



# ALFM PESO BOND FUND

February 28, 2009

## Investment Objective

To generate a steady stream of income through investing in a diversified portfolio of high-grade peso-denominated fixed income instruments.

## Fund Performance

Absolute Returns	Fund	91-Day Treasury Bills
Year-to-Date	0.94%	0.72%
2008	4.21%	4.26%
2007	5.16%	2.68%
2006	13.44%	4.41%
2005	8.01%	4.78%

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

## Fund Facts

Launch Date	July 18, 1997
Structure	Mutual Fund
Fund Type	Medium Term Bond Fund
Base Currency	Philippine Peso
Net Asset Value	PHP 21.73 Billion
NAV Per Share (NAVps)	PHP 234.41
Par Value	PHP 100.00
Minimum Investment	PHP 50,000.00
Minimum Additional	PHP 10,000.00
Minimum Holding Period	180 days
Initial Sales Charge	Waived
Early Redemption Fee	1.00%
Management Fee	1.50% p.a.
Financial Reporting	Philippine Accounting Standards
Fund Manager	Bank of the Philippine Islands
Receiving Banks	Bank of the Philippine Islands Branches BPI Family Savings Bank Branches
Custodian	HSBC
Dealing	Daily up to 12 noon
Bloomberg Ticker	AYLFFIF PM

## Risk Characteristics

### Risk Measures

	Past 12 Months			
	Feb 28, 2009	Lo	Hi	Average
Duration	2.90	1.05	2.90	1.80
Volatility, Past 360 Days	0.93%	0.75%	1.01%	0.87%
Sharpe Ratio, Past 360 Days	-0.19			

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 movements and the changes in 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

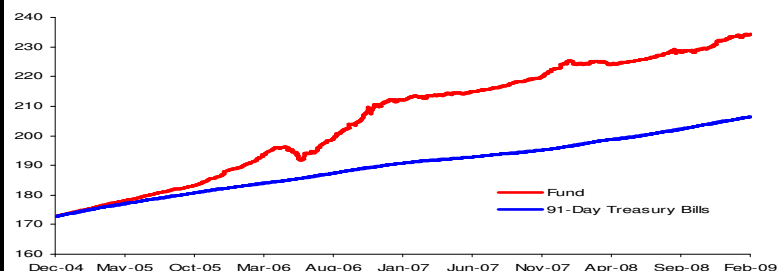
In accordance with the provisions in the Prospectus, the Fund implements a risk management policy that applies the principles of Value-at-Risk (VAR). VAR is a measure of the portfolio's maximum potential loss and is computed based on price volatility and market value of the investment portfolio. The 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

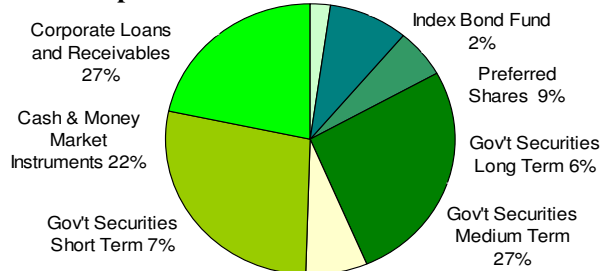
Peso bond prices retreated for the month with rates increasing 10 bps on the average on concerns of higher fiscal risk. The government's economic team increased its 2009 deficit target to as much as Php 177 billion or 2% of GDP from an initial target of Php 102 billion as slowing economic growth threatened to crimp tax collections while the government increases spending to boost the economy. Medium and long term rates went up after the Bureau of Treasury issued 7 and 10 year bonds which were awarded at the high end of the bids. Continued supply overhang from a number of corporate issues offering better yields also drove rates higher. Interest rates on the short end however, was supported by the large liquidity coming from the maturity of FXTN 3-13, contained inflation, and the BSP's easing monetary policy stance.

Moving forward, we may see some pressure for domestic interest rates to rise due to continued government securities and corporate bonds supply issues. Market cautiousness is still expected to remain given the lingering financial crisis and recession concerns, with most opting to stay on the sidelines or keep shorter dated government securities. Investors in a bond fund must be prepared to withstand volatility as higher investment value is typically achieved over the medium to long term.

## Net Asset Value Per Share



## Portfolio Composition



Asset Valuation : 48% marked-to-market and 52% accrued at amortized cost. Allocation may change according to portfolio strategy and size. Instruments with BPI Internal Credit Risk Rating of 3 or better are considered high-grade.

## Top 10 Holdings

Instrument	% of Fund
Fixed Rate Treasury Notes 5% 01/27/2014	7.7
Fixed Rate Treasury Notes 6.8% 03/03/2011	7.2
BSP Special Deposit Account 5.6875% 03/26/2009	7.0
Fixed Rate Treasury Notes 7% 03/03/2013	5.2
Fixed Rate Treasury Notes 5.75% 02/21/2012	4.2
Fixed Rate Treasury Notes 9.125% 09/04/2016	3.4
Fixed Rate Treasury Notes 5.50% 02/21/2010	3.3
SM Investment Corp. Long Term Loan 6.9% 10/30/2014	3.2
Ayala Corp Perpetual Preferred Shares 11/25/2013	3.0
BPI Family Savings Bank Certificate of Deposit 03/02/09	2.7

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

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