

FINAL PROSPECTUS OF



EKKLESIA MUTUAL 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 245,000,000 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 FINALPROSPECTUS is JANUARY 2011.

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.

Ekklesia Mutual Fund, Inc.

(Incorporated under the laws of the Republic of the Philippines)

245,000,000 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 245,000,000 shares of common stock of par value PHP1.00 each (the "Offer Shares") in the capital stock of Ekklesia Mutual Fund, Inc., called the "EMFI" 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 October 28, 2003, with an authorized capitalization of PHP245,000,000 divided into 245,000,000 shares with par value of PHP1.00 each. The total proceeds from the sale of the shares is estimated at PHP372,400,00 (using PHP 1.52 NAVPS as of September 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 in select fixed income securities denominated in Philippine Peso and other major foreign currencies, in accordance with the investment objective, policies and limitations of the Fund. As such, 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 shall be owned primarily by religious orders, corporations, congregations or associations, stock or non-stock, for profit or non-profit, educational institutions owned by, managed by, or affiliated with the religious orders, corporations, congregations and associations (see 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 Fund Manager shall charge a management fee of not more than 0.875% 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 0.875% 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. Nevertheless, the Fund's Distributor/s 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. Please refer to the Section on Dividends under "Description of Capital Stock" 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.

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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 245,000,000 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 245,000,000.

The investment objective of the Fund is growth through income derived from medium- to long-term fixed income instruments denominated in Philippine Peso or major foreign currencies. Investments of the Fund in foreign securities shall be governed by SEC Memo Circular #7 Series of 2005 on Guidelines on the Evaluation of Foreign Securities by Mutual Fund Companies as amended by SEC Memo Circular #10, Series of 2006. Due to the moderately aggressive nature of the Fund, the Fund shall best cater to investors who are seeking safety of principal and growth on their investment. 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, has been appointed by the Fund for the purpose of holding relevant securities of the Fund.

Use of Proceeds

The total proceeds from the sale of the 245,000,000 shares is estimated at PHP372,400,000 (using PHP1.52 NAVPS as of September 30, 2010), which shall be used to purchase fixed-income securities in accordance with the investment objective, policies, and limitations of the Fund such as government securities of the Republic of the Philippines and other sovereign issuers, other evidences of indebtedness that enjoy the full guaranty of the sovereign state, to some extent time deposit or special savings accounts of private and government-owned banks, and prime corporate debt issues, denominated in Philippine Peso or major foreign currencies. Corporate debt issues go through a rigorous evaluation and approval process that start with credit investigation of all credit proposals. Evaluation is done based on external credit risk ratings as well as the fund manager's own internal credit risk rating model. Recommended exposures go through various approval levels and existing exposures undergo monitoring and regular credit reviews.

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, BDO Alba Romeo & Co., for the period December 31, 2008 to December 31, 2009 appears in the Annex 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 and 2008 and September 30, 2010 (in PHP)

ASSETS	September 2010	2009	2008
Cash and Cash Equivalents	24,582,209.00	103,044,931.00	76,866,834.00
Financial Assets at Fair Value through Profit or Loss	101,903,387.00	33,966,681.00	65,596,216.00
Loan and Receivables, net	14,000,000.00		
Interest Receivable	1,470,379.00	426,274.00	387,580.00
	141,955,975.00	137,437,886.00	142,850,630.00
LIABILITIES			
Accounts payable and accrued expenses	470,432.00	95,027.00	107,360.00
Due to asset management company		679,187.00	502,398.00
	470,432.00	774,214.00	609,758.00
NET ASSETS	141,485,543.00	136,663,672.00	142,240,872.00
NET ASSET VALUE PER SHARE	1.5200	1.4745	1.4142

STATEMENT OF OPERATIONS

As of December 31, 2009 (in PHP)

INVESTMENT INCOME	Sept 2010	2009	2008
Interest income	4,782,119	7,719,066.00	6,309,303.00
Realized gain/(loss) on financial assets at FVPL, net	46,239	616,012	(740,731.00)
Unrealized gain on financial assets at FVPL, net	<u>1,951,906</u>	<u>206,460</u>	<u>1,068,840.00</u>
	6,780,264	8,541,538	6,637,412
EXPENSES			
Management fee	1,852,468	2,667,752	3,141,837
Professional fees	140,000	184,100	153,900
Transfer fees		120,000	120,000
Directors' fees		38,400	27,600
Taxes and licenses	35,919	31,115	31,990
Custodianship fees		13,783	-
Membership fees		10,000	10,000
Others	<u>218,203</u>	<u>17,613</u>	<u>62,211</u>
	2,246,590	3,082,763	3,547,538
NET INVESTMENT INCOME	4,533,674	5,458,775	3,089,874
Provision for final tax	(158,652)	-	
Net Increase (Decrease) in net assets from operations attributable to shareholders	4,375,022	5,458,775	3,089,874

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 an indication of 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 warning 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 movements 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 exposure limits and duration limits. 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 the possibility that in bearish markets, the investor may incur losses when bond prices are down, generally the bond market is able to recover after some time.
- 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 Manager 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 in value as the bond issuer may not be able to pay its obligations on interest payment dates and maturity date. Investments undergo a strict approval process. The Fund Manager reviews credit ratings and ensures that assets are of 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 Fund Manager tries to lessen the frequency of withdrawals by imposing an early redemption penalty for investors who withdraw from the Fund during the 180-day minimum holding period. By doing this, investors are discouraged to withdraw during the minimum holding period and the Fund 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 Fund 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 nor any other agency of the government, nor guaranteed by the Fund 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 Fund Manager, caused by the Fund Manager's ability or failure to "read the market" accurately. To mitigate this risk, the Fund Manager employs a thorough investment process, considering macroeconomic factors and integrating them in asset allocation models to optimize the return of the portfolio. The Fund 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 a combination of financial assets at fair value through profit or loss, available for sale, loans and receivables, and held to maturity.

PRINCIPAL PARTIES TO THE OFFER

Issuer	EKKLESIA MUTUAL 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 BRANCH 23/F Tower One, Ayala Triangle Ayala Avenue, Makati City
External Auditor	BDO ALBA ROMEO & CO. 7/F Multinational Bancorporation Centre 6805 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	Bank of the Philippine Islands - Asset Management and Trust Group
BPI Investment Corporation	BPI Investment Management, Inc. Ekklesia Mutual Fund, Inc.
Corporation Code	The Corporation Code of the Philippines (<i>Batas Pambansa Blg. 68</i>)
Credit 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
Debit Authority	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
Depository Receipt	The evidence of ownership of a Shareholder's holdings in the Fund
Distributors	Qualified Mutual Fund Sales Agents who shall offer the Fund's Shares to investors
Early 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
Fund	Ekklesia Mutual Fund, Inc.
Fund Manager	BPI Investment Management, Inc.
Investment Advisor	Bank of the Philippine Islands - Asset Management and Trust Group
Investment Company Act	The Investment Company Act of 1960 (Republic Act No. 2629)
NAV	Net Asset Value, defined as the value of the assets of the Fund, less the value of the liabilities
NAV per Share	NAV divided by the total number of Shares outstanding including deposits for subscription if there is a pending application to increase Authorized Capital Stock
NAV per Share	NAV divided by the total number of Shares outstanding including deposits for subscription if there are pending application to increase Authorized Capital Stock
Offer	The offer to the public for subscription to a maximum of 245,000,000 unclassified and voting common shares of the Fund at the Offer Price
Offer Price	The Fund's prevailing NAV per Share as of end of day on the date of purchase of the Shares

Offer Shares	The 245,000,000 unclassified and voting common shares of the Fund
Peso or PHP	Philippine peso, the lawful currency of the Republic of the Philippines
PDEX	Philippine Dealing and Exchange Corporation
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 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 No. 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 or BFSB 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 Ekklesia Mutual 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 shall be held primarily by religious orders, corporations, congregations or associations and stock or non-stock, for profit or non-profit educational institutions owned by, managed by, or affiliated with the religious orders, corporations, congregations and associations. The Fund will be a company owned by the Religious for the Religious. It is organized and incorporated to issue and offer its securities for sale in order to provide a safe and profitable investment to Religious Institutions.</p> <p>A corporate applicant for subscription to the Offer Shares shall declare and warrant 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 it owns Shares of the Fund.</p>
The Offer	<p>The Fund is offering to the public up to 245,000,000 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 245,000,000.</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>
Partial Redemption	<p>Partial redemptions of Shareholders shall be in amounts not less than One Thousand Pesos (PHP1,000.00) worth of Shares.</p>
Maintaining Balance	<p>At any time, Shareholders should have holdings worth at least PHP5,000. 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 the date of application. The Purchase Order should be received during the trading hours of 9:00 a.m. to 12:00 noon 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 Ekklesia Mutual Fund, Inc. (the "Fund") is a domestic corporation duly authorized to operate as an open-end investment company. The Fund was incorporated on October 28, 2003 with an authorized capitalization of PHP245,000,000.00 consisting of 245,000,000 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 medium- to long-term fixed-income securities denominated in Philippine Peso or major foreign currencies.

The Fund is best suited for moderately aggressive investors who are seeking safety of principal and growth on their investment. 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 the 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. The Fund does not own any property *such as* real estate, plant and equipment, mines, patents, etc. required to be disclosed under Annex C of SRC Rule 12.

The aggregate Net Asset Value of the domestic mutual fund industry reached PHP74.78 Billion in June 2010, with the size of the peso bond fund segment comprising about 44% of the whole mutual fund industry.

There are currently nine (9) peso bond funds available in the market with total net asset value of PHP 32.6 Bn. as of June 2010. The Fund shall be positioned distinctly as a mutual fund by the Religious for the Religious. It shall not endeavor to compete with the eight other bond mutual funds in the market dominated by ALFM, Philam, and Sunlife, and similar bond unit investment trust funds as it shall focus primarily in serving the financial requirements of a niche market. Since the principal method of competition in this industry is the NAV per share appreciation over time, the Fund shall rely on the active management of its appointed Fund Manager to provide investment returns that shall allow its investors to achieve their investment objective as well as participate actively in this shared advocacy by the religious. The wide distribution network of its appointed distributor shall provide the necessary convenience and access to the investors to carry out their transactions.

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 TWO HUNDRED FORTY FIVE MILLION PESOS (PHP245,000,000.00) divided into two hundred forty five million (245,000,000) shares with a par value of one peso (PHP1.00) per

share. The Fund shall offer to the public 245,000,000 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. There has been no dividends declared out of the Fund for the last two recent years and in their interim periods.

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

Principal Market

The Shares of the Fund are available for purchase primarily by religious orders, corporations, congregations or associations and stock or non-stock, for profit or non-profit educational institutions owned by, managed by, or affiliated with the religious orders, corporations, congregations and associations, through licensed mutual fund sales agents of the Fund's Distributors. Investors who have a moderately conservative risk profile are the primary target market of the Fund. The shares of the Fund are not traded publicly.

Net Asset Value per Share data:

Quarter ending	2010		2009		2008	
	High	Low	High	Low	High	Low
March	1.4937	1.4744	1.4273	1.3928	1.3990	1.3682
June	1.5028	1.4939	1.4490	1.4054	1.3989	1.3822
September	1.5375	1.5102	1.4704	1.4416	1.4071	1.3711
December	1.5789	1.5212	1.4764	1.4593	1.4142	1.3895

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 at a price of Net Asset Value per Share.

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:

FR. ROBERTO C. YAP, S.J., Ph.D. (Filipino Citizen – 49 years old)
Chairman
Term of Office as Director: March 2007 to Present

Fr. Yap is the Provincial Treasurer of The Society of Jesus (Isabela Cultural Corporation) (April 2007 – present) and an assistant professor of Economics at Ateneo de Manila University (November 2002 – present). He is also serving as Associate Director for John J. Carroll Institute on Church and Social Issues (June 2002 – present), and a Province Assistant for the Social Apostolate of the Philippine Province of the Society of Jesus (June 2004 – present). Fr. Yap obtained his Bachelor of Arts degree in Economics in Ateneo de Manila University where he graduated Cum Laude. Thereafter, he took up a Master of Arts degree in Economics at the New School for Social Resource, New York and a Master in Public Policy at Harvard University, Cambridge. He finished his Doctor of Philosophy in Economics at the University College London.

REV. FR. EDWIN A. LAO, O.P. (Filipino Citizen - 50 years old)

President

Term of Office as Director: December 2003 to Present

Fr. Edwin Lao served as the President of the Board of Trustees, Rector and President of Colegio de San Juan de Letran (Manila) (from 1999 – 2007) after serving as the Vice-Rector for Financial Affairs of the same institution from 1989 – 1999. He is a member of the Board of Trustees of the following educational institutions: University of Sto. Tomas (200-2006), Angelicum College (2000 – present), Angelicum School Iloilo (2000 – present), Colegio de San Juan de Letran (Laguna) (2000 – present), Holy Rosary Foundation (2002-2006), Aquinas University (Legaspi City) (2000 – present) and Our Lady of Manaoag College (Pangasinan) (2000 – present). He was also Chairman of the Board of Education of the Dominican Province of the Philippines from 1999-2007. Presently, he is a member of the economical council for the Dominican Province of the Philippines (1998 – present). Fr. Lao earned his Master in Management Degree from the Asian Institute of Management in 1996. He obtained his Bachelor's degree in Sacred Theology from the University of Santo Tomas in 1982.

FR. JESSIE M. HECHANOVA, CICM (Filipino Citizen – 59 years old)

Director

Term of Office as Director: March 2006 to Present

Fr. Jess Hechanova is the President of the St. Louis University of Baguio (SLU) (2005 – present). From 2001-2004 he was a member of the Ad-Hoc committee on Internationalization and Interculturality in Rome. Prior to his current post at SLU Baguio, he was also President of St. Mary's Academy of Bayombong, Nueva Vizcaya (1997 – 2005). He was also Chaplain-director at SLU Laboratory Schools, Baguio City from (1995 – 1997).

FR. BONIFACIO FLODELIZA, CSsR (Filipino Citizen – 76 years old)

Director

Term of Office as Director: December 2003 to Present

Fr. Bonifacio Flordeliza is currently the Treasurer of the Redemptorist Vice-Province of Manila and of the Antipolo Seminary Foundation (Since 2002 – present). He took up his Philosophical and Theological studies in Victoria, Australia.

BRO. ROMULO Q. ANGELES, O.P. (Filipino Citizen – 57 years old)

Director

Term of Office as Director: January 2010 to Present

Bro. Angeles is currently the Asst. Vice Rector, Financial Affairs Division, and Member of the Economic Council of Colegio de San Juan de Letran from 2007 up to the present. His previous responsibilities include Vice Rector, Financial Affairs Division (2004 – 2007), Asst. Treasurer, Financial Affairs Division (2002 – 2004) and Asst. Treasurer for Bookstore Management (1998 – 1999) of Colegio de San Juan de Letran. He completed his elementary and high school education at St. Mary's Academy and obtained his college degree from Adamson University in 1973.

SR. EMELINA VILLEGAS, ICM (Filipino Citizen – 73 years old)

Director

Term of Office as Director: March 2006 to Present

Sr. Emelina Villegas is currently the District Superior of ICM, a position she has occupied since 2001. She is a professor of theology.

JOSE M. DIOKNO (Filipino Citizen – 55 years old)

Director

Term of Office as Director: December 2003 to Present

Mr. Jose M. Diokno is a Vice-President of Multinational Investment Bancorporation and has been servicing the finance related needs of the religious community for the past 20 years. He is also currently the Treasurer and Chairman of the Credit Committee of Center for Small Entrepreneurs (1997 – present), a non-governmental organization funded by Belgium which provides financial assistance to micro and small entrepreneurs. He is also currently Treasurer and Member of the Board of Trustees of Social Action Foundation for Rural Development (SAFRUDI), a non-government organization (2004 – present). Mr. Diokno is also a member of the Rotary Club of Makati-North (1993 – present) and of the Canadian Chamber of Commerce (2004 – 2008). He earned his Bachelor's of Science degree in Business Administration from the Philippine School of Business Administration in 1980.

MABINI L. JUAN (Filipino Citizen – 64 years old)

Independent Director

Term of Office as Director: December 2003 to Present

Mr. Mabini Juan is currently President and Chief Executive Officer (CEO) of the Manila Bankers' Life Insurance Corporation (July 2008 – present). He has also been serving as the Chairman and CEO of Actuarial Advisers, Inc. (AAI) (1997 – present) and Manor Management Corporation (1997 – present). In the past, he also served as the Senior Executive Vice President and CEO for Insular Life (1994 – 1996), Insurance Consultant for Insular Life (1990 – 1993), and Executive Vice President for Philamlife (1981 – 1989). He is a member of the Management Association of the Philippines (Since 1988 to present), the American Chamber of Commerce (Since 1997 to present), the Actuarial Society of the Philippines (Since 1970 to present), the American Academy of Actuaries and International Institute of Actuaries (both since 1976 to present). Mr. Juan earned his M.S. in Mathematics (Major in Actuarial Science) from the University of Michigan in 1968. He took his Graduate Studies in Statistics in 1967 at the University of the Philippines and earned his Bachelor's Degree in Mathematics from the same school in 1965.

PERCIVAL A. EVARISTO (Filipino Citizen – 62 years old)

Independent Director

Term of Office as Director: March 2005 to Present

Mr. Percival Evaristo is currently a partner at the EV & Associates (2002 – present), and a Director and Treasurer for Cagayan De Oro Plastic Innovation, Inc. (2004- present). He has more than 39 years experience in Finance and Treasury from corporations both local and abroad. He is a member of the Financial Executives Institute of the Philippines (FINEX) (1976 – present). He took his Executive Program in the University of Michigan in 1983. He earned his Masters in Business Administration (Corporate Finance and Investments) in New York University in 1976 and earned his bachelor's degree in Accounting in De La Salle University in 1966. He became a Certified Public Accountant in 1967.

ATTY. SABINO B. PADILLA IV (Filipino Citizen – 49 years old)

Corporate Secretary

Term of Office as Corporate Secretary – June 2010 to Present

Atty. Sabino B. Padilla IV, 47 years old, is the Corporate Secretary of the Fund. Atty. Padilla graduated with a degree in Bachelor of Laws from the University of the Philippines in 1985. He then received his Master of Laws from the Harvard University, USA in 1988. He is currently a partner of the Padilla Law Office which is legal counsel to various religious orders, societies and congregations for men and women as well as educational institutions and hospitals operated by them, and to BPI and its subsidiaries. Atty. Padilla is also the Corporate Secretary of the other mutual funds such as ALFM Peso Bond Fund, Inc, ALFM Dollar Bond Fund, Inc., ALFM Euro Bond Fund, Inc, ALFM Money Market Fund, Inc., ALFM Growth Fund, Inc., Philippine Stock Index Fund, a position which he held since the funds' incorporation and of Bahay Pari Solidaritas Fund, Inc..

Significant Employees

No significant employee is expected by the Company to make a significant contribution to its business.

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. Mabini Juan and Mr. Percival Evaristo 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 PHP6,600.00 per year covering one regular meeting and 3 special meetings for a total of around PHP59,400 for 2010. Director's fees amounted to P38,400 in 2009 and P27,600 in 2008. 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 the Fund, 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 the Fund 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 of 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

Legal Proceedings

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

Involvement in Certain Legal Proceedings

Since incorporation 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 Ekklesia Mutual 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.

BDO Romeo Alba 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 ending December 31, 2010 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. The external auditor has conducted the annual audit of the Fund's financial statements as of December 31, 2009. Audit fees for 2009 amounted to PHP184,100, and PHP153,900 for the year 2008. 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. Nolledo**, 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: Bank of the Philippine Islands, BPI Family Savings Bank, BPI Capital Corporation, Ayala Land, Inc., Anvaya Cove, Inc., Ayalafil, 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. He previously served as the head of many of BPI's departments, including Asset Management & Trust Group - Portfolio Management Unit, BPI Private Banking Unit, BPI Capital - Corporate Finance Group, BPI - 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 for 2008 and 2009-2010. Mr. Sison is also the Treasurer of the ALFM Family of Funds. He was an Industry Governor in the Market Governance Board of the Philippine Dealing & Exchange Corp. in 2008. Mr. Sison graduated from the Ateneo de Manila University with an A.B. in General Studies (*Honorable Mention*). He obtained his M.B.A. degree at the University of the Philippines.
- c) **Adelbert A. Legasto**, Filipino, born in 1947, 62 years old, serves as Executive Vice President of BPI. 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. 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.
- d) **Ma. Theresa Marcial-Javier**, Filipino, born in 1970, 40 years old, serves as Senior Vice President and Group Head of BPI Asset Management and Trust Group. She is currently the President of the Fund Managers Association of the Philippines, Chairman of the TOAP Unit Investment Trust Fund Council, and an Alternate Governor of the Philippine Dealing and Exchange Corp. She holds a B.S. Economics

degree from U.P. Los Baños and earned her Master's degree in Economics from the University of the Philippines. She completed an Executive Education Program, the CFA Institute Investment Management Workshop at Harvard Business School, as well as the Advanced Management Program at Harvard.

- e) **Jesus V. Razon, Jr.**, Filipino, born in 1946, 64 years old, is an independent director. 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. Mr. Razon graduated from the Ateneo de Manila University with an A.B. Economics degree and completed his Master's in Management from the Asian Institute of Management.

- f) **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 from San Sebastian College 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 also from San Sebastian College 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 0.875% p.a. based on the Net Asset Value of the Fund, or a minimum annual fee of PHP100,000.00, whichever is higher. 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 primarily religious orders, corporations, congregations or associations, and stock or non-stock, for profit or non-profit, educational institutions owned by, managed by, or affiliated with the religious orders, corporations, congregations and associations. 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. Nevertheless, the Fund's Distributor has the discretion to waive such sales load as it deems fit.

The principal distributor of the Fund is BPI Investment Management, Inc., which is duly licensed 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 Investment Advisor is entitled to receive an advisory fee of not more than 0.875% p.a. based on the Net Asset Value of the Fund, or a minimum annual fee of PHP100,000.00.

THE CUSTODIAN BANK

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

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 maintained 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 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 PDEX 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 the Fund.

Mutual Fund sales agents and accredited brokers are required to forward the Account Opening Form and/or Debit Authority/Purchase Order for purchase of Shares to the Service Administrator on the same business day they are received. Subscriptions for the purchase of shares received on or before 12:00 noon (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 Order, 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 12:00 noon of such day. Redemption Orders received after 12:00 noon 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 Order is received by the Fund. Due to the inherent nature of the Fund, however, where redemptions are funded by selling fixed-income 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 securities. The Fund shall be entitled to collect an Early Redemption Fee based on the Peso amount of the Shares redeemed in accordance with the following schedule:

HOLDING PERIOD	EARLY 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 Dealing and Exchange Corp., 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

The Fund 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 in accordance with the Philippine Financial Reporting Standards. 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 and market risk 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 dividends 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 fixed income securities denominated in Philippine Pesos and major foreign currencies, 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 achieve growth through income derived from medium- to long-term fixed income instruments. As such, the Fund may be considered as a moderately aggressive fund.

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 the Fund. The Fund's investment concentration will be in obligations and evidences of indebtedness of the Philippine Government, the Bangko Sentral ng Pilipinas, other foreign governments and other government entities, the servicing and repayment of which are fully guaranteed by the Republic of the Philippines or the sovereign issuer. A portion of the Fund may also be invested in prime grade domestic or international corporate debentures as well as in savings or time deposits with Philippine or foreign government owned or private commercial banks, provided, that the issuers have been approved by the Board of Directors of the Fund. An adequate portion of the Fund will be invested in cash or near cash assets for liquidity purposes.

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 and INTERIM UNAUDITED FINANCIAL STATEMENTS

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

For the full year ended December 31, 2009, revenues reached PHP8.541 million, a 29% increase or PHP1.904 million higher than that recorded during the same period in 2008. Contribution to total revenues came from income from government securities and corporate bonds amounting to PHP6.336 million or 74% of total. Around 16% or PHP1.382 million came from short term instruments, while PHP1.390 million or 10% came from realized and unrealized marked to market gains/(losses).

The significant improvement is largely due to higher yielding corporate notes and bonds which increased from 11.13% of total market value in 2008 to 21.45% in 2009, thus resulting to a significant increase in income from these securities from PHP0.405 million in 2008 to PHP1.967 million in 2009. Capital gains or realized and unrealized market gains also increased from PHP0.328 million in ~~end~~ 2008 to PHP0.822 million in 2009 as interest rates dropped an average of 100 basis points or 1%.

Expenses for the period January to December 31, 2009 amounted to P3.082 million, a 13% drop year on year as a result of lower management fee rate which took effect in March 30, 2008 and lower assets under management. Management fess dropped by 15% from PHP3.141 million in 2008 to PHP2.667 million in 2009.

Changes in revenues and expenses resulted to a 77% increase in Net Income from PHP3.089 million in 2008 to PHP5.458 million in 2009.

Results of operations for the period January 1, 2009 to December 31, 2009 resulted to a 4.26% increase year on year in Net Asset Value per share (NAVps) of P1.4745 as against P1.4142 as of end-December 2008.

Material changes in balance sheet items from December 31, 2008 to December 31, 2009 were due to the following:

Cash and Cash equivalents. A substantial amount of assets, P102 million or 74.97% is parked in cash and bank deposits in line with the expectation of a reversal in interest rates in January. Historically, interest rates decline in the third quarter on account of window-dressing. Subsequently, interest rates of government securities and corporate papers increase in January as holders unload these investments since the succeeding year presents different views on fiscal measures, inflation rate and the economy as a whole.

In line with the increase in cash and bank deposits, investments in government securities declined by P45 million to settle at P4.70 million.

Investments in other securities or debt instruments or corporate bonds increased from P15.84 million to P29.26 million year on year as more assets are invested in higher yielding instruments. Additional corporate names were San Miguel Brewery, Philippine National Oil Company – Energy Development Corporation, and JG Summit Holdings.

Accrued interest receivable. Accrued interest receivables increased by 9.98% on account of higher weighted average portfolio yield and longer accrual period of interest.

Net Assets. On December 31, 2009, Net Assets settled at P136M a decrease of 3.92% or P5.57 million from end-2008. The lower equity despite better investment performance is largely due to substantial redemptions from St. Theresa's College (P12.42 million) and Head, Missionaries of the Sacred Heart (P2.02 million).

Liability items. Due to Asset Management or liabilities for management fees increased 38% because of the longer period over which the payment has not been remitted to the Fund Manager.

Redemptions representing 10.23 million shares amounting to P14.46 million resulted to negative net subscriptions for the year ended 2009. This resulted from substantial withdrawals by clients for their respective organization's cash requirements. Further, lack of subscriptions for the first half of 2009 resulted from the influx of new corporate bond issuances that offered attractive yields to investors shifting their preference to the said investments that offered guaranteed yields.

Assets under management (AUM) as of end December 2009 declined by 3.78% year-on-year, compared to total AUM as of the same period a year before. The decline is due to shareholder net redemptions amounting to P7.896 million shares.

There were no other significant changes in the operations of Ekklesia Fund for the period above described.

No significant elements of income arose during the period other than those generated from the registrant's continuing operations.

Top 5 Key Performance Indicators as of December 31, 2009

The top five (5) performance indicators that Ekklesia Mutual Fund, Inc. monitors are the following:

- 1) **Local Interest Rates** – Ekklesia Mutual Fund is a bond fund invested primarily in Philippine government securities. As such, the movement of local interest rates has a direct impact on the operations and performance of the Company.
- 2) **US Interest Rates** – Local interest rates usually follow the movement of US 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 US 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.
- 4) **Philippines' 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) **US Dollar-Peso Exchange Rate** – The Bangko Sentral ng Pilipinas (BSP) uses its monetary tools to manage the US Dollar-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.

On Certain Items noted by the Office of the General Accountant with regard to the presentation of the Annual Financial Statements as of December 31, 2009.

1. On presentation of three (3) year comparative figures (SRC Rule 68.1)

The Company is exempted from 3 year comparative FS presentation as it takes relief from the exception as provided for in Section 17.2 of SRC in relation to SRC Rule 68.1:

SRC Rule 68.1 paragraph 1 states that:

In addition to those set forth under Rule 68, this Rule (together with subsequent official pronouncements, interpretations and rulings on accounting and reporting matters, which may be issued by the Commission from time to time) provides for the special requirements on the financial statements required to be filed with the Commission by corporations which file registration statements under Section 12 of the Securities Regulation Code (the "Code") or which meet the following criteria with respect to the requirements to file reports:

- a. Issuer which has sold a class of their securities pursuant to a registration under Section 12 of the Code*
- b. Issuer with a class of securities listed for trading on an Exchange; and*
- c. Issuer with assets of at least PHP50,000,000 or such other amount as the Commission shall prescribe and having 200 or more holders each holding at least 100 shares of a class of its equity securities as of the first day of the issuer's fiscal year.*

The company being an open ended investment company qualifies with item a above. However, related to that Sec. 12 mentioned above and Sec. 17.2 of the SRC on reportorial requirements:

17.2 The reportorial requirements of Subsection 17.1 shall apply to the following:

- a) An issuer which has sold a class of its securities pursuant to a registration under Section 12 hereof: Provided, however, That the obligation of such issuer to file reports shall be suspended for any fiscal year after the year such registration became effective if such issuer, as of the first day of any such fiscal year, has less than one hundred (100) holders of such class of securities or such other number as the Commission shall prescribe and it notifies the Commission of such:*
- b) An issuer with a class of securities listed for trading on an Exchange; and*
- c) An issuer with assets of at least Fifty Million Pesos (P50,000,000.00) or such other amount as the Commission shall prescribe, and having Two hundred (200) or more holders each holding at least One hundred (100) shares of a class of its equity securities; Provided, however, That the obligation of such issuer to file reports shall be terminated ninety (90) days after notification to the Commission by the issuer that the number of its holders holding at least one hundred (100) shares is reduced to less than One Hundred (100).*

The Company as of December 31, 2009 and 2008 has 30 stockholders owning 100 or more shares and therefore exempted by virtue of paragraph 17.2 (a) above.

For the succeeding annual submissions, the Fund shall make sure that a notice of exemption is filed in accordance with existing SEC regulations.

Nonetheless, hereunder is the Fund's comparative financial statements covering the three (3) year period December 31, 2009, 2008, and 2007.

EKKLESIA MUTUAL FUND, INC.
BALANCE SHEET

<i>Amounts in Philippine Peso</i>	December 31, 2009 (Audited)	December 31, 2008 (Audited)	December 31, 2007 (Audited)
ASSETS			
Cash and cash equivalents	103,044,931	76,866,834	168,020
Financial assets:			
Fair value through profit or loss	33,966,681	65,596,216	148,170,694
Available-for-Sale-Investments	-	-	-
Loan and Receivables, net	-	-	-
Interest Receivable	426,274	387,580	1,514,362
Total assets	137,437,886	142,850,630	149,853,076
LIABILITIES			
Accrued Expense Payable	95,027	107,360	68,760
Due to Asset Management Company	679,187	502,398	615,378
Total liabilities (excluding net assets attributable to shareholders)	774,214	609,758	684,138
Net assets before adjustment from bid market prices	136,663,672	142,240,872	149,168,938
NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS	136,663,672	142,240,872	149,168,938
NET ASSET VALUE PER SHARE	1.2188	1.2955	1.3814

NET ASSET VALUE BROKEN DOWN AS FOLLOWS:

Capital Stock

Authorized- 245,000,000 common shares at P1.00 par value			
Issued and Outstanding:			
112,132,783 at P1.00 par value for 2009	112,132,783		
Treasury Shares- 19,448,684 in 2009, 9,214,045 in 2008 or 276,453 in 2007 at P1.00 par value	(19,448,684)	(9,214,045)	(276,453)
109,794,385 at P 1.00par value for qtr 2008		109,794,385	
107,981,743 at P 1.00par value for qtr 2007			107,981,743
Additional paid-in capital	7,868,525	11,008,259	13,901,249
	100,552,624	111,588,599	121,606,539
Retained Earnings			
Beginning	30,652,273	27,562,399	24,332,065
Net income for the period	5,458,775	3,089,874	3,230,334
end	36,111,048	30,652,273	27,562,399
NET ASSET	136,663,672	142,240,872	149,168,938

EKKLESIA MUTUAL FUND, INC.
INCOME STATEMENT

<i>Amounts in Philippine Peso</i>	December 31, 2009 (Audited)	For the Years Ended December 31, 2008 (Audited)	December 31, 2007 (Audited)
INCOME			
Interest Income	7,719,066	6,309,303	6,854,155
Other Income	-	-	-
Net gain on investments	-	-	-
Unrealized fair value gain (loss)	206,460	1,068,840	356,535
Realized gain (loss) on sale	616,012	(740,731)	(152,389)
	<u>8,541,538</u>	<u>6,637,412</u>	<u>7,058,301</u>
EXPENSES			
Management fees	2,667,752	3,141,837	3,382,603
Taxes and Licenses	31,115	31,990	58,268
Professional fees	184,100	153,900	140,320
Miscellaneous Expense	199,796	219,811	246,776
	<u>3,082,763</u>	<u>3,547,538</u>	<u>3,827,967</u>
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO SHAREHOLDERS	<u>5,458,775</u>	<u>3,089,874</u>	<u>3,230,334</u>
Provision for final tax	-	-	-
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS ATTRIBUTABLE TO SHAREHOLDERS	<u>5,458,775</u>	<u>3,089,874</u>	<u>3,230,334</u>
EARNINGS PER SHARE	<u>0.0487</u>	<u>0.0281</u>	<u>0.0299</u>

EKKLESIA MUTUAL FUND, INC.
STATEMENTS OF CHANGES IN NET ASSETS

	For the Years Ended		
<i>#REF!</i>	December 31, 2009	December 31, 2008	December 31, 2007
NET INCREASE IN NET ASSETS FROM OPERATIONS ATTRIBUTABLE TO SHAREHOLDERS	5,458,775	3,089,874	3,230,334
NET INCREASE IN NET ASSETS RESULTING FROM CAPITAL STOCK TRANSACTIONS			
Issuance of capital stock	3,424,116	2,495,477	18,636,177
Redemption of capital stock	(14,460,091)	(5,361,767)	-
	<u>(11,035,975)</u>	<u>(2,866,290)</u>	<u>18,636,177</u>
NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS	<u>(5,577,200)</u>	<u>223,584</u>	<u>21,866,511</u>
Beginning of period	142,240,872	142,017,288	127,302,427
End of period	<u>136,663,672</u>	<u>142,240,872</u>	<u>149,168,938</u>

EKKLESIA MUTUAL FUND, INC.
STATEMENT OF CASH FLOWS

#REF!	December 31, 2009 (audited)	For the Years Ended December 31, 2008 (audited)	December 31, 2007 (audited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net increase in net assets resulting from operations			
Net Investment Gain (Loss)	5,458,775	3,089,874	3,230,334
Adjustments for:			
Net change in fair value of investments	(206,460)	(1,068,840)	(356,535)
Interest Income			
Interest Received			
Operating income before charges in operating assets and liabilities	5,252,315	2,021,034	2,873,799
(Increase) decrease in :			
Financial Assets at fair value through profit /loss	31,835,995	83,643,318	(21,991,079)
Other assets	-		
Receivables	(38,694)	1,126,782	444,208
Increase (decrease) in :			
Management fees payable	(12,333)	38,600	(2,880)
Due to Brokers	-		
Other Payables	176,789	(112,979)	122,402
Net cash provided by (used) in operating activities	37,214,072	86,716,755	(18,553,550)
Income taxes paid			
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of capital stock	(801,336)	(1,080,349)	18,636,177
Redemption of Capital Stock			
Treasury Shares	(10,234,639)	(8,937,592)	
Net cash (used in) provided by financing activities	(11,035,975)	(10,017,941)	18,636,177
NET INCREASE IN CASH	26,178,097	76,698,814	82,627
CASH AND CASH EQUIVALENTS			
Beginning of period	76,866,834	168,020	85,393
End of period	103,044,931	76,866,834	168,020

2. On classification of “Cash and Cash Equivalents” according to the categories provided under PAS 39

Note 2.6 notes of the Company’s policy for cash and cash equivalents. This includes deposits in local banks and short-term highly liquid investments with original maturities of 3 months or less from the date of acquisition and subject to insignificant risks of change in value. Note 11 to the financial statements classifies cash and cash equivalents as financial assets in accordance with PAS 39.

3. On disclosures of “Financial Assets at Fair Value Through Profit or Loss”, i.e. basis of fair value of government securities and private debt securities, level in the hierarchy (PAS 39 and PFRS 7)

Note 4 to the financial statements merely enumerates the Company’s Fair Value through profit or loss (FVPL) and should be read alongside Note 2 which talked of policy and basis of fair value for instruments. The policy of measuring FVPL (including government and private debt instruments) is to have this carried on fair value on quoted investments in active market (PDEX rates) and therefore using level 1 fair value hierarchy.

4. On requirement for a quantitative analysis of each financial risk (PFRS 7)

The quantitative disclosures provide information about the extent to which the entity is exposed to risk, based on information provide internally to the entity's key management personnel. These disclosures include: (IFRS 7.34)

- Summary quantitative data about exposure to each risk at the reporting date
- Disclosures about credit risk, liquidity risk, and market risk and how these risks are managed as further described below
- Concentrations of risk

Note 10 under Credit risks mentions that as of December 31, 2009 financial assets at FVPL consisting of government securities composed of TNS Retail Treasury Fixed Income Bonds amounting to P4,702,558 are considered virtually risk-free investments since these are issued and guaranteed by the Philippine government. Private debt securities amounting to P29,264,123 have been rated "PRS Aaa" by PhilRatings thus possess smallest degree of investment risk as interest payments are protected by large or by an exceptionally stable margin and principal is secured. This connotes that there are zero credit risk.

Note 10 under Liquidity Risks speaks of company investing to highly liquid investments such as Treasury notes or bills, BSP Certificates of Indebtedness which are short-term, and other government securities or bonds and such other evidences of indebtedness or obligations, servicing of and repayment of which are **fully guaranteed** by the Republic of the Philippines while its current financial liability only pertains to accrued expenses (out of ordinary expenses due third parties) and due to asset management fees of the fund administrator. This means that the Company has no liquidity risk as the Company's financial position shows that the Company is highly liquid.

Note 10 under Market Risk speaks that the Company's market risk policy restricts the amount of investment in any single enterprise to 10% of the company's net asset value unless such investment is fully guaranteed by the Republic of the Philippines. Conversely, the total investment of the Company in any one investee company must not exceed 10% of its outstanding securities. Based on this, the Company has very minimal market risks.

5. On discussion on capital management, i.e., amount of minimum required capital, what management considers as capital (ICA 35-1 and PAS 1)

Note 10 to the financial statements discusses capital management. It states there that one of the primary objectives of the Company's capital management is to ensure that it complies with externally imposed capital requirements. This should be read alongside Note 7 that discusses the capital stock that the Company manages. This is the same capital as presented in the statement of changes in net assets.

Management Discussion on Unaudited Financial Statements as of September 30, 2010

The transfer of securities of Ekklesia Mutual Fund from Multinational Investment Bancorporation to BPI Investment Management, Inc. was successfully completed in August 2010. The Fund will be open for new subscriptions in the second week of November 2010.

Ekklesia Mutual Fund' net asset value ending third quarter of 2010 stood at P141.96 million, higher by 3.9% (or P5.2 million) from P136.66 million as of December 31, 2009.

As of end September 2010, 39% of the Fund's portfolio was invested in government securities, 36% in medium-term corporate Notes and Bonds, 7% in long-term corporate Notes and Bonds, and 18% in cash and money market instruments. The fund's duration was at 2.99.

Cash and money market investments ended lower by PhP79.5 million vs. year-end as investments in government and corporate securities were increased consequently duration also increased. With the additional investments in government and corporate securities, interest receivable increased by PhP1.0 million. Loans and receivables increased as the Fund invested in the fixed rate note facility of Philippine Long Distance Telephone Company yielding 6.8615% within the quarter.

Total net income for the quarter was marginally higher vs. the same period last year, mostly accounted for by the higher fair value gains on securities which more than made up for the lower interest income. Expenses were relatively unchanged from the prior year.

Interest rates declined significantly over the quarter given an improving government fiscal position, successful funding measures, and continuing benign inflationary expectations. The government's fiscal position dramatically improved given better collections from the Bureau of Internal Revenue and Bureau of Customs as well as decreased government spending ending the quarter with a deficit that is PhP14Billion below the government's target of PhP274Billion. The government was able to successfully auction Retail Treasury Bonds (RTB) and Global Peso Notes (GPN) in the third quarter. This year saw the first 10-year RTB issue, which received strong interest accounting for 32.5% of the total PhP97.5Billion issuance. The government issued an innovative instrument in the GPN, a peso denominated note that is settled in US Dollars, thus broadening the investor base and allowing the government to draw on a new sector for its domestic fund raising. Inflation has remained well anchored ranging from 3.5% to 4.0% for the quarter.

For the fourth quarter, we will increase our duration to take in positions above the 10-year tenor as we expect market liquidity to look for reinvestment opportunities in the government bond market. A planned Peso Bond Swap where the government would lengthen its maturity profile and which may increase the liquidity of the long-dated government bonds may further support the bond market. We remain watchful of fiscal numbers and how the government fares against targets for the year.

Top Four Key Performance Indicators

- a) Performance vis-à-vis the Benchmark – Ekklesia Mutual Fund is an actively managed bond fund whose objective is growth through investments in a diversified portfolio composed of medium to long-term fixed-income investment instruments denominated in Philippine Peso or major foreign currencies. The Fund has to outperform its benchmark consistently on a year-on-year basis. Ekklesia Mutual Fund posted a year-to-date absolute return of 3.09% and an absolute past 1 year 3.75% for the period ending September 30, 2010, outperforming its benchmark 91-day Treasury bill absolute year-to-date and past 1 year return of 2.37% and 3.19%, respectively.

- b) NAV Growth vis-à-vis Industry Growth - We expect the Ekklesia Mutual Fund to match the growth of the industry. As of the third quarter of 2010, Ekklesia's growth in net asset value was lower at 3.9% vis-à-vis the Philippine Peso Bond Fund industry's growth of 18.0% on a year-to-date basis. Moving forward this may improve given the distribution of the Fund beginning the second week of November 2010.
- c) Portfolio Quality - The Fund's portfolio should at all times, adhere to the investment parameters as indicated in the Fund's prospectus. As of end September 2010, 39% of the Fund's portfolio was invested in government securities, 36% in medium-term corporate Notes and Bonds, 7% in long-term corporate Notes and Bonds, and 18% in cash and money market instruments.
- d) Performance vis-à-vis Competition - The Fund's performance is also compared against the performance of other players in the market. As of September 2010, Ekklesia Mutual Fund has lagged its competitor bond Mutual Funds ranking eighth in terms of absolute year-to-date returns, seventh in terms of absolute past 1 year returns, and sixth in terms of risk adjusted returns.

These performance indicators are reported to the Board of Directors on a regular basis.

Other disclosures:

- There are no known events that will trigger direct or contingent financial obligation that is material to the company including any default or acceleration of an obligation.
- There are no known material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
- There are no known trends, events or uncertainties that have had or that are reasonably expected to have material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- There are no known significant elements of income or loss that did not arise from continuing operations.

DISCLOSURE TO FINANCIAL STATEMENTS

As of 30 September 2010

1. The interim financial report is in conformity with generally accepted accounting principles.
2. The same accounting policies and methods of computation are followed in the interim financial statements compared with the most recent annual financial statements.
3. Basis of preparation

The financial statements of the Fund have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS, in general, includes all applicable PFRS, Philippine Accounting Standards (PAS), interpretations of Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC), and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

Determination of Fair Value

The fair value of financial instruments traded in active markets is based on quoted bid prices at the balance sheet date. The fair value of financial assets that are not traded in an active market, if any, is determined by using valuation techniques commonly used by market participants. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

4. There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.
5. Classification

Cash and Cash Equivalents

Cash and cash equivalents include deposits held at call with bank and short-term highly liquid investments with original maturities of three months or less from the date of acquisition.

Financial Assets

The fund classifies its investments as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity securities and available-for-sale securities. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its investments at initial recognition. As of September 30, 2010 and December 31, 2009, the Fund has no financial assets under available-for-sale and held-to-maturity categories.

- (a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are classified as held for trading as they are acquired principally for the purpose of selling in the near term or they are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

See Annex A for the Investments for the Quarters Ended September 30, 2010 & December 31, 2009.

- (b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. The Fund's loans and receivables include Cash and Cash Equivalents and Accrued Interest Receivable .

6. Financial Risk Management

The Fund's activities expose it to a variety of financial risks: market risk (primarily price risk and interest rate risk), credit risk and liquidity risk. All of the Fund's assets and liabilities are denominated in Philippine Peso and is not therefore exposed to foreign exchange risk. The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Fund's financial performance.

The management of these risks is carried out by the Fund Manager under policies approved by the Board of Directors (BOD). The BOD approves written principles for overall risk management as well as written policies covering specific areas. Any prospective investment shall be limited to the type of investments described in the prospectus of the Fund thereby limiting the risk exposure of the Fund to the risk inherent on investments approved by the investors.

The Fund has established risk management functions with clear terms of reference and with the responsibility for developing policies on market and liquidity risks. It also supports the effective implementation of policies. The policies define the Fund's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets to the corporate goals and specify reporting requirements.

(a) Market price risk

The Fund trades in financial instruments, taking positions in traded and over-the-counter instruments, to take advantage of short-term market movements primarily in the bond markets. Trading positions are reported at estimated market value with changes reflected in the statement of total comprehensive income. Trading positions are subject to various risk factors, which include primarily exposure to interest rates.

The Fund's price risk exposure principally relates to debt securities issued by the Republic of the Philippines (ROP) classified as financial assets at fair value through profit or loss whose market values fluctuate as a result of changes in interest rates or factors specific to their issuers. The Fund's interest-bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Fund Manager moderates this risk through a careful selection of securities and other financial instruments within specified limits.

The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Fund's overall market positions are monitored on a daily basis by the Fund Manager and are reviewed on a monthly basis by the BOD.

The Fund's market price risk is managed through diversification of the investment portfolio ratios by exposures. The Fund is also actively managed via portfolio duration management, yield curve positioning, credit diversification, portfolio quality and liquidity management.

To estimate its exposure to market price risk, the Fund Manager computes the statistical value at risk" (VAR) of its investments. The VAR measurement estimates the maximum loss due to adverse market movements that could be incurred by a portfolio during a given holding period with a given level of confidence. The Fund Manager uses a one month holding period, estimated as the number of days required to liquidate the investment portfolio, and a 99% degree of confidence in the computation of VAR. As such, there remains 1% statistical probability that portfolios' actual loss could be greater than the VAR estimate.

As of December 31, 2009, the Fund's VAR with respect to price volatilities amounts to 108,081.

(b) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Fund takes on exposure to the effects of fluctuation in the prevailing levels of market interest rates on both its fair value and cash flow risks.

The Fund's financial assets at fair value through profit are mostly non-repricing and hence exposed to fair value interest rate risk. The Fund Manager monitors this risk through the VAR calculation. The Fund's financial liabilities are all non-interest bearing.

(c) Credit risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Fund manages the level of credit it accepts through setting up of exposure limits by each counterparty or group of counterparties. The maximum investment of the Fund in any singly enterprise shall not exceed an amount equivalent to ten percent (10%) of the Fund's net asset value except obligations of the Philippine government or its instrumentalities, provided that in no case shall the total investment of the Fund exceeds ten percent (10%) of the outstanding securities of any one investee company.

Credit risk is likewise minimized through diversification or by investing in a variety of investments belonging to different sectors or industries. The Fund's main credit risk exposure is on cash and ROP securities classified as financial assets at fair value through profit or loss. The carrying amounts of these securities as shown in the balance sheet represent the Fund's maximum exposure to credit risk. There are no financial assets that are either past due or impaired as of December 31, 2009.

The Fund's ROP securities classified as financial assets at fair value through profit or loss is rated "BB+" by Standard and Poor's as of December 31, 2009.

The Fund's cash was deposited with Bank of the Philippine Islands, a local universal bank.

In accordance with the Fund's policy, the Fund Manager monitors the Fund's credit position on a daily basis, and the BOD reviews it on a monthly basis.

(d) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily cash redemptions of redeemable shares.

In accordance with the Fund's policy, the Fund Manager monitors the Fund's liquidity position on a daily basis to ensure that excess cash positions are invested in fixed-income securities and redemptions are funded within the prescribed period indicated in the Fund's prospectus.

The Fund also manages its liquidity by investing predominantly in securities that it expects to be able to liquidate within 7 days or less. It therefore invests the majority of its assets in investments that are traded in an active market and can be readily disposed of. The Fund's financial assets at fair value through profit or loss and cash and cash equivalents can be liquidated within 7 days from transaction date.

(d) Capital risk management

The capital of the Fund is represented by total equity as shown in the balance sheet. The Fund's total equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of shareholders. The Fund's objective when managing capital is as follows:

- i) Safeguard the Fund's ability to continue as a going concern in order to provide returns for stakeholders;
- ii) Maintain a strong capital base to support the development of the investment activities of the Fund and;
- iii) Comply with the minimum subscribed and paid-in capital of P50 million required for investment companies under Investment Company Act of 1960.

In order to maintain or adjust the capital structure, the Fund's policy is to perform the following:

- i) Monitor the level of daily subscriptions and redemptions relative to the assets it expects to be able to liquidate within 7 days; and
- ii) Redeem and issue new shares in accordance with the Fund's prospectus, which include the ability to restrict redemptions and require certain minimum holdings and subscriptions.

The Board of Directors and Fund Manager monitor capital on the basis of the value of total equity.

7. 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.

Description	FOR THE QUARTER ENDED SEPTEMBER 30, 2010				FOR THE QUARTER ENDED ENDED DECEMBER 31, 2009			
	Cost	Fair Value	Unrealized Gain/(loss) FV vs. Cost	Realized Gain/(Loss)	Cost	Fair Value	Unrealized Gain/(loss) FV vs. Cost	Realized Gain/(loss)
Investment in Philippine Gov't. Treasury Bills	106,209,771	105,189,955	7,335	311,153	49,679,307	49,529,040	150,268	85,458
Loans	50,676,145	50,552,580						
Other Securities & Debt Instruments								
Grand Total	156,885,916	155,742,535	7,335	311,153	49,679,307	49,529,040	150,268	85,458