

Investment Objective

The Fund is designed to achieve stable returns by investing in fixed income securities issued by the Philippine government and select companies.

Fund Facts

Fund Manager **ATR AM**

Bloomberg Ticker **PRULFIX PM**

Inception Date **3 January 2005**

Currency **PHP**

Fund Size **258.13 Million**

NAVPS **1.7486**

ATR KimEng Asset Management took over management of the Fund effective January 1, 2012.

Performance Overview



Figures as of 11.29.2012

Cumulative Performance %

	1 Mo	1 Yr	3 Yrs	5 Yrs	YTD	Since Inception
Fund	1.91	8.27	16.12	19.19	7.43	72.24

Annualized Performance %

	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs
Fund	8.27	5.22	5.11	5.09	3.57

Calendar Year Performance %

	2007	2008	2009	2010	2011
Fund	7.58	-3.32	3.69	5.12	2.88

Note: Performance figures are net of fees and taxes.

Manager's Report

Yields on Philippine government securities continued to fall to new lows in November, with the yield on the five-year benchmark falling 46 basis points to close the month at 3.74% from October's 4.20%. Robust demand for local debt and benign inflation provided support to the local fixed income market even as gross domestic product (GDP) growth surpassed estimates.

The country's debt rating was raised to its highest level since the start of 2004 by Moody's Investor Service, bringing it one step away from becoming investment grade. The Asian Development Bank (ADB) also noted the robust growth of the local bond market, with the country's bond market the second-fastest growing in East Asia as of the third quarter, second only to Singapore.

Robust demand for government securities pushed yields on new issuances to new lows. The Treasury bill auction saw the 91-day at 0.20%, the 182-day at 0.527% and the 364-day at 0.549%. The yields on the longer-dated five and seven-year Treasury bonds also fell. The Philippine government also issued P30.8 billion of 10-year global peso bonds at 3.9%. Demand was high as the order book reached \$5.8 billion with the bulk of orders coming from the United States and Europe.

The government is expected to borrow more from domestic sources in 2013. National Treasurer Rosalia V. de Leon said that the programmed mix of government borrowings for next year would be 80:20 in favor of local sources, up from this year's target of 75:25, as the government aims to take advantage of ample liquidity and record-low interest rates.

The government reported a budget deficit of P9.7 billion in October as revenues rose 29.2% while spending gained 15%. This brought the 10-month tally to P115.736 billion, still far below the ceiling for the year of P279 billion or 2.6% of GDP, indicating that the higher spending was still below the programmed target for 2012.

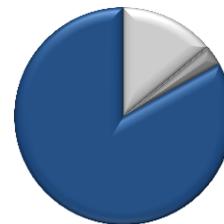
October inflation slowed to a four-month low of 3.1% from September's 3.6%, at the low end of the Bangko Sentral ng Pilipinas' (BSP) target inflation range of 3-5% for 2012-2014. Then to cap the month on a positive note, the country's GDP grew at 7.1% in the third quarter, a two-year high and up from the second quarter's 6% and beating the consensus of 5.4%. The growth rate, which is the fastest in the Association of Southeast Asian Nations (ASEAN), was driven by growth in consumer and government spending, construction, and external trade.

The portfolio did well with the fall in yields and we decided to book some gains on our longer term holdings, particularly the exposure to the newly issued 25-year Retail Treasury bond. Though we are of the view that rates will remain low for some time, the strong growth figures make it less pressing for the BSP to cut rates further from its current policy rate of 3.50%, something which the market is still somewhat pricing in. We have thus reduced the duration of the portfolio by switching to shorter-term securities, favoring 4-year and 8-year bonds where we see relative value.

Portfolio Analysis

Composition of the Fund

Portfolio Duration 4.75



- Cash/SDA (14%)
- Corporate Bonds (3%)
- FXTN (83%)

Top Holdings

Holdings	% of Port.
FXTN 1042 09-04-2016 9.125%	42.4%
Phil. Retail Treasury Bond 03-03-2021 7.375%	31.9%
FXTN 2017 07-19-2031 8.00%	8.5%
BSP SDA 12-28-2012 3.65625%	7.0%
San Miguel Brewery 04-03-2014 8.875%	2.5%
Ayala Corporation 05-11-2027 6.875%	0.2%

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Monthly Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Year	Cumulative
2005	0.57%	0.56%	0.56%	0.67%	0.63%	0.78%	1.12%	0.53%	0.30%	2.69%	5.54%	2.71%	17.87%	17.87%
2006	2.37%	3.65%	6.06%	2.44%	-0.37%	-1.61%	1.61%	2.30%	1.83%	2.08%	4.69%	1.42%	16.62%	37.46%
2007	-1.15%	2.13%	0.06%	-0.50%	1.13%	-1.54%	0.62%	-0.06%	1.91%	1.24%	1.24%	2.33%	7.58%	47.88%
2008	1.08%	-2.59%	-0.10%	-1.69%	-0.22%	-0.30%	0.24%	1.17%	-0.55%	-4.35%	2.91%	1.25%	-3.32%	42.98%
2009	2.29%	-0.01%	0.26%	0.27%	0.08%	0.05%	0.29%	3.46%	-3.05%	0.09%	0.09%	-0.05%	3.69%	48.26%
2010	0.19%	0.18%	0.14%	-0.02%	0.10%	0.23%	0.10%	1.02%	1.13%	1.29%	0.48%	0.17%	5.12%	55.84%
2011	-3.22%	-0.76%	0.99%	2.20%	-0.62%	0.87%	0.81%	1.48%	-0.97%	1.14%	0.28%	0.77%	2.88%	60.32%
2012	0.42%	1.78%	-0.95%	0.13%	-0.67%	0.92%	2.13%	0.17%	0.43%	0.98%	1.91%		7.43%	72.24%

Performance Relative to Reference Benchmark

	2005	2006	2007	2008	2009	2010	2011	2012YTD	Since Inception
Fund	17.87%	16.62%	7.58%	-3.32%	3.69%	5.12%	2.88%	7.43%	72.24%
Benchmark	18.51%	21.59%	5.76%	1.63%	8.20%	12.09%	12.82%	8.33%	129.58%
Over/under performance	-0.64%	-4.97%	1.82%	-4.94%	-4.50%	-6.97%	-9.95%	-0.90%	-57.33%

RISK- ADJUSTED RETURNS & STATISTICS

	1 yr	3 yr	5 yr	Since Takeover
Risk-adjusted Return	2.52	1.43	0.77	1.05
Information Ratio	(1.33)	(2.55)	(1.22)	(0.82)
Standard Deviation	3.19%	3.53%	4.73%	6.76%
Tracking Error	2.34%	2.20%	4.18%	4.41%

Note: Risk-adjusted returns and risk statistics are all annualized.

Asset Class	Phil Fixed Income
Domicile	Philippines
Risk & Investor Profile	Moderate Risk
Reference Benchmark	HSBC Phil. Local Bond Index
Management & distribution fee	1.20% p.a.
Type of shares	Common
Dealing frequency	Daily

PORTFOLIO ANALYTICS*

Percentage of Positive Months	75.79%
Average Gain in Positive Months	1.28%
Sharpe Ratio	0.05
Correlation with Reference BM	0.77
Beta (relative to reference BM)	0.87
Jensen's Alpha (relative to reference BM)	-3.10%

*Since launch

NAVPS publication	Trade date + 1
Investment Manager	ATR AM
Transfer Agent	Deutsche Bank AG, Manila Branch
Custodian	Deutsche Bank AG, Manila Branch
Fund Accountant	Deutsche Bank AG, Manila Branch
Auditor	SGV & Co.
Website	www.myoptimafunds.com

Definitions:

Beta of a fund measures its relationship with the benchmark. A beta of exactly 1 means that the fund's returns generally mirror the pattern of its benchmark's returns. A beta of greater than 1 means the fund will move in the same direction as the benchmark but by a greater amount. A beta of between zero and 1.0 implies that the fund's NAVps should generally move in the same direction as the benchmark, although in lesser magnitude. A beta of exactly zero implies that the fund's pattern of returns is completely unrelayed to the movement of the benchmark's returns. A negative beta indicates that the choice of benchmark may be inappropriate, and that a different benchmark should be selected.

Correlation measures how closely the movements of two variables are synchronized with each other. The maximum attainable correlation of 1.0 means that a pair of variables moves in perfect lockstep, in the same direction and magnitude; at the other extreme, the minimum possible correlation of -1.0 denotes that a pair of variables moves as perfect mirror images; meanwhile a correlation of exactly zero implies that the variables behave completely independently of each other. In the analysis of investments, correlation compares the direction and magnitude of a fund's returns with the direction and magnitude of a reference benchmark's returns.

Duration is a measure of a bond portfolio's sensitivity to interest rate changes. The longer the duration, the more the portfolio's value will go up (or down) when interest rates move down (or up).

Information Ratio measures how much excess return over a reference benchmark's returns an investment has yielded relative to the variability of said excess returns over benchmark returns. Information ratio is computed as the ratio of the mean of the fund's excess returns over benchmark returns (i.e., the *relative return*) to the fund's tracking error (i.e., the *relative risk*).

Jensen's alpha is a measure of a fund's excess return over its expected return as computed using CAPM (Capital Asset Pricing Model). The expected return considers the benchmark return, the fund's beta and the risk-free rate of return. A value of 1% indicates that the fund beat its expected return by 1%.

Risk-adjusted Return measures how much *absolute return* an investment has yielded relative to the amount of *absolute risk* taken. Risk-adjusted return is calculated by dividing the mean (average) of a fund's return by the standard deviation of the fund's returns.

Sharpe Ratio is a measure of risk-adjusted performance and is defined as the ratio of excess return over the volatility of an investment. Excess return refers to the return of the investment over the risk-free rate of return. A higher ratio means better risk-adjusted performance.

Standard Deviation is a measure of how widely dispersed the fund's returns are away from the mean of the fund's returns. A basic and widely-used statistical concept, standard deviation is often employed as a measure of *absolute risk* in the analysis of investments.

Tracking Error is a measure of how widely dispersed the fund's excess returns over the reference benchmark's returns were with respect to the mean of the fund's excess returns over benchmark returns. Tracking error is computed as the standard deviation of the fund's excess returns over benchmark returns. Tracking error is a measure of *relative risk*.

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