

# **The First Philippine Fund Inc.**

**Capital Link Forum**

**Closed End Country Funds and Global ETF Conference**

**April 9, 2002**

**The Pierre Hotel, New York**

**Lilia Calderon Clemente**

*President & CEO, The First Philippine Fund*

*Chairman, Clemente Capital, Inc.*

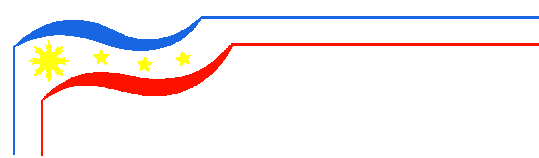
**Joaquin G. Hofileña**

*Portfolio Manager, Clemente Capital, Inc.*



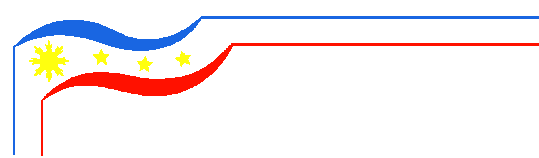
# The First Philippine Fund Inc.

- **Launched in November 1989.**
  - **The only closed-end Philippine fund listed on the New York Stock Exchange. Ticker symbol is FPF.**
  - **Objective: long-term capital appreciation primarily through investments in equities securities of Philippine companies.**
  - **Ability to buy A shares through local trustee.**
  - **Ability to invest in pre-IPO, non-listed securities.**
  - **Advisors: Clemente Capital, Philippine National Bank**
  
  - **Current size is US\$39 million.\***
  - **Trading at a 10.8% discount to NAV.\***
- \* As of end-March 2002*

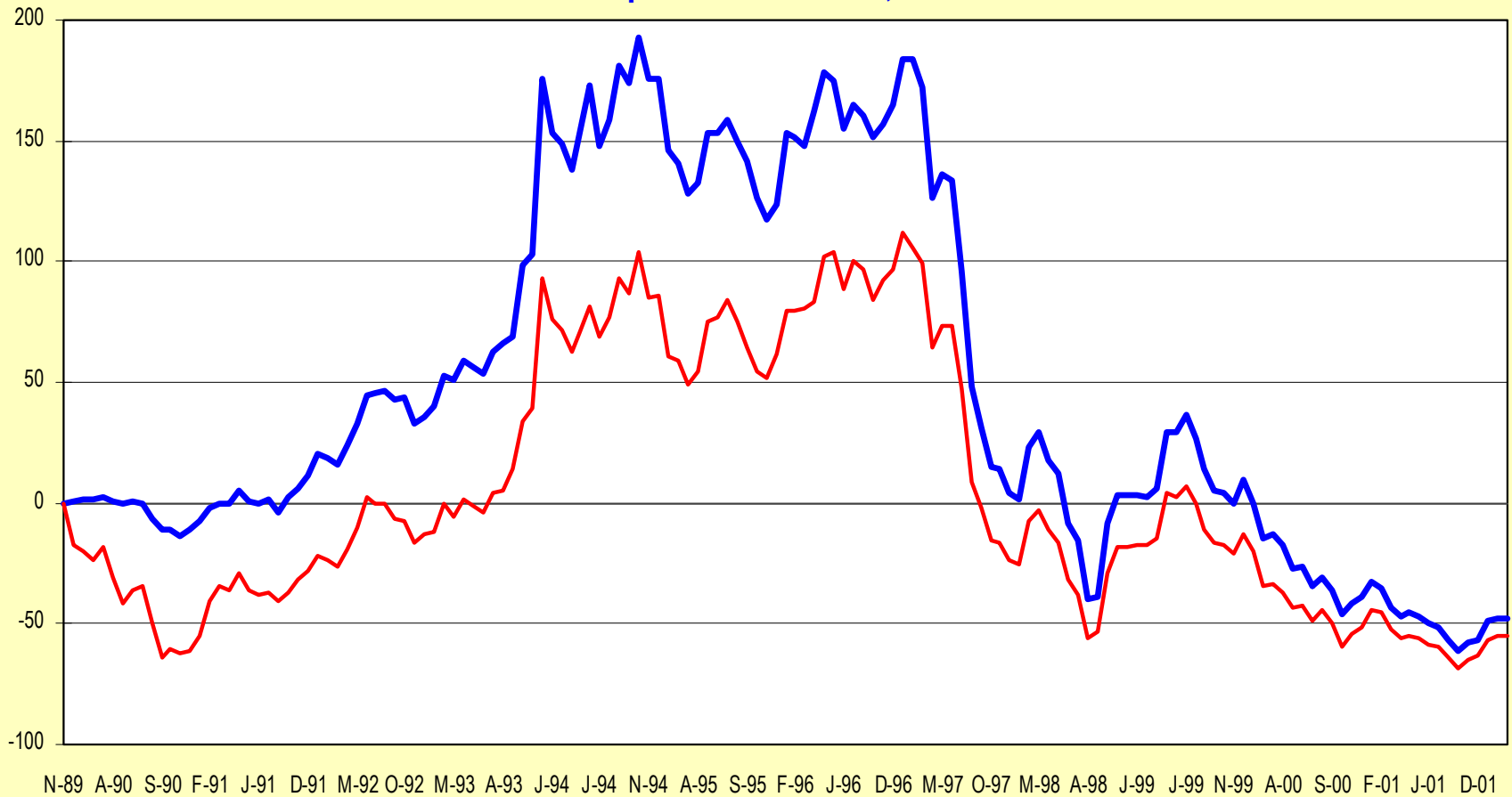


## Philippine Stock Exchange Index: Nov 1989 - Mar 2002

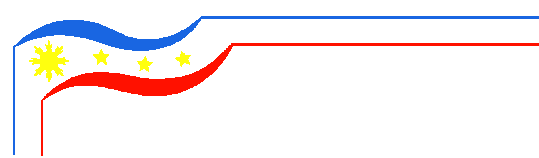




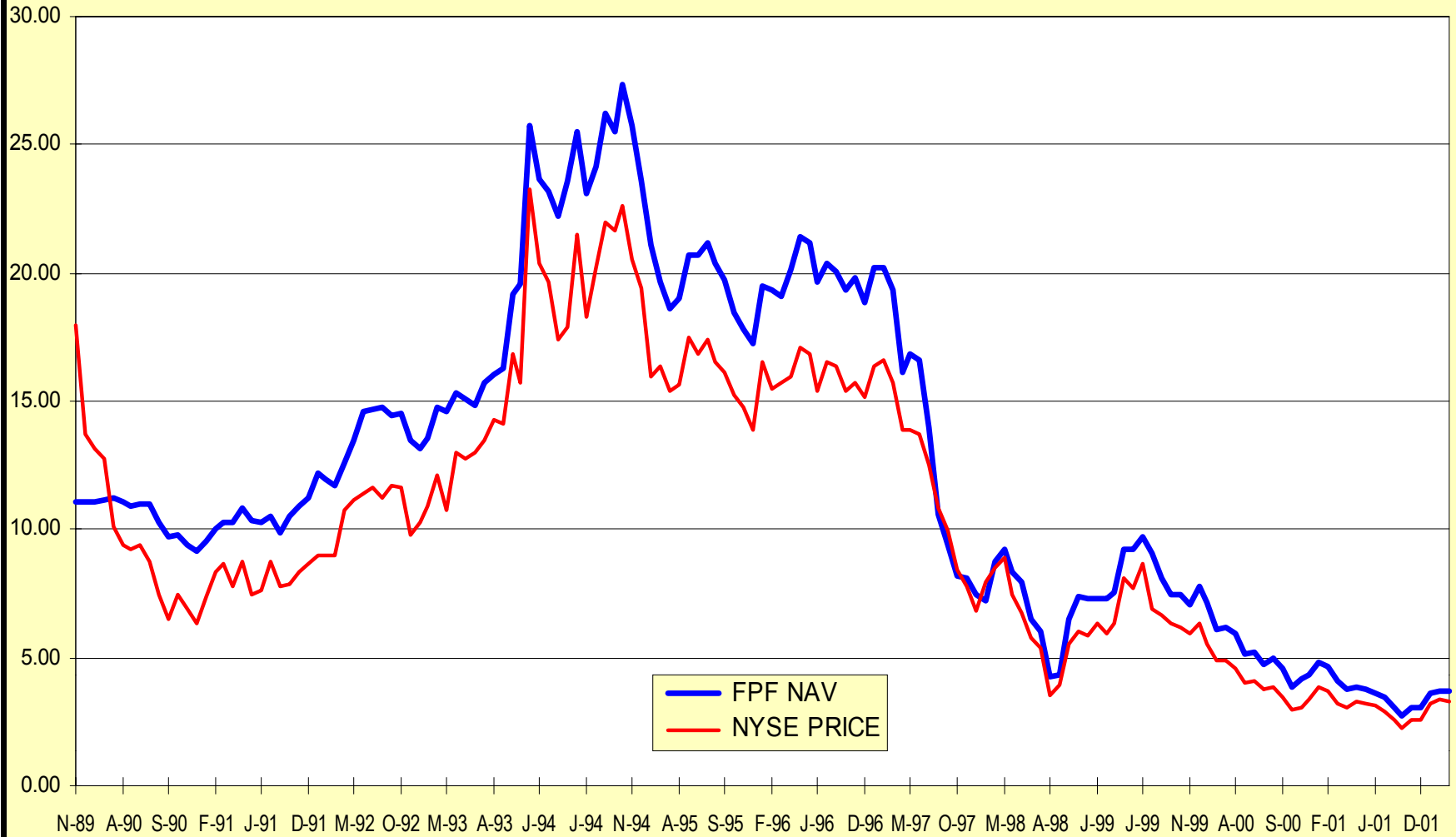
## Performance Comparison: FPF NAV vs. Philippine Composite Index Inception to March 31, 2002

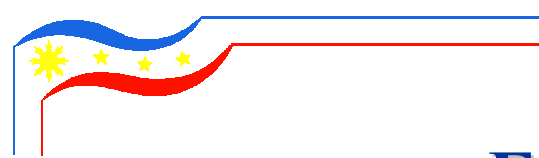


(FPF: Dividend adjusted; PSE-Composite: in US\$)



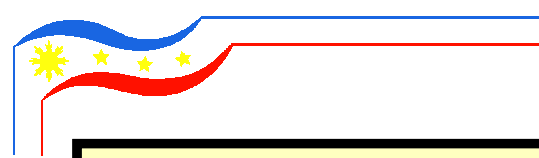
### THE FIRST PHILIPPINE FUND: NAV vs NYSE PRICE



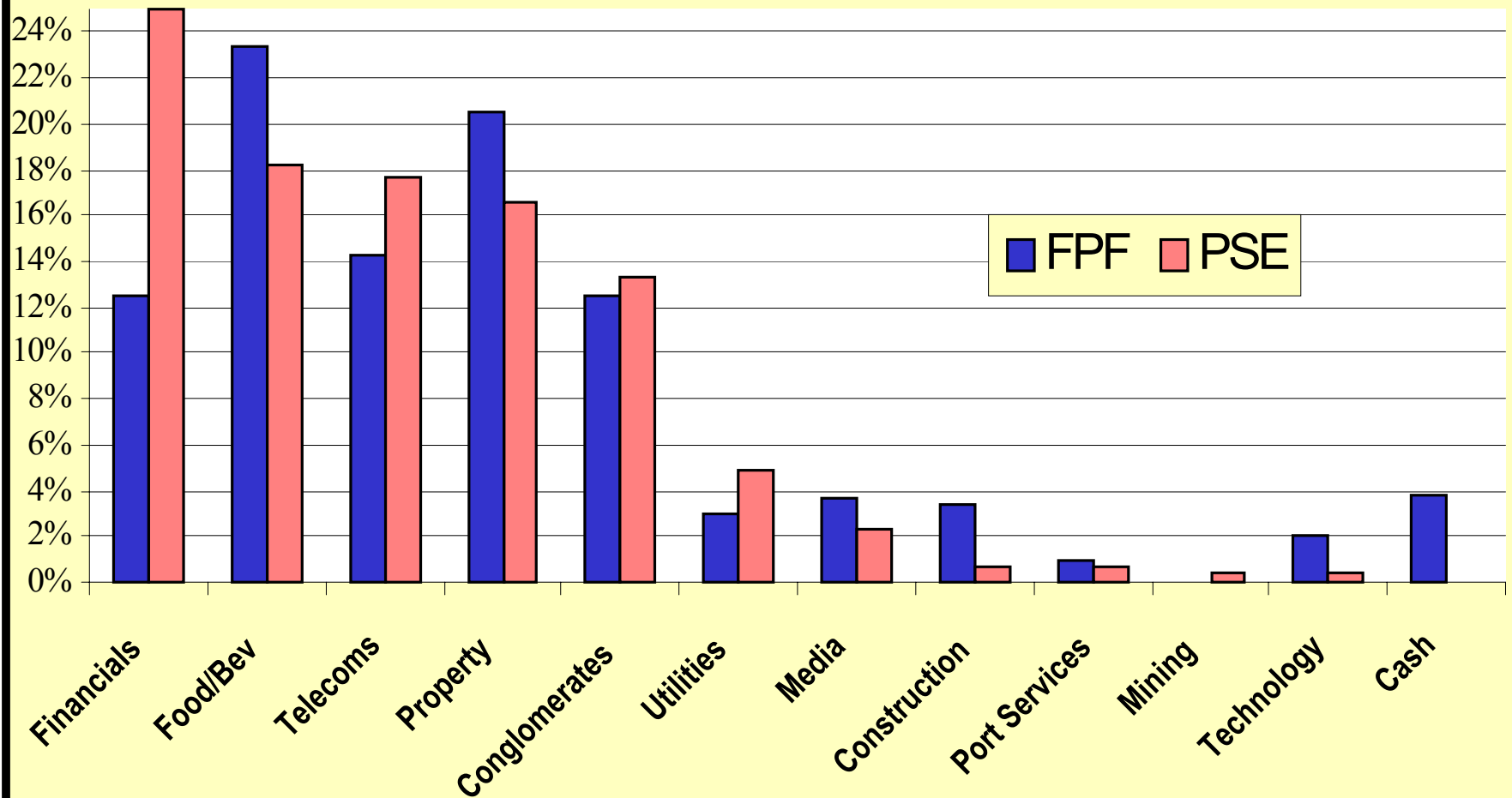


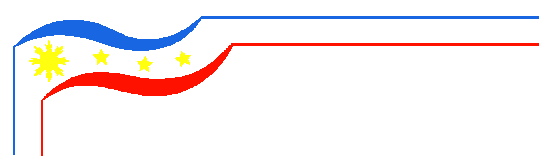
## Fund Status as of March 31, 2002

	<i>As of 3/31/02</i>	<i>As of 12/31/01</i>	
<b>Total Assets</b>	<b>\$ 39.0 mn</b>	<b>\$ 33.2 mn</b>	
<b>NAV per share</b>	<b>\$ 3.69</b>	<b>\$ 3.08</b>	
<b>Share price</b>	<b>\$ 3.29</b>	<b>\$ 2.57</b>	
<b>Discount to NAV</b>	<b>10.84 %</b>	<b>16.56 %</b>	
<i>PERFORMANCE</i>	<i>1Q02</i>	<i>4Q01</i>	<i>Full Year 2001</i>
<b>NAV</b>	<b>19.81 %</b>	<b>0.33 %</b>	<b>- 29.20 %</b>
<b>Share Price</b>	<b>28.02 %</b>	<b>-1.15 %</b>	<b>- 23.85 %</b>
<b>Phisix (in US\$)</b>	<b>21.56 %</b>	<b>2.99 %</b>	<b>- 24.42 %</b>
<b>Peso Appreciation</b>	<b>1.2 %</b>	<b>-0.7 %</b>	<b>- 3.3 %</b>



## Comparative Weightings: FPF vs. PSE as of December 31, 2001

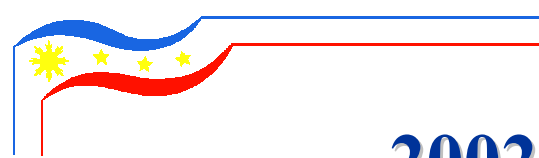




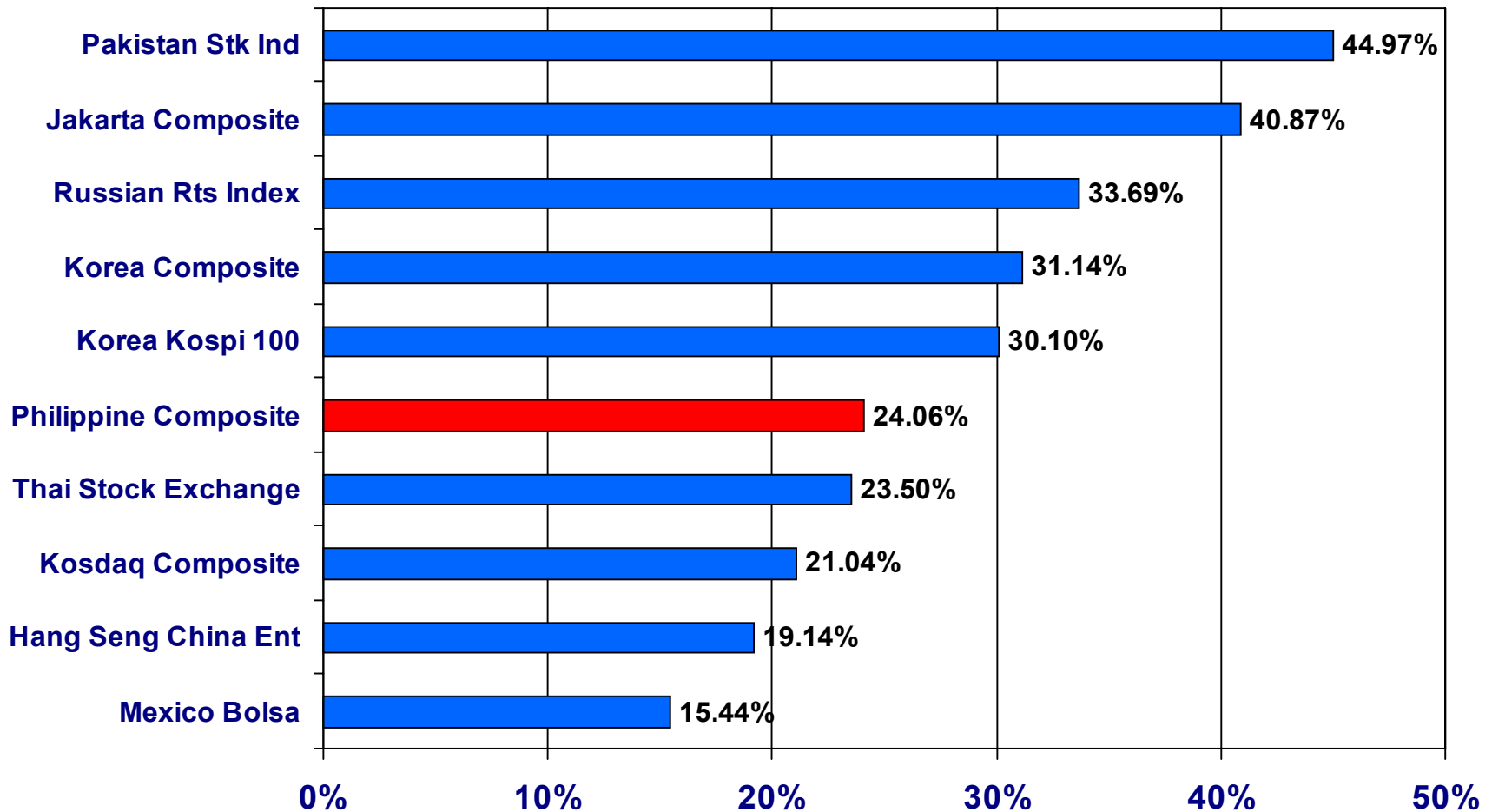
# **Top Holdings**

*as of December 31, 2000*

<b>Company</b>	<b>Percent of the Portfolio</b>
<b>San Miguel Corp. - A</b>	<b>12.49 %</b>
<b>Phil Long Distance Telephone ADRs</b>	<b>11.78 %</b>
<b>Ayala Corp.</b>	<b>9.16 %</b>
<b>SM Prime Holdings</b>	<b>8.84 %</b>
<b>Ayala Land</b>	<b>7.51 %</b>
<b>Bank of the Phil. Islands</b>	<b>5.62 %</b>
<b>Metro Bank &amp; Trust</b>	<b>5.25 %</b>
<b>Filinvest Land Inc.</b>	<b>3.91 %</b>
<b>ABS-CBN PDRs</b>	<b>3.66 %</b>
<b>La Tondeña Distillers</b>	<b>3.21 %</b>
<b>Manila Electric Co. – A</b>	<b>2.99 %</b>
<b>Jollibee Foods</b>	<b>2.77 %</b>



## 2002: Best Performing Markets YTD



•YTD up to April 5, 2002, in US\$

•Source: Bloomberg

# Gloria Macapagal-Arroyo's Leadership



- Is firmly entrenched after May 2001 elections.
- Has formed a competent, well-respected cabinet and earned confidence.
- Has stabilized the economy and positioned it for a turnaround:
  - Better than expected 2001 GDP
  - Capped the budget deficit within targets.
  - Credit ratings upgraded
  - Structural reforms enacted and implemented

# The Abu Sayyaf Issue



- Conflict is confined to a small island in Southern Philippines.
- Small band of bandits/rebels – now only about 100 of Basilan's 300,000 population.
- Muslims account for about 3 million of total 80 million population, which is predominantly Catholic.
- US military assistance and training as part of war exercises is welcomed.
- Government sees poverty alleviation as integral part of fight against terrorism.

## The Economy in 2001: Better than Expected

			<u>Official Targets</u>
	<u>2000</u>	<u>2001</u>	<u>2002</u>
<b>GNP</b>	4.2	3.7	4.5 - 5.0
<b>GDP</b>	4.0	3.4	4.0 - 4.5
<i><b>By Production</b></i>			
Agriculture	3.4	3.9	2.7 - 3.6
Industry	3.6	1.9	3.3 - 3.7
Services	4.4	4.3	5.0 - 5.5
<i><b>By Expenditure</b></i>			
Exports	17.7	(3.2)	1.4 - 1.9
Pvt Consumption	3.5	3.4	3.5 - 3.8
Investments	2.3	4.3	3.6 - 4.1
Govt Consumption	0.2	0.1	2.3 - 2.8

- 2001 growth surpassed analysts and government's estimates.
- Led by consumption, modest growth was achieved despite early skepticism and a volatile global economy.
- Structural reforms that enhanced productivity and competition supported the economy. These included:
  - Modernizing agriculture and fisheries
  - Liberalizing trade, telecom and utilities.

## Monetary / Fiscal Policies Will Promote Growth

	<u>2001</u>	<u>2002</u>	
		<u>YTD</u>	<u>Target</u>
<b>91-day T-bill (%)</b>	9.8	5.5	10 - 11
<b>Exch Rate (Php)</b>	51.0	51.1	--
<b>Inflation (%)</b>	6.1	3.6	5 - 6
<b>GIR (\$ bn)</b>	15.7	17.4	14.5

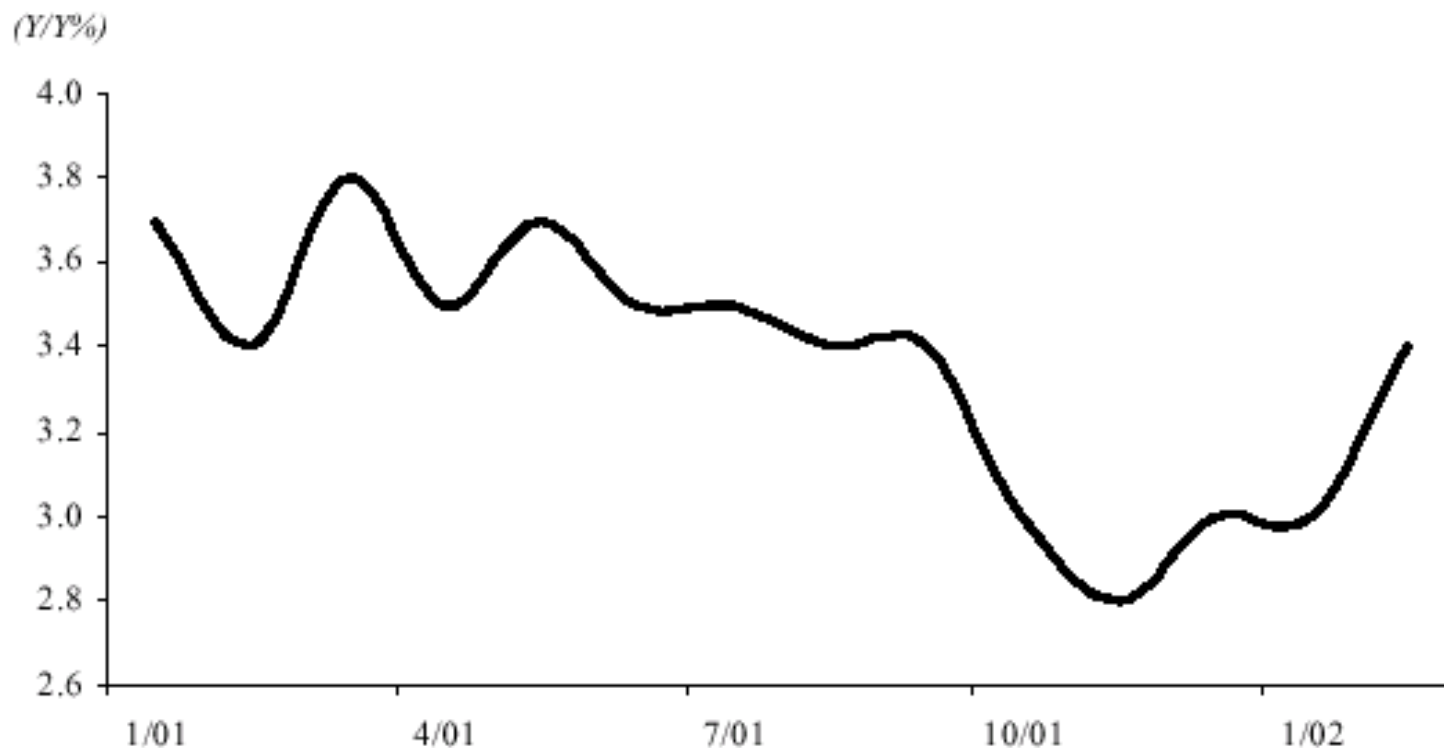
- Stability with the peso and inflation.
- Better inflation and GIR levels in 2002, as well as interest rates at a 15 year low, may cause a revision of official targets.
- Monetary policy will remain expansionary in 2002.

	<u>2000</u>	<u>2001</u>	<u>2002</u>
<b>Budget Deficit: P bn</b>			
Actual	134.2	147.0	---
Program	62.5	145.0	130.0
<b>% of GDP</b>	-4.1	-4.0	-3.3

- Fiscal discipline was restored in 2001 – vital for investor confidence.
- For 2002, a more relaxed budget and ample cash reserves will allow for early pump priming.

# Growth Estimates Have Been Upgraded

## 2002 GDP Growth Rate Consensus

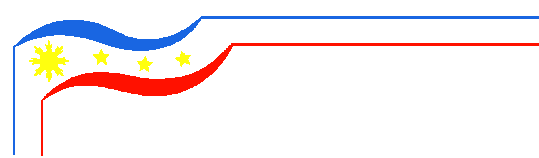


Source: Consensus Economics Inc.

## Comparative Asian Market Valuations

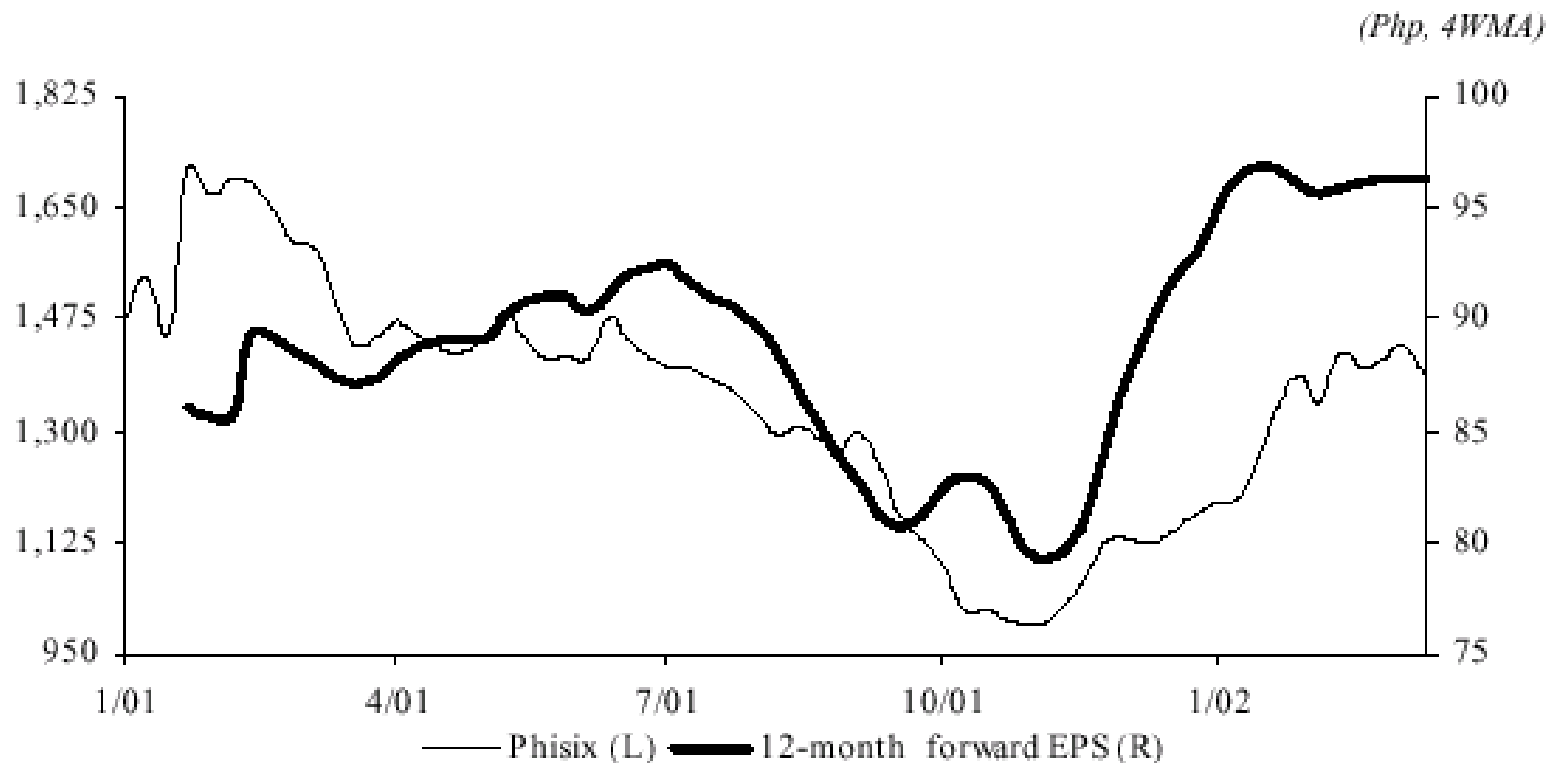
	Mkt Cap	PE	Earnings Growth		PBV	EV/
	US\$ bn	2002E	2001E	2002E	2002E	EBITDA
<b>Philippines</b>	18	14.9	91.7	31.4	1.0	12.7
<b>Indonesia</b>	18	8.4	29.4	28.9	2.4	16.1
<b>Malaysia</b>	84	17.3	13.0	9.9	1.7	12.7
<b>Singapore</b>	106	21.2	-35.8	15.9	1.5	11.9
<b>Thailand</b>	29	17.9	NM	30.2	1.7	13.8
<b>China</b>	119	13.8	-3.3	3.6	1.7	7.7
<b>Hong Kong</b>	449	15.0	-5.7	9.5	1.5	12.0
<b>Korea</b>	222	11.9	70.1	11.4	1.4	6.8
<b>Taiwan</b>	222	23.1	-54.1	69.4	2.2	14.9

Source: IBES, Morgan Stanley



# Earnings Upgrades

## Philippines Equity Price and Earnings Consensus



Source: Bloomberg, IBES

## Investor Sentiment Picks Up

- **Credit rating agencies** have upgraded their Philippine outlook. Both Moody's and S&P have now raised the Philippines to “stable” from “negative.”
- The Philippines has already launched two oversubscribed **global bond issues** in 2002.
- **Investments** registered with the BOI surpassed full year targets in 2001. Most were channeled into telecommunications and manufacturing.
- The **Business Expectations Survey** conducted by the Bangko Sentral in January shows an upbeat outlook for the next six months.
- Recent **foreign investment** announcements: Intel, UPS expand operations.
- **Trading volumes** in the stock market have improved. IPO activity is starting to revive. Stock exchange trading hours have been extended.

## Reform Momentum to be Sustained

- **Power bill** implementing rules and regulations approved. Privatization of NPC's transmission and generation assets expected in 2H02.
- **Special purpose vehicles/asset management companies** to buy Philippine non-performing loans. Lehman Brothers, Goldman Sachs and Cerberus Capital to participate.
- **Anti-money laundering measures** being institutionalized.
- **Improvements in tax collection and government procurement** to increase efficiency and accountability.
- **Capital market reforms** – market development with greater SEC oversight to promote transparency and corporate governance.

# Country Balance Sheet

## CURRENT ASSETS

- *Economic recovery on-track*
- *Beneficiary of global recovery*
- *Beneficiary of outsourcing trend*
- *Reform momentum picking up*
- *Stable inflation, peso & interest rates.*

## CURRENT LIABILITIES

- *Budget deficit – but improving*
- *Peace and order issues – e.g. terrorism*
- *Need for more developed capital markets and improvements in corporate governance.*
- *Need for greater job creation.*

## FIXED ASSETS

- *People – labor pool, market.*
- *An open democracy.*
- *Strong financial system.*
- *An open investment environment.*
- *Strategic location; natural resources.*

## LONG-TERM LIABILITIES

- *High incidence of poverty.*
- *Low savings rate.*
- *Developing infrastructure.*
- *Vulnerable to natural calamities, weather patterns.*

## NET WORTH:

*The Philippines has begun to put its house in order.*

## Why Invest in FPF now

- **FPF is poised to capture the Philippines' recovery and growth.**
- **Long-term outperformance.**
- **Long-term professional management in place.**
- **Good risk control – less volatile and more diversified than the Philippine market.**
- **Attractive valuations of FPF, given current price and discount.**
- **FPF is the only Philippine country fund listed in major exchanges.**