	01/27/14	2.82%

<sup>10</sup> The complete list of portfolio holdings is available upon request

<sup>11</sup> Tax-exempt securities.

**DISCLAIMER:** The views expressed in this Update by BDO-Trust are strictly for information purposes only. The UITFs are not deposit accounts but trust products. Participation in UITFs does not guarantee a rate of return and are not covered by the Philippine Deposit Insurance Corporation (PDIC). BDO UITFs are likewise not guaranteed by BDO. Investment or participation in the UITFs are subject to risk and possible losses of principal. The value of the investments can go up or down and, upon redemption, may be worth more or worth less than the original amount invested. BDO-Trust is not liable for such losses, which are for the sole account of the participant/trustor. Thus, it is important that the investor always considers if these Funds are aligned with his financial goals, investment horizon and risk appetite. The UITFs are charged for custodianship fees, financial services providers' fees and third-party audit fees whose sum total does not exceed 0.10% of each of the Funds' volumes. For more information, kindly call (02) 878-4255.