



The Mutual Fund Company of the Philippines, Inc.

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The Mutual Fund Company of the Philippines, Inc. (MFCP) (the "Fund") is a mutual fund company established in accordance with Republic Act No. 2629, otherwise known as the Investment Company Act, and duly registered with, and regulated by, the Securities and Exchange Commission (the "SEC").

A growth and income fund is designed to seek total return through long-term capital appreciation by investing in listed and non-listed equity and fixed-income securities of Philippine companies and debt obligations of the Government of the Republic of the Philippines and its instrumentalities. Shares in the Fund will be offered primarily to Filipinos.

The Fund's sponsor is *The Mutual Fund Management Company of the Philippines, Inc. (MF MCP)*, (the "Manager), with offices at The Peak Building, 107 Alfaro Street, Salcedo Village, Makati, Philippines. MF MCP also serves as investment adviser (the "Investment Adviser"), administrator (the "Administrator"), and distributor (the "Distributor") of the Fund's shares. Additional information about the Fund has been filed with the SEC and is available upon request.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THE ISSUANCE BY THE SECURITIES AND EXCHANGE COMMISSION OF THE PERMIT TO OFFER THE SECURITIES FOR SALE IS PERMISSIVE ONLY AND DOES NOT CONSTITUTE A RECOMMENDATION OR ENDORSEMENT OF SUCH SECURITIES.

SHARES OF THE FUND ARE NOT DEPOSITS OR OBLIGATIONS OF, OR GUARANTEED OR ENDORSED BY, ANY FINANCIAL INSTITUTION, AND ARE NOT INSURED BY THE PHILIPPINE DEPOSIT INSURANCE CORPORATION. SHARES OF THE FUND INVOLVE RISK.

The Date of this Prospectus is April 30, 1996

This Prospectus sets forth concisely the Information about the Fund that you should know before investing. It should be read carefully and retained for future reference.

No dealer, salesperson or other individual has been authorized to give any information or to make any representations other than those contained in this Prospectus in connection with the Fund. If given or made, such information or representations must not be relied upon as having been authorized by the Fund, the Investment Adviser, or the Distributor. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create an implication that there has not been any change in the facts set forth in this Prospectus or in the affairs of the Fund or the Investment Manager since the date hereof. However, if any material change occurs while this prospectus is effective, this prospectus will be supplemented or amended accordingly.

Prospectus Summary

The following summary is qualified in its entirety by the detailed information appearing elsewhere in this Prospectus.

The Sponsor: The Fund is managed and operated by MF MCP, an investment management company organized in 1995 by the Philippine National Bank ("PNB"); Clemente Fund Management Asia (CFMA), an affiliate of New York-based Clemente Capital Inc.; Daiwa Asset Management Company Ltd. ("DAIWA AM") and National Investment Trust Company of Taiwan ("NITC"). MF MCP provides operations, management, and technical services to the Fund, so that the Fund may offer a managed portfolio to Filipinos. MF MCP will also serve as Adviser and principal Distributor of the Fund's shares.

Investment Objectives: The Fund is designed to seek total return through current income and long-term capital growth through investment in listed and non-listed fixed income and equity securities of Philippine companies and debt obligations of the Government of the Republic of the Philippines and its instrumentalities. Shares in the Fund will be offered primarily to Filipinos.

Founding Shareholders: In a private placement, shares of the Fund were offered to and subscribed for by these government and private enterprises:

AFP-RSBS
Meralco Pension Fund
PLDT Beneficial Trust Fund
PNB Provident Fund
San Miguel Corporation Retirement Fund

Capitalization of the Fund is ₱ 1.2 billion. See “Capitalization and Ownership”.

Continuous Offering: The continuous offering commences approximately one week after completion of the initial sales period which ended on April 15, 1996. At that time, and thereafter, shares will be offered at the current net asset value per share plus applicable sales fee.

Minimum Investment : Minimum initial investment is Five Thousand Pesos (P5,000.00), minimum subsequent investment is One Thousand Pesos (P1,000.00) except for special purchase arrangement plans. See “Purchase of Shares”.

Redemption of Shares: Shares may be redeemed at net asset value, less any applicable contingent redemption fee, on any business day through the Shareholder Servicing Agent or through eligible dealers. See “Redemption of Shares”.

Shareholder Services:

Investment Account Statement
Automatic Reinvestment of Dividends and Capital Gains Distributions
Automatic Savings and Investment Plan

See “Shareholder Services” for more information concerning each of these services.

THE FUND

The **KABUHAYAN FUND** is a growth and income, diversified portfolio of the *The Mutual Fund Company of the Philippines, Inc.* (the “Fund”), a registered open-end investment company. The Fund seeks long-term capital appreciation together with current income.

Shares of the Fund’s common stock are available through eligible securities dealers that have entered into an agreement to sell shares with the Fund’s Distributor, *The Mutual Fund Management Company of the Philippines, Inc.* (“MF MCP”) or through a proprietary money center such as the AFP-RSBS Money Center at the Camp Gen. Emilio Aguinaldo, Quezon City. Shares may also be acquired directly through the Fund’s Distributor. See “Purchase of Shares”. Shares may be redeemed through eligible securities dealer, AFP-RSBS Money Center and directly through the Distributor. See “Redemption of Shares.”

Investment Policy

The Fund will invest only in Philippines entities. Under normal circumstances, the Fund intends to invest at least 40% of its net assets in equity securities of Philippine corporations which generate at least 50% of their revenues from operations within the Philippines. For this purpose, the term *equity securities* includes common stock, preferred stock and securities convertible into or exchangeable for such equity securities, such as convertible debentures and convertible preferred shares, or shares which carry warrants to purchase such equity securities. The Fund may also invest in fixed-income securities of Philippine corporations such as, but not limited to, commercial paper, notes, bonds and non-convertible preferred shares and in debt obligations of the National, Provincial and/or City/Municipal Governments, and/or the Bangko Sentral ng Pilipinas (BSP). The Fund may also invest in deposits, deposit substitutes and banker's acceptances issued by Philippine financial institutions.

The Fund will invest its assets in a variety of Philippine industries, but may not invest more that 25% of its assets in any single industry. Additional information about the Fund’s objectives, policies and limitations is qualified in its entirety by the detailed information appearing elsewhere in this Prospectus.

Estimated Shareholder and Fund Expenses and Costs

Understanding Expenses:

Operating a mutual fund involves a variety of expenses for portfolio management, distribution, shareholder statements, tax reporting and other services. As an investor, you pay some of these costs *directly*. For example, the sales fee of 2%, 1.5% 1%, is based on the size of your investment. Other expenses are paid *indirectly* from the Fund's Assets. The effect of these other expenses is factored into the quoted share price or rate of return.

The following tables are intended to assist investors in understanding the transaction costs and expenses associated with investing in the Fund, and in mutual funds in general. The initial sales period commenced on February 5, 1996 and ended on April 15, 1996. The price during this initial sales period was one peso (₱ 1.00) per share plus applicable sales fee. (Original issues shares should only be issued at not less than par value). During the continuous offering period, the public offering price of shares is the next determined net asset value plus applicable sales fee.

Maximum Sales Fee as a % of the Investment exclusive of the 10% Value Added Tax

Investment (₱)	Sales Fee	As % of Offering Price	Paid to Dealers	Retained by Distributor
5,000 to 50,000	2.0%	1.96%	1.33%	0.63%
More than 50,000 to 100,000	1.5%	1.47%	1.00%	0.47%
More than 100,000 to 1,000,000	1.0%	0.99%	0.67%	0.32%
More than 1,000,000	- 0 -	- 0 -	negotiable	- 0 -

Contingent Redemption Fee as a % of the Cost of Investment	
Less than one year	2.0%
One – two years	1.0%
More then two years	None

Operating expenses as a % of the Daily Net Asset Value (an annualized basis)	
Adviser Fee*	1.50%
Distribution Fee**	0.50%
Other Expenses***	1.00%
Total Annual Operating Expenses	3.00%

* *MF MCP serves as an Investment Adviser of the Fund and earns a fee equal to 1.50% of the daily net asset value on an annualized basis.*

** *MF MCP serves as Distributor of the shares and earns a fee equal to 0.5% of the daily net asset value on an annualized basis. The Distributor's fee is used, in part, to motivate additional shareholders to invest in the Fund and, in part, to provide first hand support to existing shareholders. Existing shareholders can benefit from additions to the Fund because the expense ratio is reduced as the level of assets grow.*

*** *As the Fund has no operating history, "Other Expenses" have been estimated and include, but are not limited to: Administration, Transfer Agent and Shareholder services. Custodian, legal, auditing, insurance and printing costs..*

Management of the Company

The Adviser

The *Mutual Fund Management Company of the Philippines, Inc.* ("MF MCP") serves as the Adviser for the Fund and will provide management, distribution and all required operations.

Under the terms of the Investment Advisory Agreement, and at the direction of the Board of Directors, MF MCP will maintain records and will furnish or cause to be furnished all required reports or other information concerning the Fund, and other information to the extent such records, reports and other information are not maintained by the Investment Adviser, Distributor, Administrator, Shareholder Servicing and Transfer Agent, Custodian or other agents. MF MCP will serve in all these capacities except for Transfer Agent and Custodian and will contract with an outside agent to provide these services.

Under the terms of the Advisory Agreement, MF MCP also pays all compensation of Directors and officers who are affiliated persons of the Adviser.

The Investment Advisory Agreement will initially be effective for a period of two years from December 20, 1995 and will continue in effect from year to year thereafter provided such continuance is specifically approved at least annually by a vote of the majority of those members of the Board of Directors who are neither parties to the Investment Advisory Agreement nor interested persons of the Adviser or by majority vote of the outstanding voting securities of the Fund. The Investment Advisory Agreement provides that the Adviser will make arrangements to limit the Fund's total annual expense ratio, during the first 12 months of operations, to no more than 3.00% of the average daily net assets on an annualized basis. This total expense ratio is currently under review by the Adviser and the Fund in view of certain taxes that would be payable by the Fund in connection with its operation, and such ratio may have to be adjusted in order to reflect the effect of such taxes.

An Amendment to the Investment Advisory Agreement has been executed by the Fund and by MFMCP. Said Amendment subjects MFMCP to the Fund's Code of Ethics and supplements the indemnification provision by providing for an indemnification clause in favor of the Fund. For more information on the Investment Advisory Agreement, please see portion entitled "Investment Advisory Agreement".

The Mutual Fund Management Company of the Philippines

MFMCP is an investment management company organized in 1995 by the Philippine National Bank (PNB); Clemente Fund Management (Asia) Ltd. (CFMA), an affiliate of New York-based Clemente Capital, Inc.; Daiwa asset management Ltd. Of Japan (DAIWA AM) and National Investment Trust Company of Taiwan (NITC).

These four proven "pillars" of strength" combined, bring to the Fund an international network of investment advisers, a proven track record of domestic, regional, and international mutual funds, and investment wisdom from professionals with a total of more than 100 years investment experience.

Philippine National Bank (PNB), founded in 1916, is one of the Philippines' largest universal banks in terms of resources, loans, deposits, and capital accounts. At the end of 1994, the bank had a total asset base of ₱ 148.21 billion with a net income of ₱ 2.01 billion. Total deposits stood at ₱ 108.09 billion, accounting for about 20% of deposits of the entire commercial banking industry. In foreign remittances, PNB continued to rank first, cornering more than US\$1.55 billion. It also remained the top lending bank in 1994 with loans reaching ₱ 63.5 billion. Trust business stayed strong, posting over ₱ 5.39 billion. PNB has the most extensive network of branches among Philippine banks. It has a total of 305 domestic branch offices, with overseas branches in New York, Los Angeles, London Hong Kong, and Singapore, with aggregate deposits of US\$159.30 million. Additionally, PNB has correspondent arrangements with 776 banks worldwide.

Clemente Fund Management (Asia) Ltd. (CFMA), founded in 1992, is an affiliate of Clemente Capital, Inc. (CCI), a U.S. registered Investment Advisor. CCI has long been considered a pioneer in investment management services, especially prominent in the emerging markets of Asia and Latin America. Its Chairman, Lilia Calderon Clemente, has been in the investment management business for 30 years. CCI launched and manages two closed-end mutual fund companies listed on the New York Stock Exchange: The Clemente Global Growth Fund, Inc. ("CLM") and The First Philippine Fund, Inc. ("FPF"). In addition, CCI have managed the money of The California Public Employees' Pension Fund, one of the world's largest pension funds, The New York City Employees' System, The Pennsylvania School Employees Retirement System, as well as other institutional accounts, including non-proprietary mutual funds. The firm has ranked among America's Top Ten Best Managers and FPF has been awarded, according to U.S. Lipper Analytical Services, best performing closed-end Fund in the Asia Pacific Region for the five year period ending December 1994. CFMA's affiliate, Clemente Capital (Asia) Ltd., a direct investment designed to seek long term capital appreciation through investments in unlisted equity-related pre-IPO Philippine companies.

Daiwa Asset Management Co. Ltd. (DAIWA AM), was established on December 12, 1959. After more than thirty years, it has grown to be a specialist in the management of investment trusts and the provision of investment advisory services to institutional investors. As of March 31, 1994, DAIWA AM's total assets under management amounted to US\$68.52 billion. DAIWA AM offers a range of sophisticated advisory services in Japan and overseas, including asset allocation advice and equity portfolio analysis, among others, which are tailored to the client's needs. Because most of DAIWA AM's funds invest in foreign securities to meet investor interest, DAIWA AM expanded its overseas network to include offices in London, Hong Kong, New York and Singapore.

National Investment Trust Co. (NITC), is one of the leading investment trust companies in Taiwan. Founded in 1986, it has successfully launched eight funds which serve as investment vehicles for domestic and international investors. With these funds, NITC has a total of US\$1.1 billion under management. NITC has an impressive track record in investment management. As an example, NITC's Taipei Fund launched in 1986, an open-end fund listed on the London Stock Exchange, has increased 659% with a current fund size of US\$353 million. The New Taipei Fund, a closed-end fund listed on the Hong Kong Stock Exchange and also launched in 1986, has increased 31.82% with a current fund size of US\$70 million.

Directors and Officers of the Manager

Lilia C. Clemente – Ms. Clemente is the Chairman and President of the Manager and has oversight responsibility for investing all assets managed by the Investment Adviser. Ms. Clemente is also the Chairman of CCI and CCA, an investment advisory firm which is an affiliate of and under common control with CCI. She is also a member of the Board of Directors of the FPF and CLM. Ms. Clemente has been involved in the business of managing international and U.S. investments for 30 years. Since May 1986 and from 1976 to 1983, Ms. Clemente has been Chairman and Chief Executive Officer of CCI and a predecessor firm, Clemente Capital Consultants. During 1983 through 1986, Ms. Clemente was under contract to the investment banking firm of PaineWebber, Incorporated, as First Vice-President and Chief Investment Officer-International Investments of Mitchell Hutchkins Asset Management, Inc., a wholly owned subsidiary of PaineWebber, Incorporated. From 1969 to 1976, she was a Director of Investment Research and Assistant Treasurer of the Ford Foundation, assisting in the management of the foundation's US\$3 billion portfolio. From 1966 to 1969, Ms. Clemente worked as an investment analyst with CNA Financial Corporation, an investment firm. Ms. Clemente currently is Chairperson of the Asian Securities Industry Institute, a Director of the U.S. Securities Industry Association, and a member of the Board of Directors of the China Securities Industry Institute. Ms. Clemente earned her Master's Degree in Economics at the University of Chicago, after completing studies at the University of the Philippines ("UP"). She is 54 years old.

Peter B. Favila - Mr. Favila is a Director and the Vice-Chairman of the Manager. Mr. Favila was recently named President of the Philippine National Bank (PNB) by the PNB's Board of Directors. Prior to this, Mr. Favila was President of Security Bank Corporation and concurrently Chairman of SBTC Information and Technology, Inc. and Security Finance, Inc. He is also President of the Bankers' Association of the Philippines and a Director of the Philippine Clearing House. Mr. Favila received a Bachelor of Science degree in Banking and Finance from the University of Santo Tomas and attended the Advanced Management program of the Wharton School of Business. Mr. Favila is 47 years old.

Leopoldo M. Clemente, Jr. - Mr. Clemente is a Director of the Manager. He is also President and Chief Investment Officer of CCI, a New York based international Investment Manager. He also has primary oversight responsibility for investing all assets managed by the Investment Adviser. Mr. Clemente has more than 27 years of securities analysis and portfolio management experience. Prior to joining CCI in 1987, Mr. Clemente served from 1985 to 1987 as Vice President and Portfolio Manager for Van Eck Management Inc., an investment management firm, where he was responsible for the management of the World Trends Fund, an open-ended mutual fund that invests globally, and the non-gold investments of International Investors, an open-ended mutual fund. From 1978 to 1984, Mr. Clemente served as Vice President, Portfolio Manager and member of the Investment Policy Committee at Eberstadt Asset Management, Inc., an investment management firm, where he was responsible for the firm's investments in worldwide markets and managed the Eberstadt International Fund L.P. From 1975 to 1978, he was an investment research officer at Marine Midland Bank, a commercial bank, where he was responsible for the foreign stocks, mining and metals portfolios. From 1969 to 1975, Mr. Clemente was a securities analyst at the investment banking firm of Merrill Lynch, Pierce, Fenner & Smith, Incorporated, where he specialized in the office equipment, computer, steel, metals and mining industries. He earned his Masters in Business Administration from Northwestern University, U.S. after completing studies at UP. Mr. Clemente is 57 years old.

Valentin A. Araneta - Mr. Araneta is a Director of the Manager and Senior Executive Vice President and Chief Operating Officer of PNB. He is also the Executive Vice President of the Treasury and Investment Banking Sector of PNB. From 1988 to 1992, Mr. Araneta served as Senior Vice President and General Manager for PNB's Hong Kong Branch and the North Asian Region. From 1983 to 1988, Mr. Araneta was Vice President and General Manager for PNB's Singapore's Branch and the ASEAN Region. In 1993, Mr. Araneta was Vice President for PNB's FX Treasury and Investment Banking Department. Mr. Araneta obtained his Bachelor of Arts degree in Economics from the Ateneo de Manila University and completed a Diploma Course from the International Graduate School Institute of the University of Stockholm. He also earned academic credits in the Masters in Economics Program of the Ateneo de Manila University. Mr. Araneta is 46 years old.

Inocencio B. Deza, Jr. - Mr. Deza is a Director of the Manager. From 1967 to the present he has been employed by the PNB serving in a variety of positions as he rose through the ranks from management trainee to his current position of Executive Vice-President, Business Development Sector. During this 28 year tenure, Mr. Deza served in the Mindanao, Dagupan, Lingayen, Layug, Alaminos, Honolulu, and London branches of the PNB and is now assigned in the PNB's Corporate Headquarters in the Philippines. He serves as Chairman and President of PNB Capital Corporation, President of PF Insurance Brokerage Co., Inc. and sits on the Board of Directors of seven other Philippine companies. Mr. Deza is a Certified Public Accountant and attained a Bachelor of Arts degree in two years at Ateneo de Manila University and a Bachelor of Science in Business Administrations from UP. He is 52 years old.

Oscar O. Martinez - Mr. Martinez is a Director of the Manager. He is also Executive Vice President and Chief Operating Officer of the AFP-Retirement and Separation Benefits System (AFP-RSBS). He is concurrently a Director in Globan Fruits and Development Corporation, All Asia Capital and Trust Corporation, Fil-Air Travel Corporation, Veterans Electronics Communications, Inc., and Goodfit Manufacturing Corporation. Mr. Martinez has been connected with the AFP-RSBS since 1983 and has held various positions starting from Assistant Manager of the Special Project Division to Senior Vice President and

Head of the Corporate Investments Holdings Group prior to being Executive Vice President and Chief Operating Officer. Mr. Martinez obtained his Bachelor of Science degree from the Philippine Military Academy and a Bachelor of Science degree in Industrial Engineering from UP. Mr. Martinez also received his Bachelor of Laws from the Baguio Colleges Foundation. He is a member of the Integrated Bar of the Philippines. Mr. Martinez is 46 years old.

Monico C. Jacob - Mr. Jacob is a Director of the Manager. He is also Chairman and Chief Executive Officer of Petron Corporation. He is concurrently Presidential Consultant on Energy Matters and Philippine Representative to the Panels of Arbitrators and Conciliators of the International Centre for Settlement of Investment Disputes. From 1992 to 1993, Mr. Jacob was President and Chief Executive Officer of the Philippine National Oil Company and its subsidiaries. From 1989 to 1991, Mr. Jacob was appointed General Manager of the National Housing Authority. From 1988 to 1989, he was Chief Executive Officer of the Home Development Mutual Fund. From 1986 to 1988, he was an Associate Commissioner of the Securities and Exchange Commission. From 1982 to 1986, Mr. Jacob was a Partner at the Jacob, Acaban, Corvera, del Castillo Law Offices. Mr. Jacob received his Bachelor of Arts degree, cum laude and salutatorian, from the Ateneo de Naga. He received his Bachelor of Laws degree from the Ateneo de Manila University and attended the Strategic Business Economics Program of the Center for Research and Communication. Mr. Jacob is 50 years old.

Richard M. Hong - Mr. Hong is a Director of the Manager. He is also Chairman of the National Investment Trust Co., Ltd. and the Securities Investment Trust and Advisory Association, Chief Executive Officer of National Securities Group, and Managing Director of Matsushita Electric Co., Ltd., all of which are domiciled in Taiwan. He was Founder and President of Proton Corp., USA from 1982 to 1983 and of Proton Electronic Industrial Co., Ltd. of Taiwan from 1973 to 1981. Mr. Hong was Chairman and Co-Founder of Orient Semi-Conductor Electronics of Taiwan from 1972 to 1979. He was also visiting Associate Professor at the Graduate School of Electrical Engineering of the National Taiwan University from 1970 to 1971. Mr. Hong received his Bachelor of Science degree in Electrical Engineering from the National Taiwan University. He received both his Doctoral and Masters degrees in Electrical Engineering from the Michigan State University, USA. Mr. Hong is 54 years old.

Yukio Hosoi - Mr. Hosoi is a Director of the Manager. He is now the Advisor to the Executive Management, Daiwa Asset Management Co., Ltd. (DAIWA AM) and formerly Chairman of the Board of Directors. Mr. Hosoi held various positions at DAIWA AM starting with Member of the Board of Directors in 1970 to President in 1986 prior to his appointment as Chairman in 1991. Mr. Hosoi worked for Daiwa Securities Co., Ltd. of Japan from 1950 to 1970. He obtained his Bachelor of Arts degree in Law Faculty from the Tokyo University. Mr. Hosoi is 69 years old.

Manuel C. Bulatao - Mr. Bulatao is responsible for Systems and Operations and served as Project Manager in the organization and establishment of the Manager. His eleven years in government include services as Deputy Commissioner of the Bureau of Customs; Managing Director of Technology Resource Center; Information Technology Consultant to the Asian Development Bank, United Nations Development Program, World Bank, Trade and Industry; Project Director and Chief Consultant to the Government of Malaysia on Trade & Industry Ministry and Road Transport Departments. In the private sector, he achieved a considerable and broad range of experience in management and marketing during his ten years with Sperry Univac computers. He has specialized in various international education centers including applications such as Law Enforcement Systems at the Swedish Police in Stockholm, Social Security System in Madrid, Vehicle Registration and Driver's Licensing System in Sacramento, California, Branch Management in Sperry, London, Major Systems School in Sperry Princeton, INGRES Relational Data Base System in Bali, Indonesia. He is 51 years old.

Efren Ll. Cruz - Mr. Cruz is Treasurer of the Manager and served as Deputy Project Manager in the establishment and development of the Manager with respect to all phases of the mutual fund business. He was formerly Vice President of the FPF, a closed-end country fund listed on the New York Stock Exchange. He was also formerly an Assistant Vice President and Assistant Corporate Secretary of PNB Investments Limited, the Philippine sub-adviser to the FPF and Assistant Vice President at the PNB Merchant Banking Department. Mr. Cruz was Associate Consultant at the Wyatt Company Philippines, Inc. from 1989 to 1990. He was also Deputy Administrative Officer at the Trust Department of Far East Bank & Trust Company from 1986 to 1989. Prior to that he was Project Analyst at the Private Development Corporation of the Philippines from 1982 to 1984. Mr. Cruz obtained his Bachelor of Science degree in Business Management from the Ateneo de Manila and his Masters degree in Business Administration from the University of the Philippines. Mr. Cruz is 33 years old.

Marceliano N. Hermosisima - Atty. Hermosisima is the Corporate Secretary of the Manager. He is concurrently an Assistant Vice President for the PNB Trust Department and has been serving in that capacity since 1990. From 1987 to 1990, Atty. Hermosisima was Branch Attorney for the PNB Malolos Branch. From 1983 to 1987, he was Legal Assistant with the PNB Legal Department. From 1982 to 1983, he was Special Counsel at the PNB Legal Department. Attorney Hermosisima received his Bachelor of Laws degree and his Bachelor of Arts degree in Political Science from the Siliman University. He likewise attended the Advanced Bank Management Program of the Asian Institute of Management where he graduated among the top ten students of his class. Mr. Hermosisima is 39 years old.

The Mutual Fund Company of the Philippines, Inc.

The Mutual Fund Company of the Philippines, Inc. (the "Fund") was registered in December 1995 as an open-end investment company established under the Philippine Investment Company Act of 1960, (R.A. 2629). The Fund will engage in the sale of its shares of stock and in the investment of the proceeds from these sales into a diversified portfolio of securities. The Fund will also invest in debt obligations of the Government of the Republic of the Philippines and its instrumentalities. The Fund's investment objective seeks total return through a combination of high current income and long-term capital appreciation.

The Fund offers investors a selection of purchase arrangements designed primarily to provide all Filipinos the opportunity to participate in the Philippine capital markets and benefit from capital growth in a way heretofore enjoyed only by institutions and high net-worth individuals. The Fund's investment objective and policy are fundamental and can only be changed by a majority vote of the Fund's Board of Directors and the Fund's outstanding shares and upon approval of the SEC. There are risks in any investment and therefore there can be no assurance that the Fund will achieve its investment objectives.

Capitalization and Ownership

The Fund's authorized capital stock is ONE BILLION TWO HUNDRED MILLION PESOS (P 1,200,000,000.00) divided into ONE BILLION TWO HUNDRED MILLION (1,200,000,000.00) shares with a par value of ONE PESO (P 1.00) per share.

Founding Shareholders

The following Founding Shareholders had earlier infused resources to bring the paid-in capital of the Fund to FIFTY MILLION PESOS (P 50,000,000.00):

- AFP Retirement Separation Benefits System
- Meralco Pension Fund
- PLDT Beneficial Trust Fund
- PNB Provident Fund
- San Miguel Corporation Retirement Plan

Under the Rules and Regulations governing Investment Companies under Republic Act. No. 2629, the founding shareholders will not be allowed to sell, transfer, convey, encumber, or otherwise dispose of their shares/securities within twenty four (24) months from the effectivity of the Fund's registration, i.e., from February 5, 1996.

The following institutions have subscribed to an additional P 490 million to bring the Fund's paid-in capital to P 540 million more or less. Additional individual shareholders have subscribed to and deposited approximately P 2.3 million.

- AFP Retirement Separation Benefits System
- Asian Development Bank ("ADB")*
- Home Development Mutual Fund
- Land Bank Provident Fund
- Meralco Pension Fund
- PLDT Beneficial Trust Fund
- San Miguel Corporation Retirement Plan

* Shareholders should be aware that the ADB may, in the course of its regular business activities, possess information and material relevant to investment decisions of the Fund and that it is obligated not to discuss or reveal such information or material to third parties, including the Fund.

Directors and Officers of the Fund

General supervision of the duties performed by the Investment Adviser, Distribution, Shareholder Servicing Agent, Transfer Agent, and Custodian of the Fund, is the responsibility of its Board of Directors.

Delfin C. Gonzalez, Jr. - Mr. Gonzalez is Chairman and a Director of the Fund and Executive Vice President and Chief Finance Officer - Treasurer of San Miguel Corporation ("SMC"). Prior to his current position, Mr. Gonzales served SMC in other executive positions including an assignment with Coca-Cola Bottlers Philippines, Inc. Before joining SMC, he spent time in the USA at Anscor Corporation and earlier served on the Economic Development Foundation, Inc. at Makati, Metro Manila from 1971-1973. Mr. Gonzales earned a B.S. in Chemical Engineering at De La Salle University, and a Masters in Business Administration from the Harvard Graduate School, Boston, Mass., U.S.A.

Zorayda Amelia C. Alonzo - Ms. Alonzo is President and Chief Executive Officer of the Home Development Mutual Fund (PAG-IBIG Fund). Prior to her current position, Ms. Alonzo served the Pag-Ibig Fund as deputy chief executive officer. Her achievements in the area of housing and human settlements and her continuing participation in related government projects, services and conferences won for Ms. Alonzo the 1992 Outstanding Women in the Nation's Service (TOWNS) award for Government Service in Housing. She is currently serving as Chair of the Women Advancing Government Action for Shelter (WAGAS). Other memberships include the Board of Directors, Association of TOWNS Awardees (ATA); past Treasurer, Council of Governors, Women in National Building (WIN), Finance Executive Institute of the Philippines, (FINEX), Management Association of the Philippines (MAP), Philippines Economic Society, and past chair and past president of Bayanihan Alumni International, Inc. Ms. Alonzo earned a Bachelor of Arts degree in Economics, Philippine Women's University; Diploma de Cultura Española, Facultad de Filosofía Y Letras, Universidad de Madrid; Quinto Curso de Economicas, Facultad de Ciencias Políticas Y Economicas, Universidad de Madrid; and a Master of Arts degree in Economics from UP.

Roman A. Azanza - Mr. Azanza is Director of Crosby Securities Philippines Inc. Mr. Azanza's executive experience in the financial services industry began at CitiBank, Philippines in 1969 where he rose through the ranks to Director, CitiCorp Investment, Manila. Moving on to the Bank of Hawaii in 1979, he served as the Asia/Pacific Regional Head. Following his tenure at the Bank of Hawaii, Mr. Azanza served in an executive capacity at the Pratt Group and later at AEA Development Corporation before his current positions at Crosby. His professional affiliations include present positions as Chairman, Capital Market Development Council, President, Philippine HongKong Society and President, Financial Executive Institute of the Phils. His previous positions include President, Investment Houses Association of the Philippines, Chairman, Philippine Association of HongKong, President, Philippine Association of Finance Companies, Chairman, Project Implementation Committee of the Capital Market Development Project (USAID Project), and President, FINEX. Mr. Azanza holds membership in many noteworthy Philippine organizations. He earned a Bachelor of Arts in Economics degree with honors, from the Ateneo de Manila University and went on as a Rector's Scholar to earn his Master of Business Management degree, also from the Ateneo de Manila University.

Benito T. Dela Cruz - Mr. Dela Cruz is a Director of the Fund. He is Senior Vice President and Chief Financial Officer of Manila Electric Company ("Meralco"). Mr. Dela Cruz joined Meralco in 1970 as a Management Trainee. He has held various positions in the Financial Services Group prior to his appointment as Chief Financial Officer in 1980. In addition to overseeing the financial planning, treasury, and the comptrollership processes of Meralco, he handles investor relations. He is a Director of Meralco's subsidiaries and affiliated companies. Mr. Dela Cruz is a Certified Public Accountant and holds a Masters in Business Administration degree. He has attended the Program for Management Development at the Harvard Business School, Boston, Mass., U.S.A. Prior to joining Meralco, he worked briefly with the former Bank of Asia and SyCip, Gorres, Velayo & Co.

Emil Q. Javier - Dr. Javier is President of the University of the Philippines. Immediately prior to his present position at UP, Dr. Javier was Director General of the Asian Vegetable Research and Development Center (AVRDC), Tainan, Taiwan, preceded by various executive positions in regional and national academic endeavors. Among his extensive list of awards and honors are the "Academician", from the World Academy of Arts and Science, Third World Academy of Science, National (Philippines) Academy of Science and Technology; Most Outstanding Alumnus, University of the Philippines Alumni Association, ASEAN Science and Technology Meritorious Service Award 1995, and the Rizal Pro Patria Award from the President of the Philippines. Dr. Javier holds membership in many civic and cultural organizations. He earned a Bachelor of Science degree, cum laude, in Agriculture at the University of the Philippines, Los Baños, a Master of Science degree in Agronomy at the University of Illinois, U.S.A. and a Ph.D. at Cornell University, Ithaca, N.Y., U.S.A.

Jose S. Ramiscal, Jr. - Gen. Ramiscal is a Director of the Fund and President and Chief Executive Officer of AFP Retirement Separation and Benefits System ("RSBS"). Previously, Gen. Ramiscal was the Executive Vice President and Chief Operating Office of the System following an illustrious career as General in the Army of the Republic of the Philippines. As a military officer, Gen. Ramiscal was awarded the Distinguished Conduct Star and Service Medal, only two of a much longer list of awards, decorations and commendations. His other business affiliations include Chairman of the Board of Fashion Link Corp., RSBS Enterprises Inc., RSBS Foundation Inc., Matrix Development Corporation, and BRADCO. He is a member of the Board of All Asia Capital, Inc., Public Securities Corporation, Amtrust Holdings Co., Eastridge Golf Course and Inglenook Food Corp. Gen. Ramiscal has an equally impressive list of previous affiliations. His academic attainments include a AA from Divine Word College, a Bachelor of Science degree in Commerce from San Carlos University, a Bachelor of Science degree from the Philippine Military Academy and a Master in Business Administration from Ateneo de Manila University.

Lucas R. Vidad - Mr. Vidad is a Director of the Fund and a Senior Vice President, Administration, PNB. Mr. Vidad is also the Corporate Secretary of the PNB Provident Fund Office, Legal Counsel for PNB Forex, Inc., Corporate Secretary PF Insurance Brokerage Company, Corporate Secretary of the PNB Venture Capital Corporation and Corporate Secretary of the PNB Foundation, Inc. Prior to his current position, Mr. Vidad served in various executive positions in Legal Services. Before joining the PNB organization, he served as legal counsel at several Philippine corporations. Mr. Vidad earned a Bachelor of Laws degree at San Beda College, Manila and a Bachelor of Arts degree in Political Science and History at St. Louis University. A member of the Philippine Bar Association, Mr. Vidad has attended many impressive executive seminars. Besides the Integrated Bar of the Philippines, he holds membership in the Association of Bank Lawyers and the Rotary Club of Parañaque D. 3810.

Ricardo R. Zarate - Mr. Zarate is a Director of the Fund and Executive Vice-President of the Network Services Group of Philippine Long Distance Telephone Company ("PLDT"). Mr. Zarate is also a member of the Board of Directors of Pilipino Telephone Company, Corporate Secretary and Treasurer of PLDT Agricultural Corporation and Corporate Secretary of Philippine Telecommunications and Investment Corporation. His educational attainments include a Bachelor of Arts degree, De La Salle College, magna cum laude, a Bachelor of Science degree in Commerce, De La Salle, magna cum laude, Post graduate Diploma with distinction from University of Leeds, England as well as a Management Development Program from the Asian Institute of Management. He is also a Certified Public Accountant.

Ray C. Espinosa - Atty. Espinosa is the Secretary of the Fund. He is a partner at Sycip Salazar Hernandez & Gatmaitan, counsel for the Fund. Atty. Espinosa specialized in international trade and business between 1987-1988 prior to his present position. He is a member of the Integrated Bar of the Philippines, the Philippine Bar Association, the Inter-Pacific Bar Association and the Executive Committee of the LAWASIA Energy Section. Atty. Espinosa earned his Bachelor of Science degree from the University of Sto. Tomas, a Bachelor of Laws degree at Ateneo de Manila University, and then in 1982, earned first place in the Philippine Bar Examination along with various other outstanding academic awards for excellence. In 1988, he earned his Master of Laws from the University of Michigan Law School, Michigan, U.S.A.

Oscar O. Martinez - Mr. Martinez is a Director of the Manager. He is also Executive Vice President and Chief Operating Officer of the AFP-Retirement and Separation Benefits System (AFP-RSBS). He is concurrently a Director in Globan Fruits and Development Corporation, All Asia Capital and Trust Corporation, Fil-Air Travel Corporation, Veterans Electronics Communications, Inc., and Goodfit Manufacturing Corporation. Mr. Martinez has been connected with the AFP-RSBS since 1983 and has held various positions starting from Assistant Manager of the Special Project Division to Senior Vice President and Head of the Corporate Investments Holdings Group prior to being Executive Vice President and Chief Operating Officer. Mr. Martinez obtained his Bachelor of Science degree from the Philippine Military Academy and a Bachelor of Science degree in Industrial Engineering from UP. Mr. Martinez also received his Bachelor of Laws from the Baguio Colleges Foundation. He is a member of the Integrated Bar of the Philippines. Mr. Martinez is 46 years old.

Board of Advisors

The Board of Advisors will have no power to require the Fund to take any specific action. Its purpose is solely to consider matters of general policy and to make recommendation along such lines to the Board of Directors.

The Advisors will not receive any remuneration for their services. The Fund will bear travel expenses or a fraction thereof, of the Advisors, for those expenses directly related to attendance at a Board of Directors meeting of the Fund or a committee thereof, which they have been requested to attend.

Lilia C. Clemente – Ms. Clemente is an Advisor to the Fund and together with Mr. Leopoldo Clemente, Jr., she assumes oversight responsibility for the investment management decisions of the Fund. Ms. Clemente is also a Director of the Manager.

Leopoldo M. Clemente, Jr. – Mr. Clemente is an Advisor to the Fund and together with Ms. Lilia C. Clemente, he assumes oversight responsibility for the investment management decisions of the Fund. Mr. Clemente is also a Director of the Manager.

Dr. S.A. Dave - Dr. Dave is an Advisor to the Fund. Before his retirement on February 1, 1996, he was Chairman of the Unit Trust of India ("UTI"), the premier financial intermediary in India with approximately US\$19 billion under management. Dr. Dave was also the first Chairman of the Securities and Exchange Board of India, serving from 1988 to 1990. Prior to holding the position as Chairman of UTI, he served as Executive Director from 1978 to 1988 at the Industrial Development Bank of India ("IDBI"). Dr. Dave has served in the past or is currently serving on the Board of Directors of such institutions as IDBI, Life Insurance Corporation of India, Infrastructure Leasing & Financial Services Ltd., Housing Development Finance Corporation Ltd., and The Credit Rating Information Services of India Ltd. He is currently on the Board of Governors of the Asian Securities Industry Institute. He has also served on many impressive committees constituted by the Government of India, including among others, Development of Mutual Funds, Stock Exchanges, and Trading in Public Sector Bonds & Units of Mutual Funds. He has been a frequent speaker at various national and international seminars organized by groups such as the Organization of Economic Cooperation and Development, the United Nations Industrial Development Organization, the World Bank, the German Foundation and the Asian Development Bank. Dr. Dave is a member of the Governing Board of the National Council of Applied Economic Research. His brilliant academic record includes studies at the Bombay University, where he earned graduate and post-graduate degrees in Economics with a Doctorate in Economics in 1962. He also earned a Masters Degree from the University of Rochester, New York, U.S.A.

A. Michael Lipper - Mr. Lipper, a Chartered Financial Analyst ("CFA"), is an Advisor to the Fund. He is also President of Lipper Analytical Services Corporation and Chief Executive Officer of several subsidiary firms in publishing, brokerage, and investment advisory, among others. Mr. Lipper is an acknowledged expert in the mutual fund industry and is often called upon by industry associations for expert opinions. He authored the 'Investment Company' chapters in several Dow Jones-Irwin publications. Dow Jones-Irwin is a widely respected publisher of many financial journals in the United States. Mr. Lipper

serves on many industry committees such as Chairman of the Investment Strategy Forum and Portfolio Management Committee of the New York Society of Security Analysts (“NYSSA”) and most recently has been appointed to the National Advisory Council of Financial Planning for the Institute of Certified Financial Planners (“ICFP”). In the past he has served as an officer and Director of the NYSSA and the Mutual Fund Task Force of the ICFP. Mr. Lipper is currently a Trustee of the Securities Industry Association and Vice Chairman of the Specialty Firms Advisory Committee to the New York Stock Exchange Board of Directors as well as a Director of the College Savings Bank in Princeton, New Jersey, U.S.A. He earned his Bachelor of Arts degree from Columbia College, New York, U.S.A.

Dato’ Mohd Hilmey Mohd Taib - Dato’ Mohd Hilmey, a Certified Public Accountant, is an Advisor to the Fund. He is also Group Chief Executive Officer of Permodalan Nasional Berhad. Dato’ Mohd Hilmey joined Permodalan in 1981 as an accountant. Between 1981 and 1989, he held executive positions in the marketing of Sekim Amanah Saham Nasional (“Sekim ASN”) and served as the project leader in the development, design, and launch of Sekim Amanah Saham Bumiputra (“Sekim ASB”). These two products are the two most successful unit trusts managed by Amanah Saham Nasional Berhad. In 1989, Dato’ Mohd Hilmey assumed the management of the development and implementation of the Sekim ASN and Sekim ASB automated systems. Additionally, he was responsible for the automation of the Postal Department and the Road Transport Department. In 1990 Dato’ Mohd Hilmey became the General Manager of Finance and EDP Operations before taking over the position of Deputy Chief Executive in 1994. He assumed his current position in 1995. Dato’ Mohd Hilmey sits on the Board of Directors of a number of quoted and unquoted companies. He earned a Bachelor of Economics degree, with honors, from the University Malaya as well as a Diploma in Accounting. He earned a Master of Business Administration degree from the Cranfield Institute of Technology.

Udom Vichayabhai - Mr. Vichayabhai is an Advisor to the Fund. He is also President of The Mutual Fund Public Company, Ltd., Thailand, a position he has held since 1976. Before assuming his present position, Mr. Vichayabhai served The Mutual Fund Public Company, Ltd., as Chief, Project Planning Research and Development Division. Prior to joining his present employer, Mr. Vichayabhai held various executive positions at the Industrial Finance Corporation of Thailand (“IFCT”) beginning in 1964. He is currently Chairman of the Board of Directors of MFC International Ltd., H.K., and Director at Thai-German Ceramic Industry Public Company, Ltd., Strong Pack Public Company Ltd., Thai Reinsurance Public Company Ltd., Thai Wah Resorts Development PCL., Safari World PCL., Sam-D Farm Company Ltd., The Thai-Euro Fund, The Thailand International Fund, The Thai-Asia Fund, The Thai-Asset Fund, and The Thai Capital Fund. Mr. Vichayabhai is also a Director and Council Member of The Thai Prime Fund, and a Council Member of The Thailand Fund, The Thai Fund Inc., The Thailand Growth Fund, The Thai Equity Fund, and The Royal Bangkok Sports Club. He earned a General Certificate of Education, ordinary and advance levels and Certificates in Life and General Insurance at the Swiss Insurance Training Centre, Zurich, Switzerland. He participated in training seminars in Development Banking at the Industrial Credit and Investment Corporation of India Ltd., Bombay, India and in Industrial Projects at the Economic Development Institute of the World Bank, Washington, D.C., U.S.A. Mr. Vichayabhai earned a Bachelor of Science degree in Business Administration at Boston University, Massachusetts, U.S.A.

Investment Objectives, Policies and Limitations

The Fund will invest only in Philippine entities. Under normal circumstances, the Fund intends to invest at least 40% of its net assets in equity securities of Philippine companies which generate at least 50% of their revenues from operations within the Philippines. For this purpose, the term “equity securities” includes common stock, preferred stock and securities convertible into or exchangeable for such equity securities, such as convertible debentures and convertible preference shares, or shares which carry warrants to purchase such equity securities. The Fund may also invest in fixed-income securities of Philippine corporations, such as, but not limited to, commercial paper, notes, bonds and non-convertible preferred shares and in debt obligations of the National, Provincial, or City Governments, and/or the BSP. The Fund may also invest in deposits, deposit substitutes and bankers’ acceptances issued by Philippine financial institutions. While current income from dividends and interest may be a consideration in selecting portfolio instruments, the Fund’s investment objective strives for the balanced accomplishment of income, capital growth and stability through investments in quality fixed income securities, money market instruments, and listed and non-listed equity securities. The Fund’s investment objective focuses on these goals: 1) stability - protect the principal investment from the risk of loss; 2) growth - increase the value of the principal through capital gains reflected in stock price appreciation; and 3) income - generate a steady stream of income payments through dividends. There is no assurance that the portfolio will achieve its investment objective. This objective may not be changed without the approval of the SEC as well as a majority of the Fund’s outstanding voting securities and Board of Directors. As used in this Prospectus, the term “majority of the Fund’s outstanding voting securities” means the lesser of either (i) 67% of the shares represented at a meeting at which holders of more than 50% of the outstanding shares are present in person or by proxy, or (ii) more than 50% of the outstanding shares.

The Fund will invest its assets in a variety of Philippine industries, but may not invest more than 25% of its assets in any single industry. In selecting industries and companies for investment, the Adviser considers factors such as overall growth prospects, competitive position in markets served, technology, research and development, productivity, labor costs, raw material sources and costs, capital resources, profit margins, return on investment, government regulation, and quality and experience of

management. The Adviser may seek enterprises that will also further the sustainable development and environmental initiatives of the National Government.

Investments may also be made in securities of new or little-known companies. However, the risk of investing in new or little-known companies generally is greater than the risk of investing in established companies. There is generally more volatility in the share prices of such companies since trading volumes for their shares are typically quite low. New or little-known companies tend to be smaller than established companies and generally have smaller capitalization and fewer resources. As a result, these companies often are more vulnerable to financial failure during periods of adverse economic conditions.

The Fund may invest up to 10% of its total assets in non-listed, non-publicly traded securities of Philippine companies, together with securities which cannot be readily resold because of legal or contractual restrictions or which are otherwise not readily marketable (including repurchase agreements having more than seven days remaining to maturity). Companies whose securities are not publicly traded are not subject to the same disclosure and other legal requirements which are applicable to companies with publicly traded securities. Non-listed, non-publicly traded securities may be resold in privately negotiated transactions; however, the prices realized from such sales could be less than those originally paid by the Fund or less than what may be considered the fair value of such securities.

The Fund intends to purchase and hold securities for long-term capital appreciation and will not normally trade in securities for short-term gain.

Investment Limitations under the Rules and Regulations Governing Investment Companies under Republic Act 2629

1. Until the Philippine SEC, by order, provides otherwise, the Fund shall not invest in any of the following:

- a. margin purchases of securities;
- b. commodity futures contracts;
- c. precious metals;
- d. unlimited liability investments;
- e. short selling of currencies;
- f. short selling of investments;
- g. other investments as the SEC shall, from time to time, proscribe.

2. The maximum investment of the Fund in any single 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. In no case shall the total investment of the Fund exceed ten percent (10%) of the outstanding, voting securities of any one issue or investee company.

3. For liquidity purposes, unless otherwise prescribed by the Commission, at least twenty percent (20%) of the Fund's net asset value shall be invested in liquid/semi-liquid assets such as:

a. 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, the servicing and repayment of which are fully guaranteed by the Republic of the Philippines.

b. Savings or time deposits with government owned banks or commercial banks, provided that in no case shall any such savings or time deposits account be accepted or allowed under a "bearer" or "numbered" account or other similar arrangement.

4. The Fund shall not incur any 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 its borrowings.

5. The Fund shall not purchase from or sell to any of its officers or directors or the officers or directors of its Investment Adviser, its managers or distributors or firms of which any of them are members, any security other than those of the Fund's own capital stock.

6. 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.

7. The operating expenses of the Fund shall not exceed 10% of its total investment fund or total Net Asset Value as shown in the Fund's most recent audited financial statements.

Other Investment Limitations

The following limitations are fundamental policies, which cannot be changed without the express approval of a majority of the Fund's Board of Directors and outstanding Shareholders. These investment limitations were amended to remove the Fund's right

to borrow from a bank to pay dividends, and to reduce the borrowing ceiling from 20% to 10% of its net asset value. These amendments were approved by the Fund's Board of Directors and Shareholders in their meetings held on April 12, 1996 and April 20 1996, respectively.

The Fund may not:

1. Issue senior securities;
2. Act as underwriter of securities of other issuers, except in connection with the purchase of securities for the Fund, or the disposition of portfolio securities or of subscription rights thereto, to the extent that it may be deemed to be an underwriter under applicable securities laws;
3. Invest more than 25% of its assets in any single industry;
4. Borrow money or pledge its assets, except that the Fund may borrow from a bank for temporary or emergency purposes in an amount not to exceed 10% (calculated at the lower cost or current market value) of its total net asset value (not including the amount borrowed). In the aggregate, the Fund borrowings may not exceed 10% of its total net asset value (calculated at the lower cost or current market value). In order to secure such borrowings, the Fund may pledge no more than 10% of its assets. To the extent the Fund borrows, the Fund's net asset value will in addition fluctuate due to the leverage arising from the borrowing and the borrowing limit may be exceeded if the net asset value declines subsequent to the undertaking of the borrowing. In such cases, it will be the Fund's policy to reduce its investment portfolio, to the extent practical, in order to comply with the ceiling on borrowing.
5. Buy or sell real estate or interests in real estate mortgages, except that the Fund may buy or sell securities of companies which invest or deal in commodities or real estate;
6. Make loans, except through repurchase agreements to the extent permitted by law and subject to a limitation that the total amount of all repurchase agreements having a maturity greater than seven days does not exceed 10% of its total assets taken in combination with other non-listed, non-publicly traded securities;
7. Exceed, under normal circumstances, an annual portfolio turnover rate of 75%;
8. Make any investment for the purpose of exercising control or management;
9. Make any investment which would involve the Fund in a situation of unlimited liability, such as that of general partner; and
10. Invest in securities of other investment companies.

Risk Factors

1. The value of MFCP's shares can be expected to fluctuate and may go up or down in value;
2. Unseasoned and unlisted company investments that the Fund may make may be subject to more risk than other listed investments. However, such investments, if any, will be limited to 10 percent of the net asset value of the Fund;
3. The value of the debt securities held by the Fund will increase or decrease depending on interest rate movements;
4. Given the relatively low trading and limited liquidity of the Philippine Stock Exchange (PSE) and particularly in times of stress in the PSE, the Fund may find it difficult to value its portfolio or sell its securities which, in exceptional circumstances may lead to temporary suspension of redemption of the Fund's shares

Portfolio Transactions and Brokerage

Subject to policies established by the Board of Directors of the Fund, the Investment Adviser is primarily responsible for the execution of the Fund's portfolio transactions and the allocation of brokerage commissions. In executing such transactions, the Investment Adviser will seek to obtain the best price and execution for the Fund, taking into account such factors as price, size of order, difficulty of execution and operational capabilities of the firm involved. While the Investment Adviser will seek competitive commission rates, the Fund will not necessarily pay the lowest commission available. The allocation of orders among brokers and the commission rates paid will be reviewed periodically by the Board of Directors of the Fund.

The Fund has no obligation to deal with any broker or group of brokers in executing transactions in portfolio securities. Subject to obtaining the best price and execution, brokers who provide supplemental research, market and statistical information to the

Investment Adviser may receive orders for transactions of the Fund. The term "research, market and statistical information" includes advice as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities, and furnishing analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts. Information received will be in addition to and not in lieu of the services required to be performed by the Investment Adviser under the Advisory Agreement and the expenses of the Investment Adviser will not necessarily be reduced as a result of the receipt of such supplemental information.

Portfolio Turnover

The Fund intends to acquire and hold securities for long-term capital appreciation and normally does not intend to trade in securities for short-term gains. However, changes may be made in the portfolio consistent with the investment objective and policies of the Fund whenever such changes are believed to be in the best interests of the Fund and its shareholders. It is anticipated that the annual portfolio turnover rate normally will not exceed 75%. The portfolio turnover rate is calculated by dividing the lesser of purchases or sales of portfolio securities by the average monthly value of the Fund's portfolio securities.

Taxation

THE FUND

Corporate Income Tax

Under the National Internal Revenue Code, as amended, a domestic corporation is subject to a tax of thirty-five percent (35%) of its taxable net income from all sources (within and outside the Philippines), except gross interest from Philippine currency bank deposits, yield from deposit substitutes, from trust funds, and from similar arrangements, as well as royalties from sources within the Philippines, which are taxed at a lower final rate of twenty percent (20%).

Gross Receipts Taxes

Under the National Internal Revenue Code, as amended, a domestic corporation is subject to a tax of thirty-five percent (35%) of its taxable net income from all sources (within and outside the Philippines), except gross interest from Philippine currency bank deposits, yield from deposit substitutes, from trust funds, and from similar arrangements, as well as royalties from sources within the Philippines, which are taxed at a lower final rate of twenty percent (20%).

Tax on Transfer of Shares Listed and Traded through the PSE

A sale or other disposition of shares of stock listed and traded through the stock exchange by a resident or a non-resident holder, other than a dealer in securities, is subject to a stock transaction tax at the rate of one-half of one percent (1/2 of 1.0%) of the gross selling price of the shares.

Taxes on Dividends

Under current law, cash dividends received by the Fund from Philippine corporations are not subject to taxes.

Documentary Stamp Tax

The original issue of share certificates is subject to a documentary stamp tax of P 2.00 for each P 200.00 or a fractional part thereof, of the par value of the shares issued.

THE SHAREHOLDER

Tax on Capital Gains

Net capital gains realized during each taxable year from the sale or redemption of shares of the Fund, unless an applicable tax treaty exempts such gains from tax, are subject to taxation as follows:

First P 100,000	10.0%
In excess of P 100,000	20.0%

Taxes on Dividends

Under current law, cash dividends received from a Philippine corporation by stockholders who are either individual citizens or residents of the Philippines or Philippine corporations or resident foreign corporations are not subject to tax. Dividends received by non-resident foreign individuals are subject to a thirty percent (30%) tax on the gross amount thereof subject to applicable preferential tax rates under tax treaties executed between the Philippines and the country of residence of such foreign individuals.

Dividends received from a Philippine corporation by non-resident corporations are subject to a thirty-five percent (35%) tax, unless the country in which the non-resident foreign corporation is domiciled has a tax treaty with the Philippines which provides a lower tax rate, or allows a credit against the tax due from the non-resident corporation for taxes deemed to have been paid in

the Philippines equivalent to twenty percent (20%) of the dividend, or does not tax the dividends received from the Philippine corporation, in which case the tax is reduced to fifteen percent (15%).

Pursuant to existing regulations of the Bureau of Internal Revenue, the availment of any tax exemption or preferential tax rate under a tax treaty is subject to a separate application for tax treaty relief by the non-resident concerned or its duly authorized representative, or by the withholding agent

Among the documents that must be attached to the application is documentary proof that the income recipient is a resident of the treaty country concerned, such as a certification from the tax authority of the country or, in case of a corporation, a certified copy of the articles of incorporation.

Documentary Stamp Taxes

The transfer of the shares is subject to documentary stamp tax of P 1.50 on each P 200.00, or fractional part thereof, of the par value of such shares.

Each prospective holder should consult his own tax adviser as to the particular tax consequences to such holder of purchasing, owning and disposing of Fund shares including the applicability and effect of any local and national tax laws.

Purchase of Shares

Sales Period

The initial sales period was completed on April 15, 1996. During this time, shares were offered at one peso (P1.00) per share, plus applicable sales fee. A continuous offering of shares commenced on April 30, 1996. At that time and, thereafter, shares will be offered at the current net asset value per share, plus applicable sales fee.

The MFMCP serves as Distributor of shares of the Fund. Shares of the Fund will be offered continuously for sale by the Distributor and other eligible securities dealers that have signed a Selling Agreement (the "Selling Agreement") with the Distributor. Shares of the Fund may be purchased from these securities dealers or by mailing a purchase order directly to the Shareholder Servicing Agent, the MFMCP (see address on back cover of this Prospectus). The minimum initial purchase for the Fund shares is five thousand pesos (P5,000) and the minimum subsequent purchase is one thousand pesos (P1,000).

Any order for shares may be rejected by the Distributor or the Fund. The SEC, the Fund or the Distributor may suspend the continuous offering of shares to the general public at any time in response to conditions in the securities markets or otherwise and may thereafter resume such offering from time to time. Neither the Distributor nor the eligible agents are permitted to withhold placing orders to benefit themselves by a price change.

Employees of certain Founding Shareholders and of other participating corporations may purchase shares through a special payroll deduction plan. A list of these participating corporations is available from the Shareholder Servicing Agent at 848-2610.

The applicable offering price for purchase orders is based upon the net asset value per share calculated after the close of each business day, defined as when the Philippine Stock Exchange and MFMCP are caused to be open.

Maximum Sales Fee as a % of the Offering Price

Investment (₱)	Sales Fee	As % of Offering Price	Paid to Dealers	Retained by Distributor
5,000 to 50,000	2.0%	1.96%	1.33%	0.63%
More than 50,000 to 100,000	1.5%	1.47%	1.00%	0.47%
More than 100,000 to 1,000,000	1.0%	0.99%	0.67%	0.32%
More than 1,000,000	- 0 -	- 0 -	negotiable	- 0 -

Shares of the Fund are offered at net asset value (without a sales fee) to Directors, officers and employees of the Adviser and Directors, officers and employees of the Fund.

Certificates In the interest of economy and convenience, physical stock certificates representing the Fund's shares will not be issued unless requested in writing directly to the Fund's Shareholder Servicing Agent. Shares are recorded on a stock register by the Transfer Agent, and shareholders who do not elect to receive stock certificates have the same rights of ownership as if certificates had been issued to them.

Redemption of Shares

Fund shares may be redeemed at net asset value, less any applicable redemption fees. Redemption proceeds will be paid within seven (7) banking days of the receipt of a redemption request. All shareholders may redeem shares through the Shareholder Servicing Agent or through eligible agents.

The redemption fee as a % of the Cost of Investment	
Shares held less than one year	2%
Shares held one to two years	1%
Shares held more than two years	None

Redemption through the Shareholder Servicing Agent. Fund shareholders who wish to redeem shares may do so through the Shareholder Servicing Agent by mail or in person. Shareholders should mail redemption requests to the Shareholder Servicing Agent, MFMCP The Peak Building, 107 Alfaro Street, Salcedo Village, Makati City, Philippines. A redemption request will be executed at the net asset value next computed after it is received in good order. "Good order" means that the request must be accompanied by the following: (1) a letter of instruction (or a stock assignment if shares are in certificate form), specifying the number of shares to be redeemed (or that all shares credited to the account are to be redeemed), signed by all registered owners of the shares in the exact names in which they are registered; (2) a guarantee of the signature of each registered owner by any commercial bank, trust company or member of a recognized stock exchange, or notary public; (3) other supporting legal documents in the case of estates, trusts, guardianships, custodianships, partnerships and corporations; and (4) duly endorsed share certificates, if any. Shareholders are responsible for ensuring that a request for redemption is received in good order.

Redemption through eligible securities dealers. Fund shareholders may also request redemption of shares through the agents from which their shares were purchased. Simply visit the agent and complete a redemption request form, available from the agent. Redemption proceeds less any applicable redemption fee will be mailed to the address of registration within seven days. ***The SEC, whenever it deems necessary or appropriate in the public interest or for the protection of investors and under the conditions set forth in Article 22 of R.A. 2969, may suspend the redemption of securities of open-end investment companies.***

The holder of any share of stock of the Fund, upon its presentation to the Fund or to any of its duly authorized representatives, is entitled to receive by way of redemption approximately his proportionate share of the Fund's current net assets or the cash equivalent thereof, i.e., the current net asset value, subject to existing laws and the By-Laws of the Fund; provided, however, that no such redemption may be made unless the remaining unimpaired capital of the Fund shall at least be P 1,000,000.00 or 50% of its outstanding liabilities to the creditors of the Fund, whichever is higher; provided, further, that redemption may be suspended during any of the periods specified under the By-Laws and under any applicable laws and regulations.

Shareholder Services

Investment Account

Each shareholder whose account is maintained with the Transfer Agent will have an Investment Account and will, whenever there is activity in the account such as a purchase, redemption or dividend, receive a statement from the Transfer Agent showing any reinvestments of dividends and capital gains distributions and any other activity in the account since the preceding statement. Shareholders will also receive separate confirmations for each purchase or sale transaction other than reinvestments of dividends and capital gains distributions. A shareholder may make additions to his Investment Account at any time by mailing a check directly to the Shareholder Servicing Agent.

Automatic Reinvestment of Distributions

Unless a shareholder elects to do otherwise, all distributions from the Fund will be automatically reinvested, without a sales charge. Shareholders who do not wish to have distributions automatically reinvested in additional shares, may choose an alternative option — payment of all distributions in cash.

Shareholders may change this election at any time by notifying the sales agent if the account is maintained at an eligible securities dealer or by calling the Shareholder Servicing Agent at 848-2610. Distributions will be reinvested at the net asset value at 4:30 p.m. on the payment date established for the distribution.

Automatic Savings and Investment Plan

Shareholders may purchase shares through an Automatic Savings and Investment Plan after establishing the initial investment account, in one of two ways:

1) by authorizing their bank to deposit an amount specified of at least five hundred pesos (P500) or more each month to the Fund from their account; or

2) by participating in a payroll deduction plan arrangement allowed by certain Founding Shareholders and Participating Corporations for employees (only available to employees of these Participating Corporations and Founding Shareholders).

In addition to providing a convenient and disciplined manner of investing, participation in the Automatic Savings and Investment Plan enables the investor to use the technique of "Peso cost averaging." When, under the Automatic Savings and Investment Plan, a shareholder invests the same peso amount each month, the shareholder will purchase more shares when net asset value is low and fewer shares when net asset value is high. Using this technique, a shareholder's average purchase price per share over any given period will be lower than if the shareholder purchased a fixed number of shares on a monthly basis during the period. More information about this plan, along with the names of participating Founding Shareholders may be obtained from the Shareholder Servicing Agent at 848-2610.

Peso Cost Averaging in a Systematic Investment Plan

Peso cost averaging is the mutual fund investor's version of strict discipline. It is a systematic method of taking the ups and downs of the market and using them to your advantage. Here is how it works: The same peso amount is invested each month, thereby purchasing more shares when the Fund's net asset value is down and fewer shares when it is up. For example:

FLUCTUATING MARKET		
<u>Monthly Investment</u>	<u>Share Price</u>	<u>Shares Purchased</u>
P 500	P 1.07	467
500	1.14	439
500	1.19	420
<u>500</u>	<u>1.30</u>	<u>385</u>
P 2,000	P 4.70	1,711

Average share cost	P 1.17 (P2,000/1711)	
Average share price	P 1.18 (P4.70/4)	

Note: Under Peso cost averaging, the investor must take into account his/her ability to continue the plan in periods of low prices.

Investment Advisory Agreement

The MFMCP serves as the Investment Adviser to the Fund and earns an adviser fee for its service. Under the terms of the Investment Advisory Agreement, the Adviser makes investment decisions, prepares and makes available research and statistical data, and invests with respect to the purchase and sale of securities on behalf of the Fund, including the selection of brokers and dealers to carry out the transactions, all in accordance with the investment objective and policies. The Adviser maintains records and furnishes or causes to be furnished all required reports of the Adviser. The Adviser pays the reasonable salaries and expenses (other than travel expenses relating to attendance at meetings of the Fund's Board of Directors or any committee thereof) of those of its Directors, officers and employees who are Directors and officers of the Fund. The Fund bears the travel expenses or an appropriate fraction thereof of officers and Directors of the Fund who are Directors, officers or employees of the Adviser to the extent such expenses relate to attendance at meetings of the Fund's Board of Directors or any committee thereof.

For its services, the Adviser receives a monthly fee of 1.5% (on an annualized basis) of the daily net assets of the Fund (the "Fee"). The Investment Advisory Agreement does not prohibit the Adviser from providing investment advisory services to other clients, (if and when, the Philippine SEC permits the Adviser to manage more than one company), including clients who may invest in Philippine securities. In providing such services, the Adviser may use non-confidential information furnished by others.

The Investment Advisory Agreement will initially be effective for a period of two years from December 20, 1995 and will continue in effect from year to year provided such continuance is specifically approved at least annually by a vote of a majority of those members of the Board of Directors who are neither parties to the Investment Advisory Agreement nor interested persons of the Adviser or the Fund, cast in person at a meeting called for the purposes of voting on such approval or by majority vote of the outstanding voting securities of the Fund cast in person or by proxy. The Investment Advisory Agreement may be terminated at any time, without payment of penalty, by the Fund or by the Adviser upon 60 days' written notice. Termination of the Investment Advisory Agreement by the Fund may be by the vote of the Board of Directors or the vote of two third (2/3) of the outstanding voting securities of the Fund. The Investment Advisory Agreement will automatically terminate in the event of its assignment.

An Amendment to the Investment Advisory Agreement has been executed by the Fund and the Adviser. Said amendment adds an indemnification provision in favor of the Fund.

Distribution Plan and Agreement

The MFMCP serves as Distributor for the Fund and earns a Distributor's Fee to directly or indirectly pay expenses associated with the distribution of shares, (the "distribution expenses") in accordance with a Distribution Plan and Agreement (the "Plan") adopted by the Fund's Board of Directors. Pursuant to such Plan, the Fund shall pay a distribution services fee to the Distributor at an annual rate of 0.50% of the aggregate average daily net assets.

The Dealer and Selling Agent Agreement to be executed between the Distributor and Dealer and Selling Agents provides that the Distributor will use the distribution services fee received, in part, for payments (i) to compensate agents or other persons with ongoing commissions in an amount equal to 0.25% for providing distribution assistance, or (ii) to otherwise promote the sale of shares of the Fund such as by paying for the preparation, printing and distribution of prospectuses for persons other than current shareholders and sales literature or other promotional activities. Distribution services fees are accrued daily and paid monthly, and are charged as expenses of the Fund as accrued. Distribution services fees received from the Fund will not be used to pay any interest expenses, carrying charges or other financial costs.

In adopting the Plan, the Directors of the Fund determined that there is a reasonable likelihood that the Plan would benefit the Fund and the shareholders. Information with respect to distribution revenues and expenses will be presented to the Directors each year for their consideration in connection with their deliberations as to the continuance of the Plan. In the review of the Plan, the Directors will be asked to take into consideration expenses incurred in connection with the distribution of shares.

Administrator

The Fund employs the MFMCP to provide administrative services under an Administrative Services Agreement (the "Administration Agreement"). The services provided by the Administrator are subject to the supervision of the officers and Directors of the Fund, and include day-to-day administration of matters related to the corporate existence of the Fund, maintenance of its records and preparation of Shareholder reports, quarterly Board of Directors' Meeting, and Annual Shareholders' Meetings.

For these services, the MFMCP will earn a monthly fee at the annual rate of 0.15% of the daily net assets of the Fund or P300,000 whichever is greater. An Amendment to the Administrative Service Agreement has been executed by the Fund and by MFMCP. Said amendment adds an indemnification clause in favor of the Fund.

Transfer Agent

The Fund employs the Philippine National Bank, (PNB), PNB Financial Center, Pasay City, Manila, Philippines to serve as its Transfer Agent. Transfer Agent services include but are not limited to: account registration, processing of dividend and capital gains checks, periodic preparation and mailing of shareholder statements, and management reports as required. For these services the Fund pays a monthly fee at the rate of P10 per account or P240,000 per year, whichever is greater in accordance with the Transfer Agent Agreement. An Amendment to the Transfer Agent Agreement has been executed by the Fund and by PNB. Said amendment adds an indemnification clause in favor of the Fund.

Shareholder Servicing Agent

MFMCP provides Shareholder Servicing requirements by providing telephone representatives to answer shareholder inquiries. The Shareholder Services unit can be reached at 848-2610.

Custodian

The Philippine National Bank (PNB), PNB Financial Center, Pasay City, Manila, Philippines, will serve as custodian for the assets of the Fund. Selection of the custodian has been made by the Directors following a consideration of a number of factors, including, but not limited to, the reliability and financial stability of the institution, the ability of the institution to perform capable custodial services, and the reputation of the institution in the Philippines. For its services, PNB will be paid 0.10% of the average daily net assets in accordance with the Custodial Agreement (the "Custodial Agreement").

Legal Counsel and Independent Auditors

SyCip Salazar Hernandez & Gatmaitan, 105 Paseo de Roxas, 1200 Makati, Manila, Philippines will serve as legal counsel to the Fund; SyCip, Gorres, Velayo & Co., 6760 Ayala Avenue, Makati, Manila, Philippines, will serve as the Fund's independent auditor.

Additional Information

Investment In Non-publicly Traded Securities

The Fund is permitted to invest up to 10% of its total assets in non-listed, non-publicly traded securities. The risk of investing in such companies generally is greater than the risk of investing in publicly traded companies. Companies whose securities are not publicly traded are not subject to the same disclosure and other legal requirements that are applicable to companies with publicly traded securities. Companies whose securities are not publicly traded tend to be smaller than publicly traded companies and generally have smaller capitalization and fewer resources, and therefore often are more vulnerable to financial failure. Because of the absence of a formal trading market for these investments, the Fund may not be able to (i) sell such securities when it may be opportune to do so or (ii) realize the fair value of such securities upon sale.

Investment in Unseasoned Companies

While the Fund invests a substantial portion of its assets in the securities of established Philippine companies, the Fund may also invest in the securities of smaller, less seasoned Philippine companies. Investments in the securities of these less seasoned Philippine companies may present greater opportunities for growth but also involve greater risks than customarily are associated with investments in securities of more established companies. The securities of smaller, less seasoned Philippine companies may be subject to more abrupt and erratic market price movements than larger, more established companies. The Fund has not established any minimum capitalization or length of operating history for the smaller, less seasoned issuers in whose securities the Fund may invest. Additionally, these companies may have limited product lines, markets or financial resources, or they may be dependent upon a limited management group. Investments in larger companies present certain advantages in that such companies generally have greater financial resources, more extensive research and development, manufacturing, marketing and service capabilities, more stability and greater depth of management and technical personnel.

Determination of Net Asset Value

The net asset value of the Fund is determined by the Administrator once daily at 4:30 P.M., on each day during which the PSE is open for trading. The net asset value per share of the Fund is computed by dividing the value of the securities held by the Fund plus any cash or other assets (including interest and dividends accrued but not yet received) minus all liabilities (including accrued expenses) by the total number of shares outstanding at such time, rounded to the nearest centavo. Portfolio securities and options positions for which market quotations are readily available are stated at the last sale price reported by the PSE as of the PSE's close of business. Securities and options for which no sale has taken place during the day and securities which are not listed on the PSE are valued at the mean of the current closing bid and asked prices. Short-term investments that will mature in 60 days or less are stated at amortized cost. All other securities and assets for which there is no such quotation or valuation are valued at the mean between the bid and asked price or by such other methods as the Board of Directors deem to reflect their fair value. The actual calculations shall be made by the Adviser. The assets may also be valued on the basis of valuations provided by a pricing service approved by the Board of Directors. All expenses, including the fees payable to the Investment Adviser, Administrator, Distributor and Custodian, among others, are accrued daily.

Performance Information

From time to time, in advertisements to prospective investors, or reports to shareholders, the Fund may compare its performance, either in terms of its total return or its yield and total return, to that of other mutual funds with similar investment objectives, and/or to Phisix Index which is widely used as a benchmark and the bellwether 91-day treasury bill rate. The Fund's average annual total return is computed by finding the average annual compounded rates of return for the most recently completed fiscal quarter and for the period since the commencement of operations through the most recently completed quarter. It is based on a hypothetical P 5,000.00 initial payment while assuming reinvestment of all distributions, and with recognition of all recurring charges. The Fund may also utilize a total return computed in the same manner but for differing periods, without annualizing the total return. For purposes of the yield calculation, yield to maturity of each debt obligation in a portfolio is determined based on a modified market value method of amortization. In computing net investment income all recurring charges are recognized. Total return or yield information may be useful in reviewing the Fund's performance and for providing a basis for comparison with other investment alternatives. However, since the performance of a Fund changes in response to fluctuations in market conditions, interest rates, and expenses, no performance quotation should be considered a representation as to the Fund's performance for any future period. Current performance of the Fund may be obtained by calling the Shareholder Servicing Agent at 848-2610.

Pending Litigation

On March 6, 1996, a complaint was filed by the Investment Company Association of the Philippines, Inc. (the "plaintiff") against The Mutual Fund Company of the Philippines, Inc. and The Mutual Fund Management Company of the Philippines, Inc. (the "defendants") with the Securities and Exchange Commission, seeking the cancellation of the corporate names of the defendants.

On March 25, 1996, the defendants, through counsel, filed a Motion to Dismiss and an Answer. The defendants are currently awaiting plaintiff's Opposition to the Motion to Dismiss.

If the complaint is decided against the defendants, the defendants will have to change their corporate names.

Shareholders Meeting and Audit

General Meetings

The Fund shall hold an Annual Meeting for Shareholders within five (5) months after the end of the fiscal year at the place and time determined by the Directors. Notices of such meetings and of all other meetings shall be given in writing to the shareholders at their registered addresses at least fifteen (15) days prior to the meeting if an annual meeting, or at least ten (10) days before the date of the meeting, if a special meeting. All notices of meetings will specify the time, place and general nature of the business of the meeting. The presence of the holders of a majority of the issued and outstanding shares of the Fund having voting powers in person or by proxy shall constitute a quorum for all purposes at any general meeting of the Fund.

Votes Attaching to Shares

Each stockholder at every meeting of the stockholders shall be entitled to one vote, in person or by proxy for each share held by such stockholders. There are no pre-emptive rights attached to the shares of the Fund.

Annual Accounts and Reports

The audited accounts will be stated in Philippine Pesos and made up to and as at December 31st in each year. The accounts of the Fund will be prepared in accordance with the applicable laws of the Republic of the Philippines and in all material respects with generally accepted accounting principles and practice. Copies of the annual reports and audited accounts (which will include a report from the Investment Adviser on the investments of the Fund) will be sent to shareholders at their registered addresses within four months from the end of each financial year. Copies of a half-yearly report of the Adviser and unaudited accounts of the first six months of each financial year (other than the first financial year) will also be sent to shareholders at their registered addresses, normally within two months from the end of the period.

The Securities Market of the Philippines

As with many emerging countries, the Philippine securities market is not as large as markets in developed countries, and has substantially less trading volume, resulting in lower liquidity and high price volatility relative to more developed markets. Market capitalization and trading volume are highly concentrated in a small number of issuers representing a limited number of industries; investors are concentrated within a small group and there is a lack of broad public participation.

Background and Development

The Philippines historically had two principal securities trading markets - the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1965. At the direction of the Ramos Administration, a series of steps over the last two years has resulted in the unification of the exchanges into the Philippine Stock Exchange (the "PSE"). The PSE was incorporated in 1992 and in March 1994 the licenses of the Makati and Manila Stock exchanges were revoked in order to facilitate the creation of one exchange. While the PSE maintains two trading floors - the PSE-Ayala and the PSE-Tektit trading floors - in March 1994 the two floors were linked by the PSE's computer system. Since that date all trading in listed stocks has been conducted on the PSE's computer system, which integrates all bid and asked quotations from both floors. The PSE has appointed a professional president to handle administrative matters, is currently preparing a listing manual as the basis for listing approval, and is planning to establish electronic central surveillance, clearing and settlement systems to replace the current manual systems.

On October 3, 1994, the PSE instituted a new composite index (the "Phisix Index"). The Phisix Index differs from the previous PSE Composite Index in that (i) the Phisix Index is based on the total shares outstanding of listed companies, including both "A" and "B" shares (whereas the PSE Composite Index was based solely on "A" shares) and (ii) the Phisix Index will include new public companies shortly after the listing of such companies (whereas the PSE Composite Index delayed including such new public companies for a period of approximately 6 months prior to the inclusion of such companies' shares in the index). With these changes and the inclusion of Petron Corporation, the Philippines' biggest oil refiner and marketer, the new Phisix Index represents approximately 85% of the total market capitalization of the PSE. The Phisix Index has not been calculated for any date prior to October 3, 1994.

THE PHILIPPINE STOCK MARKET GROWTH				
Year	Composite Index Closing	Number of Listed Companies	Aggregate Market Capitalization (P M)	Combined Value of Turnover (P M)
1980	217	194	15,709	4,652
1981	144	195	28,102	1,291
1982	152	200	27,250	1,215
1983	224	183	17,434	5,365
1984	154	149	13,706	2,083
1985	188	136	8,054	2,054
1986	420	128	42,119	11,471
1987	819	137	61,968	31,345
1988	836	141	105,872	9,251
1989	1,117	144	272,213	50,732
1990	654	152	171,202	28,569
1991	1,157	161	269,376	39,707
1992	1,289	169	359,302	77,032
1993	3,288	181	1,081,086	185,044
1994	2,786	189	1,386,464	369,297
1995	2,594	205	1,545,728	278,983

The PSE publishes five indices, the Mining Index, the Commercial-Industrial Index, the Oil Index, the Property Index (a new index instituted after September 30, 1994) and the Composite Index. After October 3, 1994 the new composite index is the Phisix Index as described above. Each of the indices represents the numerical averages of the prices of component stocks.

Despite recent gains in market capitalization, the PSE remains among the smaller markets in the region.

Regulation

The Philippine Securities and Exchange Commission (the "Philippine SEC") was established in 1936 pursuant to the Philippines Securities Act. It is a quasi-judicial government agency under the administrative supervision of the Department of Finance. The Department of Finance also maintains oversight over the formulation of policies on capital market development, among others, and, together with the Philippine SEC, is primarily responsible for the regulation of the Philippine securities markets.

The Philippine SEC is composed of a Chairman and four Associate Commissioners, appointed by the President for staggered terms of seven years. The Philippine SEC is responsible for the registration and regulation of stock exchanges, 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 of the Philippines, the Revised Securities Act (the "RSA") and certain other statutes.

In compliance with the mandate of the RSA for the establishment of trust funds to shield investors from extraordinary losses, the Securities Investors Protection Fund, Inc. ("SIPF") was created to protect investors against losses resulting from fraud, failure or insolvency of brokers and dealers who are members of a stock exchange. The SIPF is administered by a board of trustees composed of representatives of the Philippine SEC, the PSE and the public. The maximum amount payable to an investor from the SIPF is approximately P10,000 and the SIPF is available only to customers of securities firms which are forced to liquidate.

A company wishing to issue securities to the public is required to file a registration statement with the Philippine SEC setting forth information about the company, its business and its management. The information contained in a registration statement must be updated periodically. Moreover, companies registering securities are required to submit periodic financial and operational reports. Failure to comply with Philippine SEC reporting requirements may result in a penalty, usually in the form of a fine.

The PSE has the power to regulate its members as well as transactions effected through its facilities and imposes its own requirements regarding certain matters. With regard to the listing of shares, a company, to list its shares must: (i) generally have a minimum authorized capital stock of P100 million (or P50 million in the case of secondary offerings of commercial and industrial companies), with a positive P25 million paid-up capital (25% of its authorized capital stock must be underwritten and distributed through the member-brokers of the PSE); (ii) have a minimum of 500 stockholders; and (iii) register its securities in accordance with the Revised Securities Act and receive approval from the Philippine SEC to sell the securities to the public. The PSE requires all listed companies to submit semi-annual financial reports.

A company listed with the PSE or whose shares are registered with the Philippine SEC is required to keep the PSE, the Philippine SEC and the general public informed of any and all material facts that may affect the market price of its stock. It is the duty of

such company to disclose those facts in writing immediately after they occur by filing a written notice with both the Philippine SEC and the PSE and by publishing (or causing the publication of these facts) in a generally circulated newspaper.

Under the Revised Securities Act, the use of credit for the purchase of securities is limited to the higher of the following: (i) 65% of the security's current market price, or (ii) 100% of the lowest market price of the security during the preceding 36 months, but not more than 75% of the current market price. The Monetary Board of the BSP may, with the affirmative vote of five of its members, increase or decrease such limitations under emergency situations.

Both insider trading and stock manipulation are illegal in the Philippines. Rules and regulations relating to these activities have generally been patterned after the rules and regulations of the U.S. Securities and Exchange Commission. The Philippine SEC has conducted investigations of possible insider trading in the past and the PSE has recently referred a possible insider trader case to the Philippine SEC.

Trading and Settlement Procedures

The PSE is a "double auction" market where buyers and sellers are each represented by stockbrokers. Trading is conducted by transmitting bid and asked prices to the PSE's computer system.

PSE clearing house and trade processing functions are performed separately by two banks: the Rizal Commercial Banking Corporation for the PSE-Ayala trading floor and Equitable Bank for the PSE-Tektite trading floor. Backlog and processing errors have been persistent problems which worsen when trading volume increases. To resolve these inefficiencies, the PSE is planning to establish a central clearing and depository system. There can be no assurance that such a system will be developed or that, if developed, existing inefficiencies will be alleviated.

Brokers must comply with all requirements for the transfer of shares and must deliver the corresponding stock certificates and all requisite documents to the relevant clearing house within four business days from the trade date of the relevant transaction. Settlement occurs on the fourth business day after the trade date. The clearing house is then required to deliver the stock certificates and documents to the transfer agent of the relevant company in order to effect the transfer in the company's books and to deliver the new certificates back to the clearing house.

Trading on the PSE starts at 9:30 a.m. and ends at 12:00 noon, with a 15-minute extension during which time transactions can still be conducted provided they are executed at the last sales price and only for purposes of completing unfinished orders. Trading takes place Monday through Friday, except on legal and special holidays.

Trading is done on board lots ranging from ten to 5,000,000 shares, depending on the price range and nature of the issue. Odd-sized lots are traded by brokers on a board specifically designed for odd-lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current Philippine SEC regulations, when the price of a listed security moves up 50% or down 40% in one day (based on the previous day's closing price or last posted bid price, whichever is higher) the price of that security is automatically frozen by the PSE, unless there is an official statement from the company or a government agency justifying such price fluctuation. The affected shares can still be traded but only at the frozen price.

Commissions charged by members of the PSE are regulated by the Philippine SEC. Brokers may charge a commission of 1.5% on both buying and selling transactions. For transactions amounting to P3,000 or less, a minimum charge of P45 is levied.

The Republic of the Philippines

The information relating to the Republic of the Philippines is provided for background purposes only and has generally been extracted from and is presented on the authority of various public official documents and private publications.

Territory and Population

The Philippines, one of the largest island groups in the world with over 7,100 islands, is located off the southeastern coast of Mainland Asia between the Pacific Ocean and the South China Sea. The total land area is approximately 300,000 square kilometers, of which over half is accounted for by the two largest islands, Luzon and Mindanao.

The Philippines is the fourteenth most populous country. Total population in the Philippines is estimated at 67 million and is growing at an average annual rate of approximately 2%. The largest concentration of people is in Metro Manila, the country's national capital region and commercial and financial center. Approximately 55% of the population is located in the rural areas of the country. However, as industrialization continues, the proportion of the population living in urban areas will probably increase.

The majority of the population is of mixed race. Malayan ethnic characteristics predominate although there are significant Chinese, Hispanic and American influences. The literacy rate is over 90% and the national language of the Philippines is Filipino, but over 80 other dialects are spoken throughout the country. English is used extensively and is the dominant language in business.

History, Form of Government and Political System

The Philippines was under Spanish colonial rule for nearly four centuries. During the Spanish-American War, the Filipinos revolted and declared their independence from Spain on June 12, 1898. After the Spanish-American War, the Americans, claiming sovereignty over the Philippines from Spain under the Treaty of Paris in 1898, in turn colonized the Philippines. In 1935, the Philippines was transformed into a self-governing commonwealth and then became a republic on July 4, 1946 with a system of government similar to that of the United States.

Since its independence, the Philippines has had three constitutions. The most recent constitution was adopted in a plebiscite vote held on February 2, 1987 (the "1987 Constitution"). The 1987 Constitution provides for a democratic system of government, divided into three branches, consisting of an executive branch, a legislative branch and a judicial branch.

Foreign Policy

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Political Events Since 1986

In February 1986, following the contested re-election of the late Ferdinand E. Marcos to the presidency of the Philippines, a period of intense political unrest resulted in the removal of Marcos and the establishment of a new government under Mrs. Corazon C. Aquino. The Aquino Government experienced a series of attempted coups d'état instigated by factions within the military, sporadic attacks by communist-inspired groups and secessionist activity by Muslim factions. Its tenure in office was also burdened with a series of natural disasters, including volcanic eruptions, drought, typhoons, floods and an earthquake. Nonetheless, the Aquino Government was able to initiate a number of economic reforms. In an effort to open the economy, the Government began initial stage liberalization programs for trade, foreign exchange and foreign investment. In an effort to reduce the role of the Government it sought to reduce public sector operations and began a privatization program. In addition, the Government sought to steer the economy to single-digit inflation, while restructuring its heavy foreign debt burden.

In 1992, Fidel V. Ramos, the West Point-trained former defense minister, was elected President of the Philippines in a peaceful election. The Ramos Administration has continued the economic reforms started by the Aquino Administration. A more liberal Foreign Investment Act is now in effect which relaxed policy-based nationality restrictions and expressly permits foreigners to own businesses in many sectors that had limited foreign ownership. Foreign investors may now own businesses in industries such as insurance, travel, wholesale trading and manufacturing. There has also been a liberalization of the foreign exchange market allowing exporters to retain their foreign exchange earnings. The Ramos Administration, with the help of the Philippine Congress, has implemented policies to further liberalize trade, to accelerate the privatization of previously state-owned companies, to standardize civil servant salaries and to implement tax reforms. These policies have helped the Philippines achieve political stability and greater credibility internationally, as is evidenced by the June 24, 1994 approval by the IMF of a three-year \$684 million extended facility for the Philippines.

The National Economic and Development Authority ("NEDA") oversees, coordinates and integrates the economic policy and planning of the Government. NEDA has recently approved an infrastructure program for 1995, costing \$4 billion to be directed to energy-related projects, public works and highways, transportation, education, health and agriculture. The program, which encompasses 32 ventures, is emerging as the Philippine Government's chief strategy of improving the country's infrastructure. Private funds are also expected to play a major role in this program.