



# Private Education Retirement Annuity Association

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*Office of the President*

CIRCULAR 2014-2015 NO. 003

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TO : ALL PARTICIPATING INSTITUTIONS  
SUBJECT : RETURN ON INVESTMENTS (ROI)  
*Fiscal Year 2013-2014*

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WE wish to inform you that the PERAA Board of Trustees has declared a 1.06% return on investments (ROI) for fiscal year ending April 30, 2014. This brings our average ROI for the past 42 years (1972-2014) to 12.87%, net of tax and expenses.

The multiple upgrades of the Philippines' investment credit rating from different international rating services in 2013 served as a stark recognition that its growth fundamentals are effectively in place and that the country is steadily moving towards sustainable and inclusive growth. The effect is the lowering of interest rates for the government and corporate bonds thus lower earnings for the PERAA fund.

In addition, the withdrawal of foreign investors from emerging markets, including the Philippines, to return to the US, the world's largest economy, adversely affected the values of all fixed-income placements where PERAA invested the bulk of the members' fund. Our investments in equities were also not spared. At the start of the fiscal year, we saw the Philippine Stock Exchange index reaching the highest peak at 7,392 level retreating to 6,652 level by the end of the fiscal year.

Nevertheless, our close monitoring of your fund in such a volatile market environ enabled us to make strategic investment moves to earn P423.95 Mn in *realized earnings*. Such inflow cushioned the impact of *paper losses* recorded at P496.8 Mn. Through your Board's prudential outlook, the -P72.86 Mn variance was sufficiently covered by the buffer reserve from the previous fiscal year, thus the 1.06% ROI.

The Philippine economy is expected to slow down this year, partly due to the lingering effect of Typhoon Yolanda on agriculture and industry sectors. Still, it is bound to grow by 6.4%. As the national leadership deals with the challenge of turning its performance into inclusive growth, PERAA will continue to be watchful of growth opportunities. Under your Board's responsible stewardship and transparent governance, our focus this coming fiscal year will be risk aversion and the preservation of your retirement fund.

Enclosed, please find a copy of your Statement of Fund/Summary per Employee Report (SER) and Individual Statements of Fund (ISF) for your contributing employees as of April 30, 2014. These reports cover total accumulated value as of April 30, 2013 and contributions received from May 2013 to April 2014 plus earnings for the fiscal year. For your constancy and continuing confidence in PERAA, we thank you.

*Bernadette M. Nepomuceno*  
BERNADETTE M. NEPOMUCENO  
President

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Encl.: a/s