



BAHAY PARI SOLIDARITAS FUND, INC.

*c/o 17/F, BPI Head Office Building,
Ayala Avenue corner Paseo de Roxas, Makati City 1200
Tel No. (02) 816-9845*

(An open-end investment company organized under Philippine Laws)

An Offer of up to 112,400,000 Common Shares
of par value PhP1.00 each at a price of
Net Asset Value per share

**Securities will be traded over the counter through
SEC accredited mutual fund sales agents**

BPI Investment Management, Inc.

Fund Manager

*17F BPI Head Office Bldg., Ayala Avenue Cor. Paseo de Roxas, Makati City
Tel. No. (02) 845-5424*

Qualified Mutual Fund Sales Agents

*BPI Investment Management, Inc., Tel. Nos. (02) 845-5033 to 35
BPI Head Office Building, Ayala Avenue Cor. Paseo de Roxas, Makati City
Principal Distributor*

The date of this AMENDED PROSPECTUS is June 2010.

These securities shall be sold and redeemed only through the Fund's Qualified Mutual Fund Sales Agents. The Fund's shares shall not be listed nor traded on the Philippine Stock Exchange. Shares of the Fund are not deposits or obligations of, or guaranteed or endorsed by, any financial institution, and are not insured with the Philippine Deposit Insurance Corporation.

**THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED
THESE SECURITIES OR DETERMINED IF THIS PRELIMINARY
PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION
TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE
REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE
COMMISSION**

Bahay Pari Solidaritas Fund, Inc.
(Incorporated under the laws of the Republic of the Philippines)

112,400,000 shares of common stock of par value PhP1.00 each
available at a price of NAV per Offer Share

This document relates to an offer for subscription (the “Offer”) of up to 112,400,000 shares of common stock of par value PhP1.00 each (the “Offer Shares”) in the capital stock of Bahay Pari Solidaritas Fund, Inc. to be called the “BPSF” (or the “Fund”) at the Fund’s prevailing Net Asset Value (“NAV”) per share on the date of sale of the shares. The Fund was incorporated on March 10, 2008, with an authorized capitalization of PhP112,400,000 million divided into 112,400,000 million shares with par value of PhP1.00 each. Total proceeds from the sale of the shares is estimated at PhP126,562,400.00 (using PhP1.1260 NAVPS on March 30, 2010), exclusive of filing, registration and other related expenses. As an investment company, the Fund is engaged in the sale of its shares of stock and in the investment of the proceeds of this sale into equity and fixed income securities in accordance with the investment objective, policies and limitations of the Fund. As such, adverse changes in the financial condition or share performance of any company included in its equity portfolio or changes in market interest rates will likely adversely affect the Fund’s NAV. Moreover, the Fund is allowed by the SEC to invest up to 100% of its net assets in foreign securities provided that investment in bonds and other evidence of indebtedness shall be limited to those registered and traded in an organized market in a foreign country whose issue and issuer/borrower are rated at least BBB from a reputable international credit rating agency.

All of the shares in issue or to be issued pursuant to the Offer have, or upon issue will have, identical rights and privileges. These are outlined in the section on Description of Capital Stock .The Offer Shares may be owned by any person regardless of citizenship or nationality, subject to the subsection on “Eligible Investors” under the section headed “Terms and Conditions of the Offer.”

The Investment Manager (or “Fund Manager”) of the Fund is BPI Investment Management, Inc., or “BPI Investment.” For its services, the Investment Manager shall charge a management fee of not more than 1.00% p.a. based on the average NAV of the Fund, or a minimum annual fee of PhP100,000, whichever is higher. The Fund has likewise appointed BPI Asset Management and Trust Group “BPI Asset Management”) to be its investment advisor. For its advisory services, BPI Asset Management shall charge an advisory fee of not more than 1.00% p.a. based on the average NAV of the Fund, or a minimum annual fee of PhP100,000, whichever is higher. Sales agents of the Fund’s distributors may collect a Sales Load based on each amount invested by an applicant or Shareholder in the Fund, in an amount not exceeding 1.5% of the investment. Notwithstanding, the Fund’s distributor has the discretion to waive such Sales Load as it deems fit.

The shares are eligible for the payment of dividends. The Board of Directors may declare cash and stock dividends at such time and in such percentage as they may deem proper after considering the Fund’s unrestricted retained earnings, cash flow and financial condition, and other legal requirements. Refer to the Section on Dividend Policy for a more detailed discussion.

Unless otherwise stated, the information contained in this document has been supplied by the Fund which accepts full responsibility for the accuracy of the information and confirms, having made all reasonable inquiries, that to the best of its knowledge and belief, there are no other material facts, the omission of which would make any statement in this document misleading in any material respect. Neither the delivery of this document nor any sale made hereunder shall, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date hereof.

No dealer, salesman or other person has been authorized by the Fund or the Distributors to issue any advertisement or to give any information or make any representation in connection with the offering or sale of the Offer Shares other than those contained in this document and, if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorized by the Fund or the Distributors.

This document does not constitute an offer or solicitation by any one in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make any such offer or solicitation. Each investor in the securities offered hereby must comply with all applicable laws and regulations in force in the jurisdiction in which it purchases, offers or sells such securities and must obtain the necessary consent, approval

or permission for its purchase, offer or sale of such securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchase, offer or sale, and neither the Fund nor the Distributors shall have any responsibility thereof. Foreign investors interested in subscribing to the Offer Shares should inform themselves as to the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile and as to any relevant tax or foreign exchange control laws and regulations which may affect them.

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. NO OFFER TO BUY THESE SECURITIES CAN BE ACCEPTED AND NO PART OF THE PURCHASE PRICE CAN BE ACCEPTED OR RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE, AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OR COMMITMENT OF ANY KIND, AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE GIVEN AFTER THE EFFECTIVE DATE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY.

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THIS PROSPECTUS SETS FORTH CONCISELY THE INFORMATION ABOUT THE FUND THAT PROSPECTIVE INVESTORS WILL FIND HELPFUL IN MAKING AN INVESTMENT DECISION. INVESTORS ARE ENCOURAGED TO READ THIS PROSPECTUS CAREFULLY AND RETAIN IT FOR FUTURE REFERENCE. ADDITIONAL INFORMATION ABOUT THE FUND HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION AND IS AVAILABLE UPON REQUEST.

THE OFFER

The following summary about the Fund and the Offer is qualified in its entirety by detailed information appearing elsewhere in this Prospectus. Cross references in this summary are to headings in the Prospectus.

The Fund shall offer to the public up to 112,400,000 common shares of par value PhP1.00 per share out of its authorized capital stock at an Offer Price based on the Fund's Net Asset Value ("NAV") per Share on the date of sale of the Shares. The Fund may terminate the Offer at any time or when the number of Shares subscribed and paid for has reached 112,400,000.

The investment objective of the Fund is to provide long-term capital appreciation through investments in a diversified portfolio of equity and fixed income securities. Due to the aggressive nature of the Fund, Bahay Pari Solidaritas Fund, Inc. shall best cater to investors who are aware of risks in investing in stocks and who can tolerate interim price volatilities in exchange for long-term capital growth. The Fund is ready to redeem at the applicable Net Asset Value per Share, all or any part of the Shares standing in the name of a Shareholder in the Fund.

The Fund's shares shall be made available to the public primarily through accredited broker firms and authorized distributors and sales agents of BPI Investment Management, Inc. (BPI Investment"). BPI Investment is licensed by the Securities and Exchange Commission to distribute securities to the public. As required under the Investment Company Act, a Custodian Bank, Deutsche Bank AG, Manila ("Deutsche"), has been appointed by the Fund for the purpose of holding relevant securities of the Fund.

Use of proceeds

Total proceeds from the sale of the 112,400,000 new shares is estimated at PhP126,562,400.00 (using PhP1.1260 NAVPS on March 30, 2010), which shall be used to purchase securities in accordance with the investment objective, policies, and limitations of the Fund such as listed shares, government securities and other fixed income securities(*see section on Investment Objective*). The Custodian Bank shall hold the relevant securities of the Fund including subscription payments or proceeds from the sale of this security, until they can be invested in marketable securities consistent with the Fund's objectives. No other funds outside the proceeds of this offer shall be needed to accomplish the Fund's investment objective. There is no material amount out of the proceeds of the Offer that is to be used to discharge debt, acquire assets or finance the acquisition of other business, or to reimburse any officer, director, employee or shareholder for services rendered, assets previously transferred, money loaned or advanced. Expenses to be deducted from the gross proceeds primarily include documentary stamp taxes, filing and registration fees, management fees, professional fees for the external auditor, third party fees such as custody fees and business renewal fees.

Summary of Financial Information

The following information was lifted from the Audited Financial Statements for year ending 2009. The latest report of the Fund's external auditor, SGV & Co., for the period December 31, 2008 to December 31, 2009 appears in Appendix IV of this prospectus. The information set out below should be read in conjunction with the financial statements and related notes that are found in this prospectus.

STATEMENT OF ASSETS AND LIABILITIES

As of December 31, 2009

ASSETS	
Cash and Cash Equivalents	10,282,241.00
Financial Assets at Fair Value through Profit or Loss	8,469,847.00
Available-for-Sale Investments	11,827,242.00
Accrued Interest Receivable	152,323.00
	<u>30,731,653.00</u>
LIABILITIES	
Accrued Expenses	383,727.00
Deferred Tax Liability	170,672.00
	<u>554,399.00</u>
EQUITY	
Capital Stock	28,373,257.00
Additional Paid In Capital	19,510.00
Retained Earnings	1,468,699.00
Net Unrealized Gain(Loss) on Available-for Sale Investments	315,788.00
	<u>30,177,254.00</u>
TOTAL LIABILITIES & EQUITY	<u>30,731,653.00</u>
NET ASSET VALUE PER SHARE	1.0636

STATEMENT OF OPERATIONS

As of December 31, 2009

INVESTMENT INCOME	
Interest	1,525,491.00
Trading Gain	634,584
Dividend Income	<u>26,100</u>
	2,186,175
EXPENSES	
Management and Professional Fees	858,858
Taxes and Licenses	16,582
Miscellaneous	<u>27,838</u>
	903,278
INVESTMENT INCOME BEFORE INCOME TAX	1,282,897
PROVISION FOR INCOME TAX	337,067
NET INVESTMENT INCOME	945,830
OTHER COMPREHENSIVE INCOME (LOSS)	
Movements in net unrealized gain (loss) on available-for-sale investments	800,223
Income tax effect	(135,338)
	<u>664,885</u>
TOTA COMPREHENSIVE INCOME, NET OF TAX	<u>1,610,715</u>
Basic/Diluted Earnings per Share	0.0351

NAVPS for the Year ended 2009: PhP1.0636

RISK DISCLOSURE STATEMENT

GENERAL RISK WARNING

- The price of the securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities.
- Past performance is not a guide to future performance.
- There is an extra risk of losing money when securities are bought from smaller companies. There may be a big difference between the buying price and the selling price of these securities.
- An investor deals in a range of investments each of which may carry a different level of risk.

PRUDENCE REQUIRED

This risk does not purport to disclose all the risks and other significant aspects of investing in these securities. An investor should undertake his or her own research and study on the trading of securities before commencing any trading activity. He/she may request information on the securities and issuer thereof from the Commission which are available to the public.

PROFESSIONAL ADVICE

An investor should seek professional advice if he or she is uncertain of, or has not understood any aspect of, the securities to invest in or the nature of risks involved in trading securities especially high risk securities.

RISK FACTORS AND INVESTMENT CONSIDERATIONS

The NAV of the Fund may fluctuate due to changes in the market values of the Fund's investments. Such changes in market value may be attributable to various factors such as:

A. Factors External to the Fund, listed in the order of importance:

- 1) **Market Risk** - the risk that movement in the financial markets will adversely affect the investments of the Fund. The markets will fluctuate based on many factors, such as the state of the economy, current events, corporate earnings, interest rate movements. This is also referred to as price risk. To properly manage price risk, various risk measurement methodologies are utilized to quantify the potential changes in portfolio value resulting from changes in the security market prices such as Value at Risk measurement. Risk is, then, monitored and controlled through the establishment of equity exposure limits and tracking error. Investment portfolios are also subject to price risk stress testing on a periodic basis.
- 2) **Liquidity Risk** - the risk that the investments of the Fund cannot be sold or converted into cash within a reasonable time or in instances where sale or conversion is possible but not at a fair price. To mitigate this risk, the Fund observes existing rules and regulations related to maintaining a certain percentage of the Fund's assets in liquid assets.
- 3) **Inflation Risk** - the risk the return of your investments will not keep pace with the increase in consumer prices. Although there is possibility that in bearish markets, the investor may incur losses when stock prices are down, generally the stock market is able to recover after sometime. Investors are therefore advised to ride the cycle because overtime, stock investments are still a proven way to generate capital growth.
- 4) **Interest Rate Risk** -the risk that the value of the Fund's investments in bonds and fixed income investments will decline as interest rates rise. Bond prices are inversely related to interest rates. As interest rates increase, bond prices decrease. To mitigate this risk, the Fund Manger closely monitors movements in interest rates and takes advantages of opportunities to sell to realize market gains.
- 5) **Credit Risk** - the risk that the Fund's investments in bonds will decline as the bond issuer may not be able to pay its debt upon interest payments and maturity. Investments undergo a strict approval process especially for corporate issues. The Fund Manager reviews credit ratings and ensures that assets are high quality to minimize this type of risk.

B. Risks Inherent to the Fund, listed in the order of importance:

1. Investors in an open-end fund are exposed to the risk of dilution, since open-end investors are allowed to contribute and/or withdraw their entire holdings anytime. Given this inherent risk, the Investment Manager tries to lessen the frequency of withdrawals by imposing an early redemption penalty for investors who withdraw from the Fund before the 180-day minimum holding period. By doing this, investors are discouraged to withdraw during the minimum holding period and the Investment Manager will be able to maximize the investment during the said period.
2. Unlike closed-end funds, the investment potential and capability of the Fund are limited by liquidity constraints as the Investment Manager should always ensure that there are sufficient liquid assets to service withdrawals at any given time.
3. Unlike bank accounts, investment companies / mutual funds are neither insured with the FDIC or any other agency of the government, nor guaranteed by the Investment Manager. Before investing in the Fund, investors are expected to understand that it is not a bank deposit product and any income or loss shall be for the account of the investor. Investors are advised to read the Prospectus of the Fund, which may be obtained from authorized distributors, before deciding to invest. The Fund is registered with the Securities and Exchange Commission (SEC).

4. Mutual funds are subject to "manager risk," which is the potential for a fund to fail to achieve its objectives due to investment decisions by the Investment Manager, caused by the Investment Manager's ability or failure to "read the market" accurately.
5. The Investment Manager employs a thorough investment process, considering macroeconomic factors and integrating them in asset allocation models to optimize the return of the portfolio. The Investment Manager is likewise kept abreast of current market conditions through various trainings and seminars on fund management techniques as well as close coordination with various counterparties and regulators.

Adoption of PAS 32 and PAS 39

The Fund shall adopt the Philippine Financial Reporting Standards ("PFRS") which results in the classification of the Fund's investments to financial assets at fair value through profit or loss.

PRINCIPAL PARTIES TO THE OFFER

Issuer	BAHAY PARI SOLIDARITAS FUND, INC. 17th Floor BPI Head Office, Ayala Avenue corner Paseo de Roxas, Makati City
Fund Manager	BPI INVESTMENT MANAGEMENT, INC. 17th Floor BPI Head Office, Ayala Avenue corner Paseo de Roxas, Makati City
Distributors	QUALIFIED MUTUAL FUND SALES AGENTS BPI Investment Management, Inc. 17th Floor BPI Head Office, Ayala Avenue corner Paseo de Roxas, Makati City
Investment Advisor	BANK OF THE PHILIPPINE ISLANDS ASSET MANAGEMENT AND TRUST GROUP 17th Floor BPI Head Office, Ayala Avenue corner Paseo de Roxas, Makati City
Receiving Banks	BANK OF THE PHILIPPINE ISLANDS BPI Building, Ayala Avenue corner Paseo de Roxas, Makati City BPI FAMILY SAVINGS BANK BFSB Building, Paseo de Roxas, Makati City
Transfer Agent	BPI INVESTMENT MANAGEMENT, INC. 17th Floor BPI Head Office, Ayala Avenue corner Paseo de Roxas, Makati City
Custodian Bank	DEUTSCHE BANK AG, MANILA Tower One Ayala Triangle Makati City
External Auditor	SYCIP, GORRES, VELAYO & CO. (SGV & CO.) 6760 Ayala Avenue, Makati City

DEFINITION OF TERMS

Application or Account Opening Form	The application for subscription to the Offer Shares in the form prescribed
BPI	Bank of the Philippine Islands
BPI Asset Management Corporation	Bank of the Philippine Islands - Asset Management and Trust Group
Corporation Code	Bahay Pari Solidaritas Fund, Inc.
Credit Authority	The Corporation Code of the Philippines (<i>Batas Pambansa Blg. 68</i>)
Debit Authority	The redemption slip for the Fund's Shares, signed by a Shareholder, authorizing the Receiving Bank to credit the proceeds from the sale of said Shares into the Shareholder's Settlement Account
Depository Receipt	The contribution slip for the Fund's Shares, signed by an applicant, authorizing the Receiving Bank to debit said applicant's Settlement Account for the full payment of the Shares applied for
Distributors	The evidence of ownership of a Shareholder's holdings in the Fund
Fund	Qualified Mutual Fund Sales Agents who shall offer the Fund's Shares to investors
Fund Manager	Bahay Pari Solidaritas Fund, Inc.
Investment Advisor	BPI Investment Management, Inc.
Investment Company Act	Bank of the Philippine Islands
NAV	The Investment Company Act of 1960 (Republic Act No. 2629)
NAV per Share	Net Asset Value, defined as the value of the assets of the Fund, less the value of the liabilities
Offer	NAV divided by the total number of Shares outstanding including deposits for subscription if there are pending application to increase Authorized Capital Stock
Offer Price	The offer to the public for subscription to a maximum of 112,400,000 unclassified and voting common shares of the Fund at the Offer Price
Offer Shares	The Fund's prevailing NAV per Share as of end of day on the date of purchase of the Shares
Opening Form	The 112,400,000 unclassified and voting common shares of the Fund
Peso or PhP	The application for subscription to the Offer Shares in the form prescribed
PSEi	Philippine peso, the lawful currency of the Republic of the Philippines
PSE	The Philippine Stock Exchange Composite Index
PSE	The Philippine Stock Exchange

Qualified Mutual Fund Sales Agent or Sales Agent	An individual who shall have taken and passed the mutual fund sales agents licensing examination given by the SEC
Redemption Fee	A fee charged to a Shareholder for selling Shares within one hundred and eighty (180) days from the date of purchase of said Shares
Redemption Price	The Fund's prevailing NAV per Share as of end of day on the date of sale of the Shares, less the applicable Redemption Fee, if any
Registration Statement	The registration statement filed by the Fund with the SEC in compliance with the Securities Regulation Code and the Investment Company Act.
SEC	The Securities and Exchange Commission of the Philippines
Securities Regulation Code	Republic Act 8799
Servicing Agent	A Qualified Mutual Fund Sales Agent of the Fund with whom a Shareholder shall transact all purchases and redemptions of the Shares
Settlement Account	A BPI current account or savings account required to be opened and maintained by each person or entity transacting the Shares against which all payments for Shares purchased shall be debited and into which all proceeds of Shares sold shall be credited
Shareholder	An owner of Bahay Pari Solidaritas Fund, Inc. Shares
Shares	The unclassified and voting common stock of the Fund, of par value PhP1.00 per share, issued out of the Fund's authorized capital stock or, when the context requires, the Fund's outstanding capital stock including the Offer Shares

TERMS AND CONDITIONS OF THE OFFER

Eligible Investors	<p>The Shares of the Fund may be held by any person of legal age, or by a duly authorized and existing corporation, partnership or other entity regardless of nationality. However, because the Fund shall invest in shares of stock of Philippine corporations, Philippine law limits foreign ownership of the Fund to a maximum of forty percent (40%) of the Fund's issued and outstanding capital stock. The Fund has the right not to permit or allow the issuance or transfer of shares of the Fund which would reduce the ownership by Philippine nationals of the Fund's outstanding capital stock to less than 60%.</p> <p>Any applicant for subscription to the Offer Shares shall declare and warrant that he/she is of legal age or, in the case of a corporate applicant, that there are no legal restrictions prohibiting its acquisition of the Shares applied for and that such applicant is otherwise eligible to remain a Shareholder of the Fund throughout the duration of the period that he/she/it owns Shares of the Fund.</p>
The Offer	<p>The Fund is offering to the public up to 112,400,000 of its unclassified and voting common shares at the Offer Price. The Shares shall be made available for sale until the earlier of: (i) the date the Fund terminates the Offer, or (ii) the date when the number of Shares subscribed and paid for has reached 112,400,000.</p>
The Offer Price	<p>The Shares shall be offered at an Offer Price based on the Fund's NAV per Share, plus any applicable sales load, if any, on the day the purchase order is made. Shares applied for after the cut-off time shall be offered at an Offer Price based on the NAV per Share calculated as of the next business day.</p>
Minimum Subscription	<p>A minimum subscription of Five Thousand Pesos (PhP5,000.00) worth of shares shall be considered for each new application. Thereafter, minimum additional subscriptions of each Shareholder shall be in amounts not less than One Thousand Pesos (PhP1,000.00) worth of Shares, including in the case of a regular savings plan where the minimum additional investment is also not less than PhP1,000. Securities sold shall be on cash basis. Installment sales are hereby expressly prohibited.</p>
Maintaining Balance	<p>At any time, Shareholders should have holdings worth at least PhP5,000. Partial redemptions of Shareholders shall be in amounts not less than One Thousand Pesos (PhP1,000.00) worth of Shares. Should a partial redemption result in the investment falling below the required minimum maintaining balance, the entire shareholdings of the Shareholder multiplied by the applicable NAV per Share as of the date of the partial redemption shall be paid to the said Shareholder via a credit to his/ her/its Settlement Account.</p>
Payment for the Shares	<p>Shares applied for shall be paid in full via a Debit Authority against the applicant's Settlement Account signed by the client on date of application. The Purchase Order should be received during the trading hours of 9:00 a.m. to 2:30 p.m. and the client's settlement account will automatically be earmarked as soon as the order is entered into the system. The actual debiting of the settlement account shall be effected when the applicable price has already been determined at the end of the day.</p>
Registration of Investments	<p>The registration of foreign investments in the Offer Shares with the proper Philippine government authorities or authorized agents shall be the responsibility of the affected foreign investor.</p>

COMPANY BACKGROUND

The Bahay Pari Solidaritas Fund, Inc. (“BPSF” or the “Fund”) is a domestic corporation duly authorized to operate as an open-end investment company. The Fund was incorporated on March 10, 2008 with an authorized capitalization of PhP112,400,000.00 consisting of 112,400,000 common shares of par value PhP1.00 per share. The Fund was organized and incorporated to engage in the sale of its shares of stock and in the investment of the proceeds of this sale into a basket of stocks and fixed income securities.

The BPSF is best suited for long-term investors who want to achieve capital growth from a balance of fixed income and equity investments. The Fund intends to invest up to a maximum of 60% of its net assets in equity securities of Philippine issuers. The Fund’s shares shall be made available to the public primarily through accredited broker firms and authorized distributors and sales agents of BPI Investment Management, Inc. The Fund has also entered into a Management Agreement with BPI Investment Management, Inc. and, as such, has authorized the Fund Manager to purchase and otherwise make or dispose of investments for the account of the Fund, within the limits of the guidelines set by law and SEC regulations, and within the established investment policy of the Fund. The Company does not have employees of its own since management of the Fund is already being handled by its Fund Manager, BPI Investment, and its administrative operations are being dispensed through BPI Investment which is also the Service Administrator. The Fund has likewise appointed BPI Asset Management and Trust Group as its Investment Advisor. BPSF does not own any property under Annex C of SRC Rule 12 such as real estate, plant and equipment, mines, patents, etc.

The mutual fund industry has consolidated from its levels since 2007. The aggregate Net Asset Value of the domestic mutual fund industry reached PhP71Bn in March 2010 with the size of the peso bond fund category almost half the whole industry. There are currently eight peso balanced funds available in the market with total net asset value of PhP15.6Bn. BPSF will compete with the eight balanced mutual funds in the market including similar balanced unit investment trust funds. The principal method of competition in this industry is the NAV per share appreciation over time. The Fund will rely on the active management of its appointed Fund Manager to provide investment returns that will aim to surpass those of all other balanced funds in its category as well as on the wide distribution network of its appointed distributor to effectively compete with the other investment products available in the market.

Investment companies are regulated by the Securities and Exchange Commission and are registered under the Investment Company Act and the Securities Regulation Code. Any amendments to these or their implementing rules and other applicable laws may have their effects on the operations of investment companies. The proposed Collective Investment Schemes Law that is poised to replace the Investment Company Act of 1960 is expected to be of benefit to the entire mutual fund industry.

LEGAL PROCEEDINGS

The Fund, its directors and officers were not involved in any material legal proceeding during the past five (5) years.

DESCRIPTION OF CAPITAL STOCK

Capital Structure

The Fund’s authorized capital stock is ONE HUNDRED TWELVE MILLION AND FOUR HUNDRED THOUSAND PESOS (PhP 112,400,000.00) divided into one hundred twelve million and four hundred thousand (112,400,000) shares with a par value of one peso (P1.00) per share. The Fund shall offer to the public 112,400,000 common shares to be priced at a prevailing net asset value per share plus applicable incidental charges, if any.

Rights and Privileges / Voting Rights

The Shares of the Fund have identical rights and privileges, including voting rights. Each Share entitles the holder thereof to one vote at any meeting of Shareholders of the Fund. Shareholders likewise have cumulative voting rights for the election of the Fund’s directors.

Preemptive Rights

The Corporation Code confers preemptive rights to shareholders of a Philippine corporation and entitles them to subscribe to all issues or other dispositions of shares by the corporation in proportion to their respective shareholdings, regardless of whether the shares proposed to be issued or otherwise disposed of are identical in all respects to the shares held. However, a Philippine corporation may provide for the exclusion of these preemptive rights in its Articles of Incorporation and By-Laws.

The Fund's Articles of Incorporation denies preemptive rights to the Shareholders. Therefore, Shareholders of the Fund do not have the preemptive right to subscribe to any new issue of shares nor the right to purchase any disposition by the Fund of any of its treasury shares. Furthermore, no Shareholder shall have a preemptive or other right to purchase, subscribe for, or take any part of any stock or any other securities convertible into or carrying options or warrants to purchase stock of the Fund. Any part of such stock or other securities may at any time be issued, optioned for sale, and sold or disposed of by the Fund pursuant to the resolution of its Board of Directors, to such persons and upon such terms as may, to such Board, seem proper, without first offering such stock or securities or any part thereof to existing Shareholders.

Appraisal Right

Under the Corporation Code, Shareholders who dissent from certain corporate actions (including the merger or sale of all or substantially all of the assets of the Fund) may demand payment of the fair market value (net asset value) of their Shares in certain circumstances.

Other than the foregoing, there are no other material rights for common shareholders of the Fund. There are also no provisions in the charter or by-laws that would delay, deter or prevent a change in control of the Fund.

Dividends

The Corporation Code generally requires a Philippine corporation with surplus profits in excess of 100% of its paid-up capital to declare and distribute such surplus to its shareholders in the form of dividends. Notwithstanding this general requirement, a Philippine corporation may retain all or any portion of such surplus when (i) justified by definite expansion plans approved by its board of directors; (ii) the required consent of any financing institution or creditor to such distribution is not forthcoming; or (iii) it can be clearly shown that such retention is necessary under special circumstances.

Dividends payable out of the surplus profits of the Fund shall be declared at such time as the Board of Directors shall determine. No dividend shall be declared which shall impair the capital of the Fund. Stock dividends may be declared in accordance with law. The Fund may pay dividends in cash, property or in additional shares, or in some combination of the foregoing. To date, there were no distributions of dividends to stockholders. Declaration of cash dividends is limited to the declaration made by the Fund's Board of Directors subject to the restriction that no dividends will be declared that will impair the capital stock of the company.

MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS' MATTERS

Principal Market

Shares of the Fund are available for purchase primarily by resident citizens or investors of legal age, or by a duly authorized and existing corporation, partnership or other entity, subject to existing Philippine laws, through licensed mutual fund sales agents of the Fund's Distributors. Investors who have an aggressive risk profile are the primary target market of the Fund. The shares of the Fund are not traded publicly.

Number of Holders

BPSF has a total of 29 security holders as of the 30 March 2010.

Share Options and Treasury Shares

None of the Shares of the Fund are covered by options. Consistent with the Fund's open-end nature, the Fund regularly redeems shares presented by its shareholders.

Issue of Shares

The Fund may issue additional Shares to any person, subject to restrictions as may be stated in its Articles of Incorporation and/or By-Laws, and for such consideration as deemed fair by its Board of Directors.

Stock Certificates

In the interest of economy and convenience, definitive stock certificates representing the Fund's Shares shall not be issued unless requested by a Shareholder in writing addressed directly to the Fund through the Fund's Sales Agents. In lieu of stock certificates, the Fund shall issue to Shareholders Depositary Receipts.

In case a stock certificate is issued, such certificate shall be returned to the Fund for the exchange or transfer of Shares, and the same shall be canceled in the stock certificate transfer book and no new certificate shall be issued until the old certificate shall have been thus canceled and returned to its original place in such book. The necessary expenses for each certificate of stock issued or transferred shall be borne by the Shareholder who requested such issuance or transfer.

Share Register

The Fund's official share register shall be maintained by the Corporate Secretary, through the Fund Manager's ledger system, who shall likewise be principally responsible for the maintenance of the official stock and transfer book of the Fund.

DIRECTORS AND OFFICERS

The following, who are all Filipino citizens, are the Fund's Directors and Officers as of the date of this Prospectus:

MOST REV. MYLO HUBERT C. VERGARA, D.D.

Chairman and Director

Term of Office: 1 year

Date of Birth: October 23, 1962

Age: 47

Citizenship: Filipino

Most Rev. Mylo Hubert C. Vergara is currently the Bishop of San Jose de Nueva Ecija. Prior to his ordainment in April 30, 2005, he served as Vicar Clergy for the Diocese of Cubao in the year 2005 and became President of DZRV Radio Veritas Foundation, Inc., Manila in 2001. He was also a director of the Bahay Pari Cooperative and a Presbyterian Council member of the Archdiocese of Manila. Bishop Mylo had also been engaged in the teaching profession by becoming a Dean of Studies and Professor of Philosophy in the Holy Apostles Seminary. He has also acted as parish priest of the Santa Rita de Cascia Parish and Holy Sacrifice Parish in Quezon City.

He earned his Master's degree in Philosophy and Bachelor's degree in Management Engineering from the Ateneo de Manila University. He completed his elementary and high school education at the Ateneo de Manila University. He achieved his licentiate in Sacred Theology from the Loyola School of Theology and Doctoral in the same field from the University of Sto. Tomas.

REV. FR. EMMANUEL O. SAREZ

President and Director

Term of Office: 1 year

Date of Birth: February 28, 1952

Age: 58

Citizenship: Filipino

Rev. Fr. Emmanuel O. Sarez is the manager and a Board member of Bahay Pari Credit Cooperative since 1996. He has been a parish priest of several churches in the Metro Manila area. He rendered his services to: Parokya ng Ina ng Laging Saklolo in Tayabas; Sagrada Familia Parish in Kalookan; Our Lady of Miraculous Medal Parish in Project 4, Quezon City; Sta. Rita de Cascia Parish in Philam Homes, Quezon City. His current assignment is the Sta. Maria Della Strada Parish in Katipunan. He became a theology instructor of St. Alphonsus Regional Seminary in Lucena and Holy Apostles Senior Seminary in San Carlos Seminary. From being a professor, he also ventured into other challenging tasks. He was Pastoral Director of the Diocese of Cubao while being a member of the Presbyterial Council of the Archdiocese of Manila, co-chairman of the Committee on Housing of the Bishops-Businessmen's Conference (BBC), treasurer of Center for Agrarian Reform and Development (CARRD), Board member of the Foundation for the Development of the Urban Poor (FDUP), and Board member of the Urban Land Reform Task Force (ULR-TF).

He finished his elementary studies in Gen. Luna Elementary School and high school in Our Lady of Mt. Carmel. He earned his degree in Theology from the Loyola School of Theology, in Ateneo and Pastoral Management, in Asian Social Institute.

MOST REV. TEODORO C. BACANI, JR., D.D.

Director

Term of Office: 1 year

Date of Birth: January 16, 1940

Age: 70

Citizenship: Filipino

Bishop Teodoro C. Bacani, Jr. currently holds the title Bishop Emeritus and teaches Theology and/or Homilies at the University of Sto. Tomas, Loyola School of Theology, Maryhill School of Theology, and Recoletos School of Theology. He used to be Bishop of Diocese of Novaliches from 2002-2003. He also became Chairman of the CBCP Committee on Public Affairs. He writes a weekly newspaper column in a paper of national circulation and often conducts retreats and gives conferences to the clergy and the lay faithful. He has written many books on spirituality and pastoral concerns, amongst which are God's Heart and Ours, The Eucharist and Mary, Spirituality for Ministry, and his latest book, Loving, Our Way of Living.

He completed his elementary and secondary studies in Instituto de Mujeres (Roseville College). He took his college degree in San Juan de Letran College and proceeded to get a bachelor's and master's degree in Philosophy in San Jose Seminary. He also finished dogmatic theology from the Angelicum University in Rome.

REV. FR. ANTON C.T. PASCUAL

Director

Term of Office: 1 year

Date of Birth: June 3, 1959

Age: 50

Citizenship: Filipino

Fr. Anton Pascual is currently the Executive Director of Caritas Manila, Inc. He is also the President of Radio Veritas, a minister of the Social Services Development Ministry of the Roman Catholic Archdiocese of Manila, and Board member of Pondo ng Pinoy. He holds key positions in several cooperatives. He is the Founder and Chairman of Simbayanan ni Maria Development Cooperative, Chairman of the Bahay Pari Credit Cooperative, Chairman of the Union Church Cooperatives, and Founding Director of the MetroSouth Cooperative Bank. He is a member of the National Anti-Poverty Commission representing the Cooperative Sector.

He has a degree in Philosophy from Our Lady of Angels Seminary and in Theology from San Jose Seminary in Ateneo. He earned a Masters degree in Development Management from the Asian Institute of Management and Pastoral Ministry from the Loyola School of Theology in Ateneo.

REV. MSGR. DANIEL B. STA. MARIA

Director and Treasurer

Term of Office: 1 year

Date of Birth: January 3, 1943

Age: 67

Citizenship: Filipino

Msgr. Daniel B. Sta. Maria is currently the Oeconomus of the Archdiocese of Cubao. Prior to being an Oeconomus, Msgr. Dan has been a parish priest of the following churches: Holy Trinity in Quezon City; San Roque Parish in Mandaluyong; Our Lady of Guadalupe Parish in Makati; Immaculate Conception Cathedral in Quezon City; and Christ the King Parish in Quezon City.

Before he became a priest, Msgr. Dan was engaged in a totally different field. He obtained his Bachelor's degree in Chemical Engineering from the University of Sto. Tomas. He pursued further studies in Chemical Engineering in Clarkson University in New York. He earned his Master's degree in Business Administration from the University of Cincinnati in Ohio. After graduating, he became a member of the Faculty of Engineering of University of Sto. Tomas. He then worked in the Philippine Atomic Energy Commission in 1967. He was hired by Procter and Gamble Cincinnati and E.I. du Pont Company in Texas as research engineer. He also became Vice President for Product Development in Chemphil, Inc.

REV. FR. ANTONIO E. LABIAO, JR.

Director

Term of Office: 1 year

Date of Birth: April 5, 1954

Age: 56

Citizenship: Filipino

Rev. Fr. Antonio E. Labiao, Jr. is currently the Parish Priest of St. Peter Parish, Commonwealth Avenue, Quezon City. Prior to his assignment in St. Peter Parish, he was the Parish priest of Jesus, Lord of Divine Mercy Parish, Mapayapa Village I, Quezon City and Administrator of Mary the Queen Parish, Fairview, Quezon City.

He is also concurrently the Vicar General-Pastoral of the Diocese of Novaliches and Executive Director of CARITAS NOVALICHES.

He earned his Bachelor of Arts degree in Philosophy in Notre Dame University in Cotabato City. He also finished his degree in Sacred Theology in St. Francis Xavier Major Seminary, Davao City.

REV. FR. ARNEL F. RECINTO

Director

Term of Office: 1 year

Date of Birth: February 8, 1967

Age: 43

Citizenship: Filipino

Fr. Arnel is currently the Parish Priest of Our Lady of Miraculous Medal in Project 4, Quezon City. He became parish priest of several other parishes before he got assigned to Our Lady of Miraculous Medal. He served Santo Rosario Parish in Malabon; Holy Family Parish in Kamias, Quezon City; and Our Lady of Hope Parish in Bagong Pag-asa, Quezon City. He previously was the Director of Quiapo Parochial School and Parochial Vicar for San Felipe Neri Parish.

He earned his Bachelor of Arts degree in English from the Ateneo de Zamboanga. He also earned a Bachelor of Arts degree in Philosophy from the Pastor Bonus Seminary in Zamboanga. He finished his degree in Sacred Theology and Masters degree in higher religious studies from the UST Central Seminary. He is also a candidate for a Masters degree at De La Salle University's School of Management and Administration.

FRANCISCO E. JOSEF
Independent Director
Term of Office: 1 year
Date of Birth: December 6, 1949
Age: 60
Citizenship: Filipino

Mr. Francisco E. Josef is currently the conservator of Philippine Public School Teachers Association, Inc. and Postal Services Mutual Benefit Association, Inc. He used to be the conservator of the Cooperative Insurance System of the Philippines. He was previously connected with UCPB where he used to be the Trust Officer (1982-86), then Head of Internal Audit and Credit Review, and then Head of Strategic Planning and Analysis Division. He is actively involved in civic and religious affairs as well. He is currently a director of the Santa Maria Della Strada Multi Purpose Cooperative, a member of the Gawad Kalinga core group, a member of the Bishops-Businessmen's Conference of the Philippines, and a member of the Board of Governors of La Vista Homeowners' Association. He used to be president of Rotary Club of Makati-Paseo de Roxas chapter for one year (1997-98).

He earned his degree in Economics and Masters degree in Business Administration from the University of the Philippines.

CARLOS R. ALINDADA
Independent Director
Term of Office: 1 year
Date of Birth: October 27, 1936
Age: 73
Citizenship: Filipino

Mr. Carlos Alindada presently serves as an independent director in three other companies, namely: EastWest Banking Corp., Citibank Savings, Inc., and Tanduary Holdings, Inc. He served for almost 45 years in SGV and Co. and retired as Chairman and Managing Partner of the accounting firm. He was also Commissioner of the Energy Regulatory Commission for 3 years until 2004. His previous positions include Chairman of the Financial Reporting Standards Council, the body mandated to prescribe accounting principles for the Philippines, which he held for 28 years, and Chairman of a 5-man independent Committee to study the "Oil Deregulation Law" as appointed by the Secretary of Dept. of Energy (DOE). He was also the first TOFIL awardee for his contributions to the field of public accounting in 1998 and a recipient of the Outstanding Professional of the Year award by the Professional Regulations Commission in the same year. He served as council member of the International Federation of Accountants (IFAC) and the President of the Confederation of Asian and Pacific Accountants (CAPA).

He earned his degree in Business Administration from the University of the East, Manila and Masters Degree in Business Administration from the New York University, USA. He also finished the Advanced Management Program of Harvard University, USA in 1976.

Significant Employees

Bahay Pari Solidaritas Fund does not have employees of its own since the management and administrative operations of the Fund are already being handled by its fund manager, BPI Investment Management, Inc. The Fund (registrant) does not have a parent company.

Family Relationships

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers or persons nominated or chosen by the registrant to become directors or executive officers.

Additional Information required under Annex C of SRC Rule 12:

- Each Director shall serve for a term of 1 year from his appointment and until his successor has been duly elected and qualified, provided, however, that any director may be removed from office at any

time with or without cause by a 3/4 vote of the subscribed capital stock entitled to vote. Other than this, the Fund has no existing employment contract with any of the Fund's directors.

- ❑ Mr. Francisco Josef and Mr. Carlos Alindada are the independent directors of the Fund. An independent director is a person not having any relationship or position in the Fund, or in parties related to the Fund, the holding of which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, in compliance with Section 38 of the Securities Regulation Code.
- ❑ The members of the Board will receive compensation amounting Php3,000.00 for every regular meeting and Php1,200.00 for every special meeting attended. Each member of the Board is estimated to receive P6,600.00 per year covering one regular meeting and 3 special meetings. The Board of Directors reserves the right to change the compensation schedule in the future.
- ❑ There are no other standard or consulting arrangements nor any compensatory plan relating to resignation/retirement by which directors and officers are to be compensated other than that previously stated.
- ❑ No current member of the Board of Directors of BPSF, its fund manager, its service administrator, or any one of the its distributors is related to each other up to the fourth civil degree either by consanguinity or affinity and no member of the Board of BPSF has been the subject of any legal/criminal proceedings for the past five years.

Corporate Governance

The Fund has adopted a Manual of Corporate Governance to institutionalize the principles of good corporate governance in the entire organization. To measure or determine the level of compliance of the Board of Directors and top-level management with the Fund's Manual of Corporate Governance, the Fund shall establish a review or evaluation system and shall submit the required Certification on the Fund's Compliance with its Manual on Corporate Governance. There has been no deviations from the Fund's Manual of Corporate Governance as of the date of this report. Other measures being undertaken by the Fund to fully comply with the adopted leading practices on good corporate governance are: (i) strict compliance on the appointment of independent directors; (ii) separation of the function of the Chairman and the President; and (iii) the creation of an independent Audit Committee.

Certain Relationships and Related Transactions

The Fund has no existing or proposed transaction with any entity which any of its directors, officers or stockholders have material interest in the last two years and will not have any future related transactions. Also, it has not hired an expert or independent counsel on a contingent basis. There is also no existing voting trust or similar agreement entered into by holders of more than 5% of a class of securities.

Legal Proceedings

The Fund is not party to any material pending legal proceedings.

Involvement in Certain Legal Proceedings

Since incorporation in 2008 and material to evaluation, none of the Directors or Executive Officers of the Fund was involved in any bankruptcy petition filed by or against any business of which any director or officer was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; none was convicted by final judgment in a criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses; none was subject to any order, judgment or decree not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities, or banking activities; and none was found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended or vacated.

Changes in Control

There is no existing arrangement which is known to the Fund which may result in the change of control of Bahay Pari Solidaritas Fund, Inc.

External Audit Fees

Audit and Audit Fees

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

SGV and Co. is the appointed external auditor of the Fund's statements of assets and liabilities and the related statements of operations, changes in net asset attributable to shareholders and cash flows for the year, then ending with the objective of expressing an opinion on them. The audit shall be made in accordance with the Philippine Standards on Auditing and accordingly includes such tests of the accounting records and such other auditing procedures as they would consider necessary. SGV and Co. has conducted the annual audit of the Fund's financial statements as of December 31, 2009. There are no other related services that the external auditor performed aside from the services mentioned above and no other fees billed related to tax services.

Management is responsible for the preparation and the fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Audit Policies

The final draft of the Audited Financial Statement is presented to the Audit Committee, before the Board's final approval and confirmation.

Changes in and Disagreements with Account on Accounting and Financial Disclosure

There are no instances for material disagreements with regard to accounting procedures and financial disclosures.

PRINCIPAL PARTIES

THE FUND MANAGER

BPI Investment Management, Inc. (“BPI Investment”) shall act as the Fund’s Investment Manager and, as such, is tasked to formulate and implement the investment strategy of the Fund, and to provide and render management and technical services to prospective investors. BPI Investment, a wholly-owned subsidiary of the Bank of the Philippine Islands, was incorporated in 1974 to principally engage in the business of managing an investment company. BPI Investment is licensed by the SEC to act as fund manager (or “investment company adviser”) as well as a distributor of mutual funds.

The Fund Manager does not have any existing arrangement with the Fund for the right to designate or nominate members of the Board of Directors. The members of the Board of Directors of BPI Investment as of the date of the prospectus are as follows:

Board of Directors:

- a) **Mercedita S. Nollo**, born in 1941, 68 years old, Filipino, is the Chairman of the Board of BPI Investment Management, Inc. She is a Senior Managing Director and Corporate Secretary of Ayala Corporation, General Counsel of Ayala Group of Companies, EVP and Corporate Secretary of Ayala Land, Inc., and Director of the following: Aurora Properties, Inc., Vesta Property Holdings, Inc., Ayala Automotive Holdings, Inc., Honda Cars Makati, Inc., Isuzu Automotive Dealership, Inc., among others. She graduated with the degree of B.S. Business Administration, major in Accounting at the University of the Philippines in 1960 and topped the CPA exams (2nd place) given in the same year. In 1965, she finished Bachelor of Laws from U.P. where she also topped the Bar exams (2nd place) given in the same year.
- b) **Fernando J. Sison III**, born in 1952, 58 years old, is the President of BPI Investment Management, Inc. Mr. Sison graduated from the Ateneo de Manila University with an A.B. in General Studies (*Honorable Mention*). He completed his M.B.A. at the University of the Philippines. He previously served as the head of many of BPI's departments, including Asset Management & Trust Group Portfolio Management, BPI Private Banking Unit, BPI Capital Corporate Finance Group, Securities Distribution Group, including an assignment in BPI International Finance Ltd. (Hongkong) as head of Investment Management Division. He served as President of the Investment Company Association of the Philippines (ICAP) in 2003, 2004, and 2006 and currently sits as Chairman of the Board of Directors. Mr. Sison is also the Treasurer of the ALFM Family of Funds.
- c) **Adelbert A. Legasto**, Filipino, born in 1947, 62 years old, serves as Executive Vice President of BPI. Mr. Legasto graduated at the Ateneo de Manila University with an A.B. Economics degree and completed his M.B.A. academics at the Ateneo Graduate School of Business. He completed the Pension Funds & Money Management course of the Wharton School, University of Pennsylvania; and Investment Management at the CFA Institute at the Harvard Business School in Boston. He is a Director of over 50 corporations holding different capacities as Chairman/President/Director from 2004 to present, which includes Roxas Land Corporation, McCann-Erickson Phils. and several other companies. He is a director and the president of the ALFM Family of Mutual Funds. He had previously served as Governor of the Philippine Stock Exchange, Governor of the Makati Stock Exchange from 1993 to 1995, an incorporator of the Philippine Central Depository (PCD) in the mid 90's, and served as President of the Trust Officers Association of the Philippines in 1998.
- d) **Jesus V. Razon, Jr.**, Filipino, born in 1946, 64 years old, is an independent director. Mr. Razon graduated from the Ateneo de Manila University with an A.B. Economics degree and completed his Masters in Management from the Asian Institute of Management. He served as Senior Vice President of BPI as head of the Human Resources Department and as head of the Consumer Banking Group – Metro Manila Branches. He is also currently a director of Premiere Bank. His past directorships include BPI Operations Management Corp., BPI Condominium Corp., Ayala Life Assurance Inc., FGU Insurance Corp., BPI Forex Corp., and BPI Family Bank.
- e) **Atty. Zosimo A. Kabigting**, Filipino, born in 1943, 67 years old, is an independent director. Atty. Kabigting served as Vice President of the Bank of the Philippine Islands, as Head of Legal Services

Division until 2002. He previously served as Corporate Secretary and Legal Counsel of Family Bank and Trust Company and Filinvest Credit Corporation. Atty. Kabigting obtained his Bachelor of Science in Commerce degree in 1965 and is a member of the Philippine Institute of Certified Public Accountants from 1966 up to the present. He obtained his Bachelor of Laws degree in 1970 and is a member of the Integrated Bar of the Philippines from 1973 up to the present.

INVESTMENT MANAGEMENT CONTRACT

The Fund vests upon the Fund Manager the authority, without need of prior approval or prior notification to the Fund, to purchase and sell securities and otherwise make or dispose of investments for account of the Fund, within the limits of the guidelines set by law, the regulations set by the SEC, and investment policies of the Fund.

The Fund Manager is further authorized to take charge of the collection of dividends, interests or other payments due on all securities owned by the Fund and shall, on behalf of and for the benefit of the Fund, exercise any and all rights of the Fund appurtenant to such securities such as the exercise of any preemptive rights, redemption rights, options, and others. The Fund Manager shall use voting rights for quorum purposes only. Nonetheless, in the event of unusual circumstances, the Fund Manager may request the Fund in writing for permission to exercise voting rights for other specified purposes.

For its services, the Fund Manager shall charge a management fee of not more than 1% p.a., or a minimum annual fee of PhP100,000.00, whichever is higher. The Investment Advisor of the Fund is BPI Asset Management which receives an advisory fee of not more than 1% p.a., or a minimum annual fee of PhP100,000.00. The date of the last renewal by the SEC of BPI Investment Management, Inc.'s license as investment company manager is November 2009.

PLAN OF DISTRIBUTION

The Fund's shares will be offered to institutional and individual members of the Diocesan Clergy Community and church affiliates. There is no plan to apply for listing in any exchange the shares of the registrant. Consequently, none of the registrant's shares are to be allocated to an exchange and/or to its members. Sales agents of the Fund's distributors may collect a Sales Load based on each amount invested by an applicant or Shareholder in the Fund, in an amount not exceeding 1.5% of the investment. Notwithstanding, the Fund's distributor has the discretion to waive such sales load as it deems necessary.

The principal distributor of BPSF is BPI Investment Management, Inc., a licensed distributor by the Securities and Exchange Commission.

THE INVESTMENT ADVISOR

The Asset Management and Trust Group of the Bank of the Philippine Islands (BPI Asset Management) has been appointed by the Fund to render investment advisory services. As investment advisor, BPI Asset Management shall provide the Fund with investment research, advice, assistance and investment recommendations as shall be required by the Fund and deemed helpful in the formulation of the Fund's investment strategies and guidelines.

THE CUSTODIAN BANK

The Deutsche Bank AG ("Deutsche") Fund's custodian bank. Under the Custodianship Agreement, Deutsche shall be responsible for the safekeeping of appropriate monies and securities of the Fund. The Fund shall pay Deutsche Bank AG all fees, charges and obligations incurred from time to time for any services pursuant to the Custody Agreement between the Company and Deutsche Bank AG.

THE RECEIVING BANKS

The Bank of the Philippine Islands and BPI Family Savings Bank shall serve as the Fund's receiving banks (the "Receiving Banks"). Payments for Shares purchased by applicants or existing Shareholders shall be deposited by the Servicing Agents into the Fund's settlement account maintained with the Receiving Banks.

Proceeds of Shares redeemed from Shareholders shall be debited from the Fund's account with the Receiving Banks.

OTHER INFORMATION REQUIRED

The Fund has no independent counsel or expert hired on a contingent basis.

MECHANICS OF THE FUND

PURCHASE OF SHARES

The Fund's Shares shall be sold primarily through the accredited broker firms and the Fund's Distributors consisting of the Qualified Mutual Fund Sales Agents of BPI Investment Management, Inc., who shall have taken and passed the mutual fund sales agents licensing examination given by the SEC.

Procedure for Application.

Each new applicant shall fill out an Account Opening Form and Debit Authority/Purchase Order which may be obtained or provided for by any accredited broker or Qualified Mutual Fund Sales Agent of BPI Investment. Applicants undertake to sign all documents and/or perform such acts as may be necessary to enable them to be registered as holders of the Shares applied for and under their respective accepted Applications. In addition, if the applicant is a corporation, partnership or trust, the Application must be accompanied by the following documents: (1) a notarized certificate of the incumbent Corporate Secretary of the applicant, attesting to: (i) the approval of the Board of Directors (or equivalent body) of the applicant's subscription to the Offer Shares, (ii) the authority of the signatories designated therein to sign the Application and transact for and on behalf of the applicant, and (iii) the percentage of the applicant's equity held by Filipino citizens; and (2) a certified true copy of the SEC Certificate of Registration, the Articles of Incorporation or other constitutive documents, and the By-Laws attached thereto. For subsequent applications by a Shareholder, only a Debit Authority need be signed.

The Debit Authority/Purchase Order shall indicate the gross amount of investment. The number of BPSF shares that an investor will be able to buy will be determined as and when the Fund's NAVps shall have been computed after the close of PSE trading; and accordingly made available at the end of the trading day. The Shareholder's settlement account will be debited at the end of the trading day in the amount of the purchase price of whole (excluding fractional) shares of BPSF.

Mutual Fund sales agents and accredited brokers are required to forward the Account Opening Form and/or Debit Authority/Purchase Order for purchase of BPSF shares to the Service Administrator on the same business day they are received. Subscriptions for purchase of shares received on or before 2:30 p.m. (or the "cut-off time") on any business day will be processed at the NAVps applicable on that day. Subscriptions received after the cut-off time shall be deemed to have been received on the next business day and will be processed at the NAVps applicable on the next business day.

REDEMPTION OF SHARES

The Fund agrees to purchase, and each Shareholder of the Fund shall be entitled to require the Fund to purchase, but not in the event and to the extent that the Fund has no assets legally available for such purpose whether arising out of capital, paid-in surplus or other surplus, net profits or otherwise, all or any part of the Shares standing in the name of such Shareholder in the books of the Fund, but only at the Net Asset Value per Share as of end of day on which a written request is made on the Fund to purchase such Shares. The applicable Net Asset Value per share, less the Redemption Fee, *if any*, shall be called the "Redemption Price." Any such request for redemption, if to be transacted through a Qualified Mutual Fund sales agent, shall be evidenced by a duly-signed Credit Authority/Redemption Request, submitted to the Fund through the agent or through such Shareholder's assigned Servicing Agent, and must be received by the Service Administrator on or before 2:30 p.m. of such day. Redemption requests received after 2:30 p.m. shall be based on the applicable Redemption Price of the following banking day. Payment for shares so redeemed shall be credited to the Shareholder's settlement account with the Receiving Bank within seven business days reckoned from the date the redemption request is received by the Fund. Due to the inherent nature of the Fund, however, where redemptions are funded

by selling equity investments held by the Fund, there may be instances when the Fund may take longer to credit the proceeds of the redemption especially in the absence of a liquid trading market for such index shares. The Fund shall be entitled to collect a Redemption Fee based on the Peso amount of the Shares redeemed in accordance with the following schedule:

HOLDING PERIOD	REDEMPTION FEE
180 days or less	1.00% flat
More than 180 days	none

The Fund may suspend redemption or postpone the date of payment for redemption in such cases when (i) normal trading is suspended on the Philippine Stock Exchange, or (ii) with the consent of the SEC. The SEC may, whenever necessary or appropriate in the interest of the Fund's shareholders, suspend the redemption of securities of open-end companies.

SPECIAL CONSIDERATIONS

BPSF shall not suspend the right of redemption or not postpone the date of payment or satisfaction upon redemption of any redeemable security for more than seven banking days after the tender of such security to the Fund, except in the following cases:

- (1) for any period during which banks are closed other than customary weekend and holiday closings;
- (2) for any period during which an emergency exists as a result of which (a) disposal by the Fund of securities owned by it is not reasonably practicable, or (b) it is not reasonably practicable for the Fund to determine the value of its net assets; or
- (3) for such other periods as the SEC may, by order, permit for the protection of security holders of the Fund.

VALUATION AND ACCOUNTING PROCEDURES

Investments shall be valued based on the current market price of the securities held in the Fund's portfolio. The NAV per Share (NAVPS) shall be obtained by dividing the market value of the assets of the Fund less the value of its liabilities and reserves for expenses by the total number of Shares outstanding (which includes deposit for subscriptions if the Fund is applying for an increase in Authorized Capital Stock) at such valuation date. (See "Determination of the Fund's Net Asset Value" below.)

The Fund shall secure the services of an independent auditor to verify its financial statements at least on an annual basis.

DETERMINATION OF THE FUND'S NET ASSET VALUE

The Net Asset Value per Share of the Fund, as of the close of any business day (the "Close"), shall be the quotient obtained by dividing the value of the assets of the Fund less the value of its liabilities and reserves for expenses by the total number of shares of capital stock outstanding at such Close (including deposit for subscriptions if the Fund is applying for an increase in Authorized Capital Stock) all to be determined as follows:

1. The assets of the Fund shall be deemed to include:
 - (i) all cash on hand, on deposit, or on call; (ii) all bills and notes and accounts receivable; (iii) all shares of stock and subscription rights and other securities owned or contracted for by the Fund, other than its own capital stock; (iv) all stock dividend to be received by the Fund and not yet received by it but declared to stockholders of record, on a date on or before the date as of which the Net Asset Value is being determined; (v) all interest accrued on any interest bearing securities owned by the Fund; (vi) all real properties or interest therein; and (vii) all other properties of every kind and nature including prepaid expenses.
2. The liabilities of the Fund shall be deemed to include:
 - (i) all bills and notes and accounts payable; (ii) all administrative expenses payable and/or accrued (including management fees and custodial expenses); (iii) all contractual obligations for the payment of money or property; (iv) all reserves for expenses; and (v) all the other liabilities of the Fund of any kind

and nature whatsoever, except liabilities represented by the outstanding capital stock and surplus of the Fund.

3. For the purposes thereof:

(i) capital stock subscribed for shall be deemed to be outstanding as of the time of acceptance of any subscription and the entry thereof in the books of the Fund, and the net proceeds thereof shall be deemed to be an asset of the Fund; and (ii) capital stock surrendered for purchase by the Fund pursuant to the provisions of its Articles of Incorporation or By-Laws shall be deemed to be outstanding until the close of business on the business day as of which such Net Asset Value is being determined and, thereupon and until paid, the price thereof shall be deemed to be a liability of the Fund.

On a daily basis, the Fund Manager shall compute the NAV per share and shall report the same to the Fund's Distributor. BPI Investment, the Service Administrator, shall cause the regular publication of the Fund's NAV per Share in two (2) newspapers of general circulation.

TAXATION

Investors are advised to consult their own professional advisers as to the tax implications of subscribing for, purchasing, holding and redeeming shares of the Fund. Tax rulings and other investment factors are subject to rapid change.

INVESTMENT OBJECTIVE

The Fund shall apply the net proceeds of the Offer towards the purchase of stocks listed in the Philippine Stock Exchange and fixed-income securities, in accordance with the investment objective, policies, methods and limitations of the Fund (see “Investment Restrictions”). The primary investment objective of the Fund is to provide long-term capital appreciation from an appropriate mix of equity and fixed income securities. The Fund intends to invest up to a maximum of 60% of its net assets in equity securities of Philippine issuers. Due to its inherent nature, BPSF may be considered an aggressive fund investing predominantly in equity securities.

The investment objective of the Fund may not be changed without the approval of the Shareholders present in person or by proxy, owning at least a majority of the Fund’s outstanding capital stock.

INVESTMENT RESTRICTIONS

1. Until the Commission shall provide otherwise, the Fund shall not sell securities short or invest in any of the following:
 - * margin purchases of securities; investment in partly paid shares are excluded
 - * commodity futures contracts
 - * precious metals
 - * unlimited liability investments
2. The Fund shall not incur any further debt or borrowing unless at the time of its incurrence or immediately thereafter there is an asset coverage of at least three hundred percent (300%) for all borrowings of the investment company. Provided, however, that in the event that such asset coverage shall at any time fall below three hundred percent (300%), the Fund shall within three (3) days thereafter, reduce the amount of its borrowings to an extent that the asset coverage of such borrowings shall be at least three hundred percent (300%).
3. The Fund shall not purchase from, or sell to any of its officers or directors or the officers or directors of its Fund Manager, their managers or distributors or firms of which any of them are members, any security other than those of the Fund’s own capital stock.
4. The Fund shall not participate in an underwriting or selling group in connection with the public distribution of securities, except for its own capital stock.
5. The total operating expenses of the Fund shall not exceed ten percent (10%) of its total investment fund or total net worth as shown in the Fund’s audited financial statements.

INTERNAL LIMITATIONS

The Fund shall adhere to the following investment limitations which are fundamental policies which may not be altered without the approval by Shareholders representing at least a majority of the Fund’s outstanding capital stock.

The Fund shall not:

- * Buy or sell commodities
- * Issue any guarantee
- * Borrow money
- * Issue senior securities
- * Pledge its assets

ICA Rule 35-1 also provides that the maximum investment of an investment company in any single enterprise shall not exceed an amount equivalent to ten percent (10%) of the investment company’s net asset value except

obligations of the Philippine Government and its instrumentalities, nor shall the total investment of the Fund exceed ten percent (10%) of the outstanding securities of any one investee company.

Also for purposes of liquidity, at least ten percent (10%) of the Fund's assets shall be invested in liquid or semi-liquid assets such as:

- a. Treasury notes or bills, Certificates of Indebtedness issued by the BSP which are short-term and other government securities or bonds and such other evidences of indebtedness or obligations, the servicing and repayment of which are fully guaranteed by the Republic of the Philippines; and
- b. Savings or time deposits with government-owned banks or commercial banks, provided that in no case shall any such savings or time deposit accounts be accepted or allowed under a "bearer" or "numbered" account or other similar arrangement.

INVESTMENT STRATEGY

BPI Asset Management as Investment Advisor shall employ an active management strategy for BPSF. The Fund shall invest up to a maximum of 60% of the net proceeds from the Offer in equity securities under normal market conditions. To achieve returns that are aimed to outperform the chosen benchmark, the Fund Manager shall adopt active stock selection, asset allocation and market timing strategies.

PHILIPPINE LAWS APPLICABLE TO THE COMPANY

INVESTMENT COMPANY ACT OF 1960

- The Investment Company Act of 1960 primarily regulates the business of investment companies. Subject to the exceptions under the law, an investment company is any issuer, which is or holds itself out as being engaged primarily, or proposes to engage primarily in the business of investing, reinvesting, or trading in securities. An investment company is either (a) an open-end company; or (b) a closed-end company. An open-end company is an investment company, which is offering for sale or has outstanding redeemable securities of which it is the issuer. A closed-end company, on the other hand, is an investment company other than an open-end company. The Investment Company Act provides for separate rules for each kind of investment company.

To be incorporated as an investment company, the following requirements should be complied with:

1. Minimum subscribed and paid-in capital of PhP50,000,000.00
2. All shares of stock should be common and voting shares.

In the case of open-end companies, the Articles of Incorporation thereof should expressly waive the preemptive rights of stockholders.

3. All Filipino membership in the Board of Directors.

The Investment Company Act likewise requires the registration of the investment company and of the shares of the investment company itself. The Investment Company Act also requires an investment company to place and maintain its securities and similar investments in the custody of a duly organized local commercial bank of good repute.

DIVIDENDS

A corporation may declare dividends only out of its unrestricted retained earnings. These represent the net accumulated earnings of the corporation, with its capital unimpaired, which are not appropriated for any other purpose. The corporation may satisfy dividends in cash, by the distribution of property, or by the issue of shares of stock. Dividends satisfied by the issuance of shares may be paid only with the approval of shareholders representing at least two-thirds (2/3) of the outstanding capital stock at a shareholders' meeting called for such purpose.

Declaration of dividends is generally discretionary with the board of directors. However, corporations with surplus profits in excess of 100% of their paid-up capital are required to declare and distribute the amount of such profits and dividends, except when the retention is justified by definite corporate expansion projects or programs approved by the board of directors, or when the consent of creditors is required under any loan agreement or when it can be clearly shown that such retention is necessary under special circumstances.

RIGHTS OF SHAREHOLDERS

The right of shareholders to institute proceedings on behalf of the corporation in a derivative suit is recognized in Philippine jurisdiction. Derivative suits may be filed where the corporation itself is unable or unwilling to institute the necessary proceedings to redress a wrong committed against the corporation or to vindicate corporate rights. Derivative suits as a rule are filed with the SEC. Jurisdiction over intra-corporate disputes is transferred to the regular courts.

A shareholder has a right to dissent and demand payment of the fair value of his shares in the following instances: any amendment of the articles of incorporation which has the effect of changing or restricting rights attached to his shares, or of extending or shortening the term of corporate existence, the sale/lease or other disposition of all or substantially all of the assets of the corporation, or a merger or consolidation of the corporation with another corporation. The fair value at which the shares of a dissenting shareholder may be sold

to the corporation may be agreed upon by the parties. If they cannot reach agreement, it shall be determined by an independent committee. Payment of the shares of a dissenting shareholder may be made only if the corporation has unrestricted retained earnings to purchase the shares.

MANAGEMENT

Corporate powers are exercised, and all business of a corporation is conducted, by the board of directors. However, the powers of the board of directors are not unlimited. Certain corporate acts may be effected only with the approval of shareholders representing at least two-thirds (2/3) of the outstanding capital stock at a shareholders meeting convened for the purpose. Matters requiring such shareholders' approval include the amendment of the articles of incorporation, removal of directors, the sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the assets of the corporation, and the investment of corporate funds in another corporation or business or for any purpose other than the primary purpose for which the corporation was organized.

GOVERNMENT POLICIES AND REGULATIONS

The Fund falls under the category of Investment Companies which is regulated by the Philippine Government through several laws and government agencies. Investment companies are required to be incorporated pursuant to the Corporation Code of the Philippines or *Batas Pambansa Blg. 68* (the “Corporation Code”). Aside from the incorporation requirements, investment companies are required to be registered either as an open-end or closed-end investment company following the rules found under the Investment Company Act. Securities issued by an investment company are required to be registered following the rules of the Securities Regulation Code. The regulating body tasked with the implementation of the aforementioned laws is the SEC.

THE SECURITIES AND EXCHANGE COMMISSION

Under the Securities Regulation Code, the SEC is responsible for regulating the securities market. The SEC is a quasi-judicial government agency under the administrative supervision of the Department of Finance.

The SEC is headed by a chairperson and four (4) associate commissioners who are appointed by the President of the Philippines for a term of seven (7) years. The SEC is responsible for the registration of securities proposed to be listed on the PSE, the registration of securities proposed to be offered to the public, the regulation of the securities markets, the licensing of securities brokers and dealers, the promulgation of rules and regulations on securities trading, and the issuance of opinions and rulings pertaining to the proper application of the Corporation Code, the Securities Regulation Code, the Investment Company Act, and certain other statutes.

THE INVESTMENT COMPANY ACT OF 1960

The Investment Company Act contains the various rules and regulations for corporations which may wish to engage in the business of primarily investing, reinvesting, or trading in securities. The Act, however, excludes from its broad definition of “investment companies” such entities as banks, insurance companies, employees’ stock bonus plans, pension plans, and profit-sharing plans.

For purposes of the Act, investment companies are divided into open-end and closed-end companies, defined as follows: (i) “open-end company” means an investment company which is offering for sale, or has outstanding, any redeemable security of which it is the issuer; and (ii) “closed-end company” means any investment company other than an open-end company.

The Act provides for several rules relative to the incorporation of investment companies, the most basic of which are as follows: (i) the subscribed and paid-up capital of the investment company must be at least PhP50.0 Million; (ii) all shares of capital stock must be common and voting shares, and, in the case of open-end companies, the Articles of Incorporation must waive the preemptive rights of shareholders; and (iii) all members of the Board of Directors must be Filipino citizens.

THE SECURITIES REGULATION CODE

The Securities Regulation Code provides that securities which are to be offered or sold to the public in the Philippines must first be registered with the SEC (except for certain securities exempt from the registration requirements and securities to be sold in certain exempt transactions). The Securities Regulation Code also requires companies listed in the stock exchange and companies whose securities are registered under the said law to submit periodically corporate information and financial statements.

MANAGEMENT DISCUSSION ON AUDITED FINANCIAL STATEMENTS

Management Discussion on Audited Financial Statements as of December 31, 2009

For the full year ended December 31, 2009, revenues reached Php2.186 million, Php631 thousand or 40% higher than in 2008. Contribution to total revenues came from fixed income investments amounting to Php1.525 million or 70% of total interest income. Approximately 29% or Php634 thousand came from realized and unrealized marked to market gains/(losses) from sale of stocks and bonds, and the remaining 1% came from dividend income.

Capital gains or realized and unrealized market gains also increased to Php634 thousand in 2009 from Php93 thousand one year before.

The significant improvement in revenues is largely due to an increased exposure in stock investments that allowed the company to benefit from a recovery in the stock market. From end-2008 to end-2009, the Fund's stock investments have increased from P1.16 million to P11.376, which represented 37% of total assets.

Expenses for the period January to December 31, 2009 amounted to P903 thousand which is 22% higher year-on-year. This is largely due to a 16% increase in professional fees paid to the external auditor as well as a 31% increase in management fees due to higher total assets and a longer period covered. In 2008, management fees paid was for only approximately 9 months since the Fund's inception in March 2008 as compared to a full year charge in 2009.

Changes in revenues and expenses resulted to a 57% increase in Investment Income before corporate tax from Php0.815 million in end – 2008 to Php1.282 million in end – 2009.

Results of operations for the period January 1, 2009 to December 30, 2009 resulted to a 5.70% increase year on year in Net Asset Value per share (NAVps) to P1.0636 as against P1.0062 in end- 2008.

Top 5 Key Performance Indicators as of December 31, 2009

Following are some performance indicators or factors that affect the performance of the Bahay Pari Solidaritas Fund, Inc.

- 1) Local Interest Rates – Bahay Pari Solidaritas Mutual Fund is a balanced mutual fund which means that a portfolio of the portfolio is invested in fixed income securities. Movement in interest rates affect the value of fixed income securities since the price of said securities are inversely related to the interest rates. When interest rates go up, the value or price of the fixed income investment goes down; conversely, when interest rates go down, the value or price of the fixed income investment goes up. As such, the movement of local interest rates has a direct impact on the operations and performance of the Company.

Further, higher interest rates may mean higher borrowing costs for companies which consequently affect their earnings. Prices of stocks are based on expected corporate earnings and growth. If earnings are expected to contract due to higher costs, stock prices may go down. On the other hand, lower interest rates may mean lower borrowing costs. Furthermore, a low interest rate environment shifts investor appetite from fixed income investments to equity investments. This provides a demand support to equity securities thereby exerting upward pressure on stock prices.

- 2) U.S. Interest Rates – Local interest rates usually follow the movement of U.S. interest rates. Yields of Philippine bonds typically offer a spread over U.S. bonds of comparable tenor to maintain a difference that will attract investors to Philippine bonds. Given this, the movement of U.S. interest rates also affects the operations and performance of the Company.
- 3) Philippine Inflation Rate – The country's inflation rate directly impacts local interest rates as it is one of the key factors that affect the monetary policies of the Bangko Sentral ng Pilipinas (BSP).

Bond holders also require additional compensation for the decline in purchasing power as the inflation rate increases. Due to this, an increasing inflation rate would usually lead to higher interest rates. Further an increasing inflation rate may indicate higher prices of goods consequently affecting corporate earnings through tighter margins. With lower expected corporate earnings, the value of stocks goes down.

- 4) Philippine's Fiscal Status – The country's fiscal status is a major determinant of the movement of interest rates. A budget deficit forces the government to borrow more which usually leads to higher interest rates to attract more investors or lenders.
- 5) USD:PHP Exchange Rate – The Bangko Sentral ng Pilipinas (BSP) uses its monetary tools to manage the U.S. Dollar – Philippine Peso Exchange Rate. The BSP can temper the depreciation of the Philippine Peso by increasing its overnight rates which may result to higher interest rates.

In addition, the foreign exchange rate fluctuations affect economic activity through exports, imports and foreign investment. Further, the movement of the Peso affects corporate earnings, sales growth, and the overall attractiveness of the business environment.

Gross Domestic Product – The country's gross domestic product is comprised of government spending, private consumption, investments, exports and imports. All these factors affect corporate earnings, revenues, tax collections which indirectly affects the Philippine's fiscal status. In addition, economic activity has a positive effect on stock prices as corporate earnings are expected to increase.

Management Discussion on Unaudited Financial Statements as of March 31, 2010

In the first three months to 31 March 2010, revenues stood at P0.739 million which is already 39.20% of the full year 2009 revenue of P1.884 million. Fixed income investments comprising of short term deposits, government securities and corporate papers contributed 35.88% to total revenues in 2010. However, an additional 11.92% of total revenues are unrealized gains from fixed income investments which brings the total contribution of this asset to total revenues to 47.79%. This is lower than the total contribution of fixed income investments to total revenues in 2009 which stood at 76.98% due to higher investment allocation to stock investments. In the first quarter of 2010, dividend income and gains from stock investments contributed 40.23% to total revenues versus 23.02% in 2009.