



THE PHILIPPINE
STOCK EXCHANGE
INC.

THE PHILIPPINE STOCK EXCHANGE, INC.
Philippine Investment Climate

Eye on Cebu: An Investment and Economic Summit

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Why invest in the stock market?

Stable economy; strong market indicators; drivers to growth



1

Philippine economy is experiencing steady growth with strong overseas remittance, good governance, benign inflation, and stable interest and exchange rates.

2

The resiliency of the Philippine stock market to withstand external shocks

3

Growth drivers in the pipeline to further develop the stock market

Economic Snapshot



Monetary Environment



Credit Upgrades

- **Moody's: Ba2 (Positive)**
- **Fitch: BB+ (Stable)**
- **S&P: BB+ (Stable)**



Business Confidence

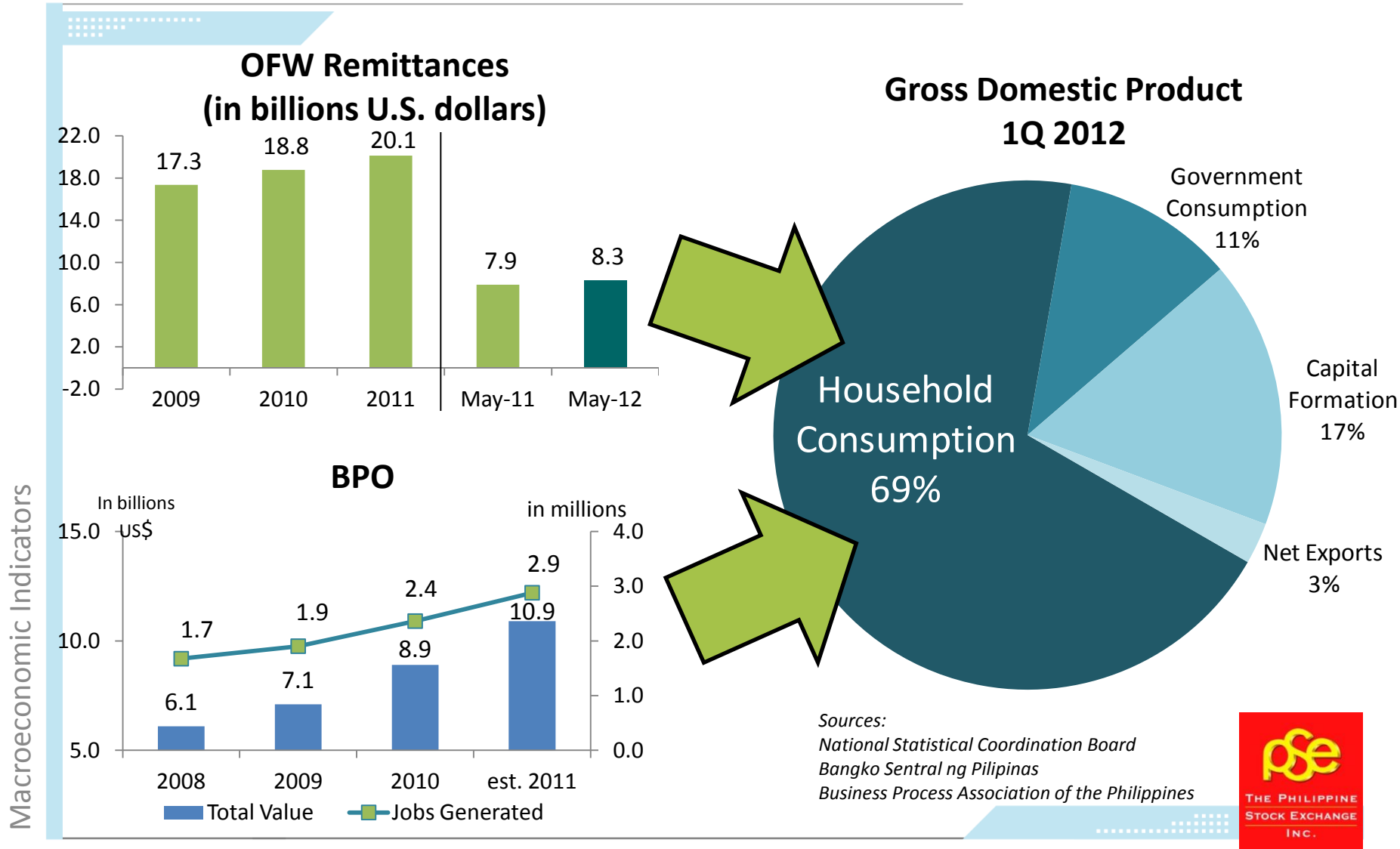


Sustained Economic Growth

Indicator	2010	2011	2012
GDP Growth (in %)	7.6	3.7	6.4 (1Q)
Ave. Inflation (in %)	3.8	4.8	3.0 (6M)
Exchange Rate, EOP	43.89	43.93	42.28 (Jun)
GIR (in US\$ Bn)	62.37	75.30	76.28 (Jun)
Ave. 91-Day T-Bill Rate (in %)	3.73	1.37	2.17 (May)
7-Year T-Bond Rate, Latest Auction (in %)	5.28	5.02	4.695 (Jul)
Debt to GDP Ratio (in %)	52.4	50.9	N.A.
Unemployment Rate (in %)	7.3	7.0	6.9 (Apr)
WEF Competitiveness Ranking	85	75	N.A.

Source: National Statistics Office, Bangko Sentral ng Pilipinas, Department of Treasury, World Economic Forum's The Global Competitiveness Report

Demand-Driven Economy



Improved Investment Climate

Macroeconomic Indicators

Good
Governance



Sound Fiscal
Management



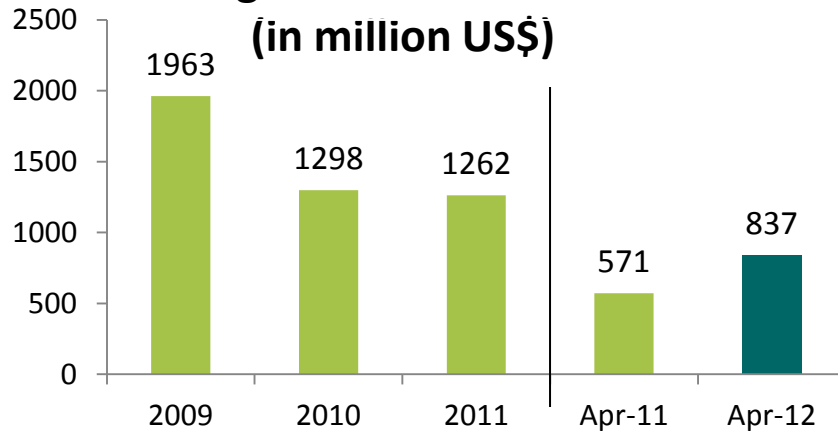
Business
and
Investor
Confidence



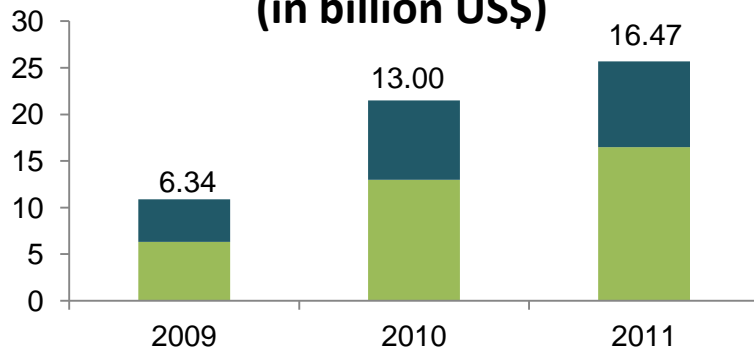
Progressive Foreign Investments

Macroeconomic Indicators

**Foreign Direct Investments
(in million US\$)**

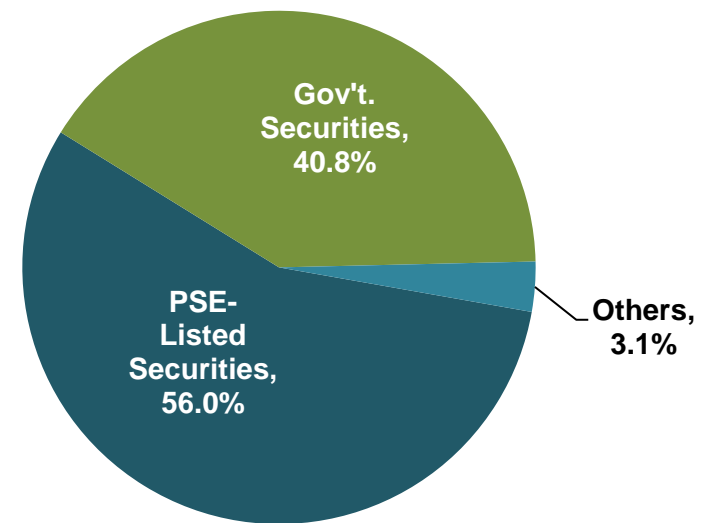


**Gross Foreign Portfolio Investments
(in billion US\$)**



■ Gross FPIs ■ PSE-Listed Securities

**Investments in PSE-Listed Securities
Share to Gross FPIs, as of end- 2011**



Source: Bangko Sentral ng Pilipinas



Philippines as Key Investment Destination

Growth Prospects for the Philippines

Philippines as part of the “Next 11” – which also includes South Korea, Mexico, Indonesia, Turkey, Egypt, Vietnam, Pakistan, Nigeria, Bangladesh and Iran
- Jim O’Neill, Goldman Sachs

“The Philippines’ growth trajectory continues to move upwards.. It will not be long before the Philippines gets its much-awaited upgrade to investment grade... ”
- HSBC

“Five ASEAN economies – Indonesia, Thailand, Philippines, Malaysia and Vietnam- along with China and India will outpace the rest of the world over the next two years.”
-International Monetary Fund

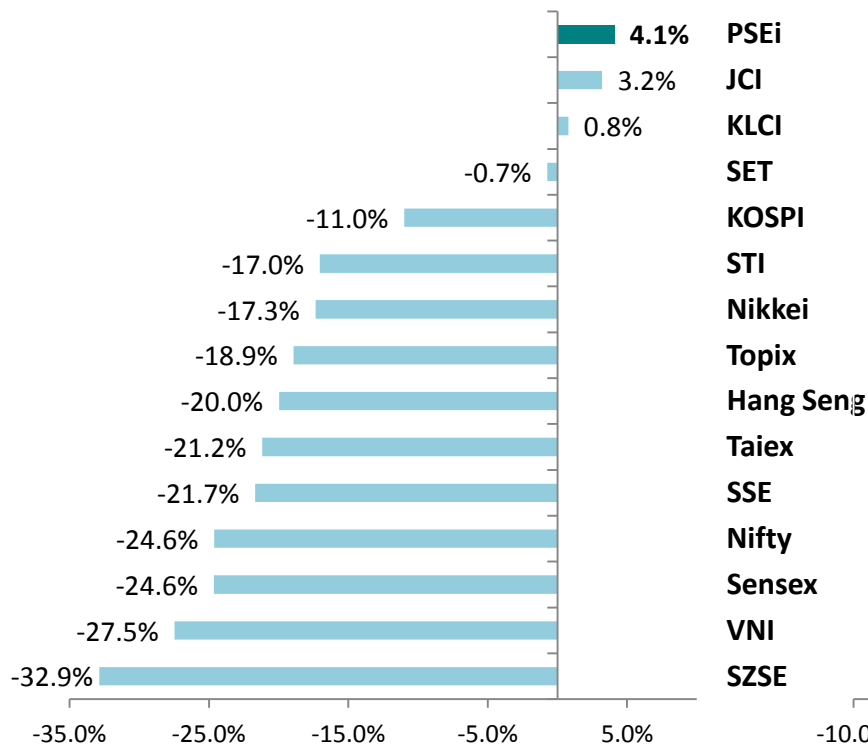
The PSEi tops the
“Bloomberg Riskless Return Ranking”
in Southeast Asia

Stock Market Highlights

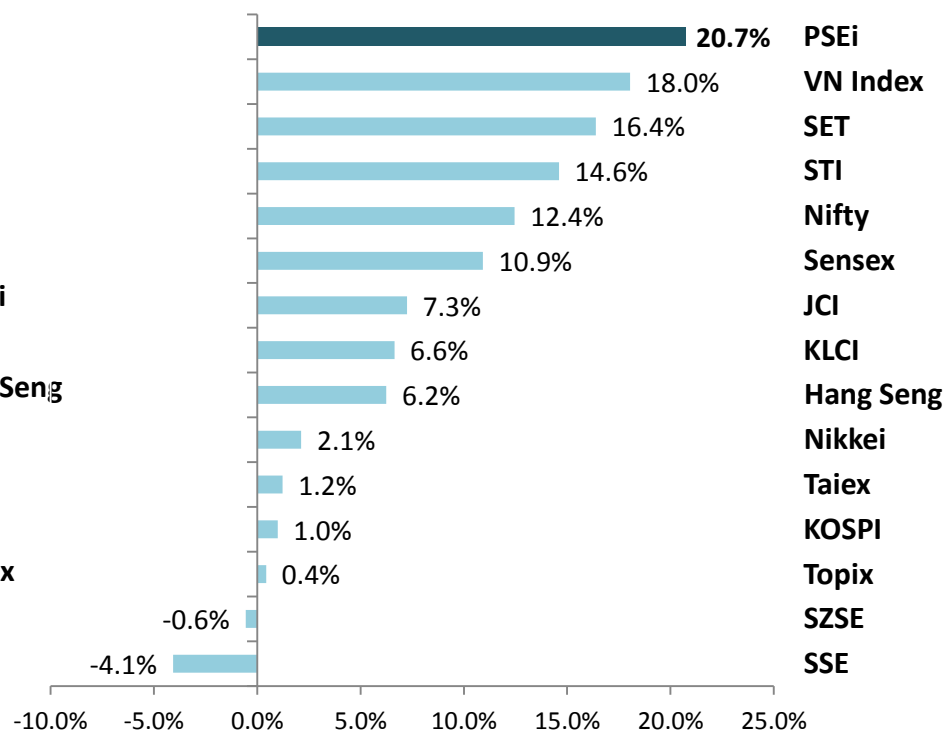


Performance vs. Selected Asian Exchanges

2011 vs. 2010

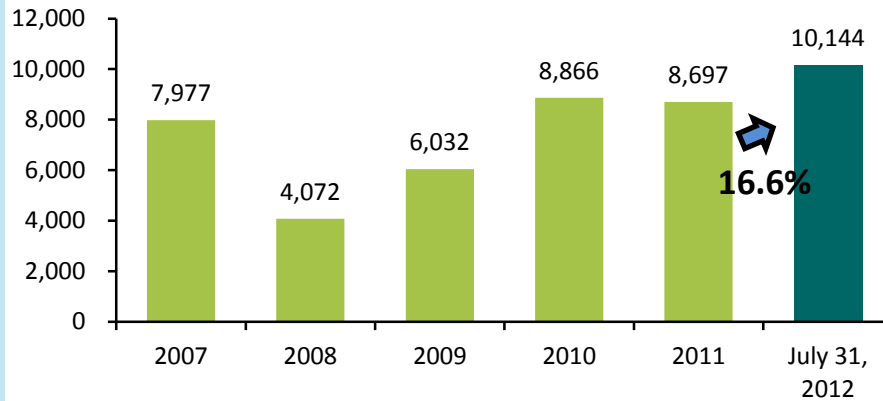


As of July 30, 2012 vs. 2011

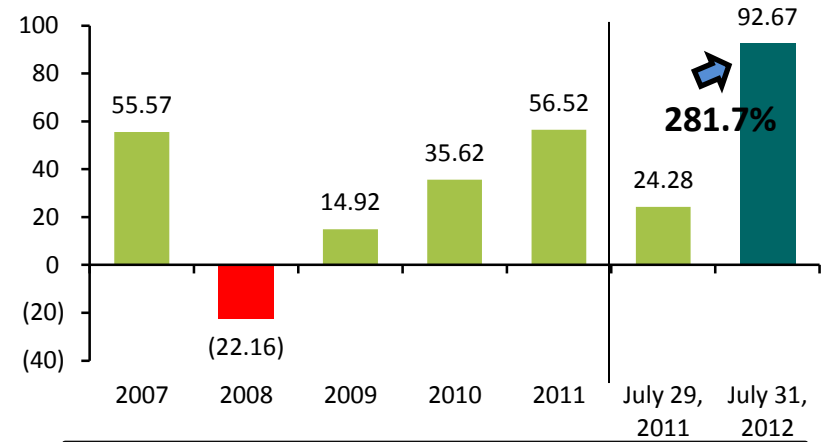


Stock Market Highlights

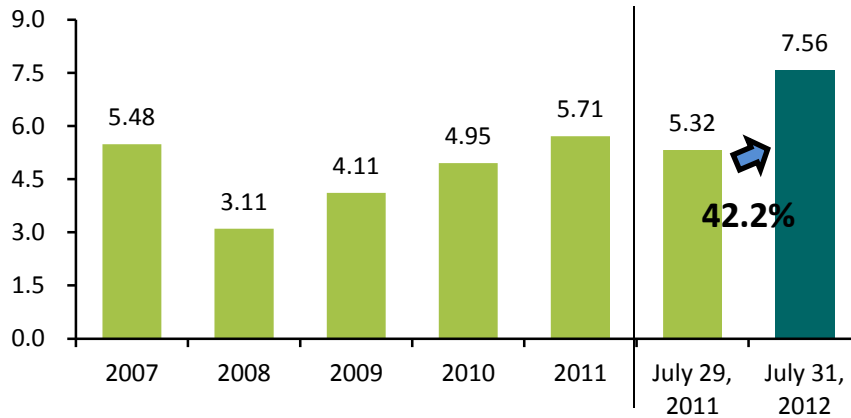
Total MCAP (in PhP Bn)



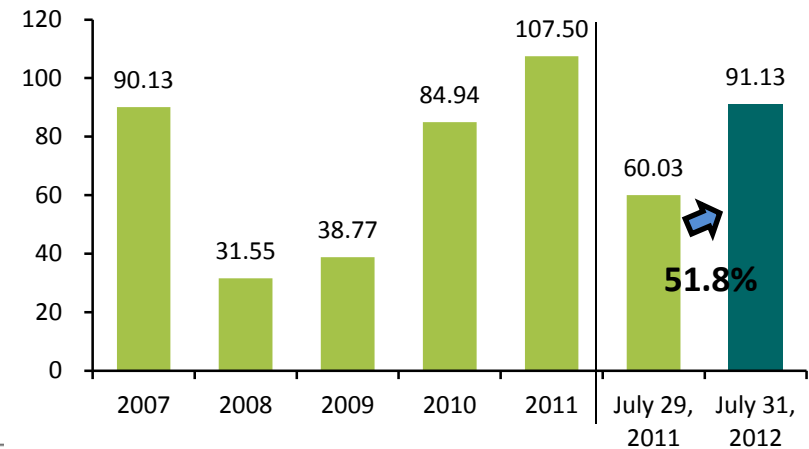
Net Foreign Transactions (in PhP Bn)



Average Daily Turnover (in PhP Bn)



Capital Raised (in PhP Bn)



Key Milestones

Initiatives

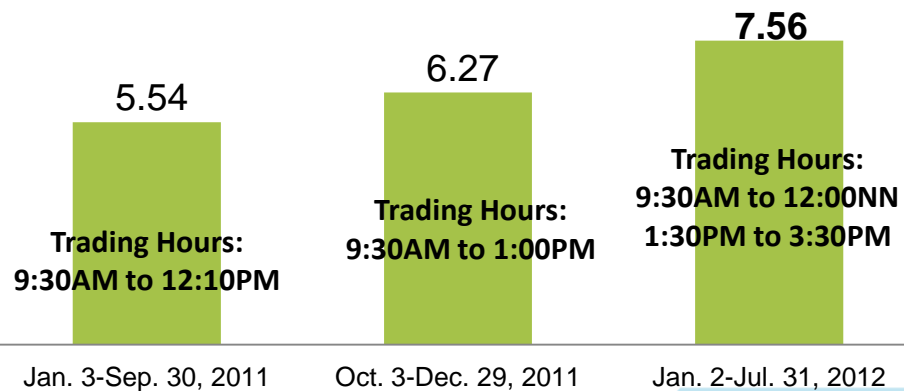
Listing

- Revised Rules on Listing by Way of Introduction
- Relaxed Listing Requirements for Oil & Renewable Energy Companies
- Reinstatement of the 10% Minimum Public Ownership Rule

Trading Activity

- Launch of *PSE Trade*
- Extended trading hours until 1:00 PM in October, and up to 3:30 PM by the first trading day this year
- Revised Index Management Policy

Average Daily Turnover (in PHP Bn)



Achievements

Key Milestones

Initiatives

Market Education

- Launch of PSE Academy website
- Cebu Satellite Office
- Collaboration with academic institutions

PSE Cebu Office

2nd Floor, Insular Life Cebu Business Centre,
Mindanao Avenue corner Biliran Road, Cebu
Business Park, Cebu City



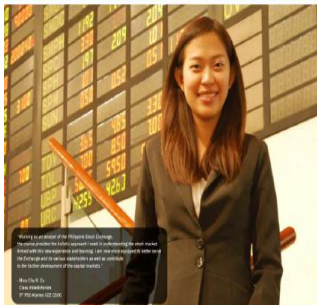
Market Education Efforts

CHED
Memorandum
Order No. 39,
series of 2006

Certified Securities
Specialists Course

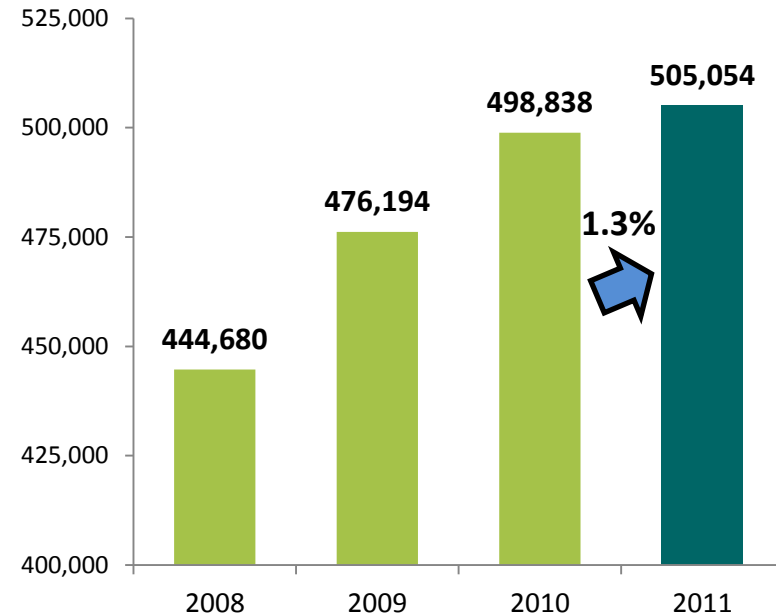
Integration of
Capital Markets
subject in high
school curriculum

MBA with
Specialization in
Capital Markets



PHILIPPINE STOCK EXCHANGE - LYCEUM OF THE PHILIPPINES UNIVERSITY
MASTERS IN BUSINESS ADMINISTRATION
WITH SPECIALIZATION IN CAPITAL MARKETS

Total Number of Accounts



Key Milestones

Initiatives

Corporate Governance

- Spin-off of PSE-Market Regulation Division into Capital Markets Integrity Corporation
- Increased capitalization of broker dealers by 50% in 2011; and up to P100 million for new entrants



- Wholly-owned subsidiary
- Spun off entity of the PSE's Market Regulation Division
- Incorporated in March 2011 and began operations a year later
- Provisional SRO status
- Launched Total Market Surveillance

Economic Outlook 2012

	Actual	Phil. Government Targets	Asian Development Bank	
			as of April 2012	
	2012	2012	2012	2013
GDP Growth Rate (in %)	6.4 (1Q)	5.0 to 6.0	4.8	5.0
Inflation Rate (in %)	3.0 (6M)	3.0 to 5.0	3.7	4.1
Export Growth (in %)	(8.4) (5M)	10.0	5.4	9.4
Import (in %)	(4.6) (4M)	15.0	7.2	10.8

Source: Philippine government, and Asian Development Bank

Opportunities

- Closer to investment grade status
- Benign interest environment
- Current administration's policy on good governance

Risks

- US and Euro zone debt concerns
- Weakening of China's economy

Sector Outlook

Financials

- Improved earnings momentum from lending and fee-based activities
- Strong capitalization base of local banks

Industrial

- Government prioritization of infrastructure projects in its Public-Private Partnership (PPP) program
- Continued upgrading and expansion of power generation companies



Sector Outlook

Property

- Demand for residential and office space
- Development of affordable housing units

Services

- Continuous technological advances in telecommunications and entertainment
- Increasing tourist arrivals

Mining & Oil

- New executive order on mining
- Opportunities in further oil exploration

2012 Plans & Programs

Towards a Competitive and Vibrant Market



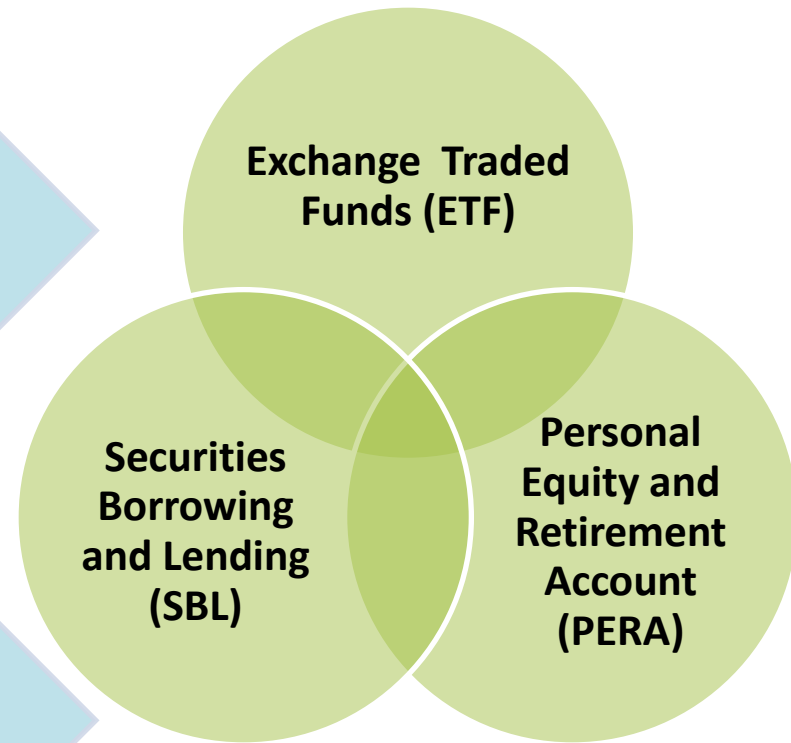
Increase Liquidity

Promote Online Trading

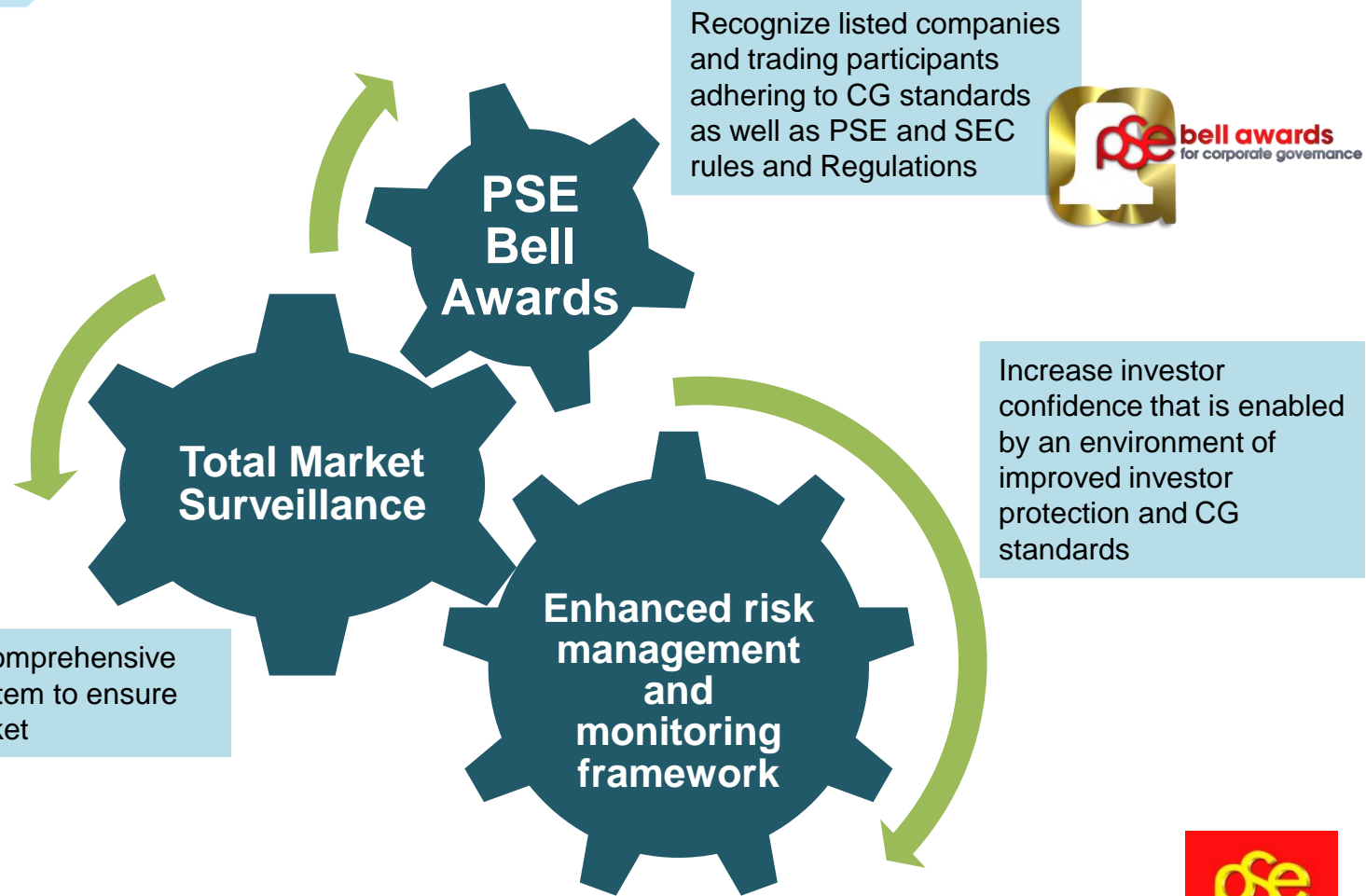
- Develop models/ mechanisms to help facilitate TPs who are willing to provide online trading to give this service to clients
- Capitalizes on technology-savvy Filipinos by tapping rapidly growing online investor base

Establishing Satellite Offices

- Educate investor base in other areas outside of Metro Manila and encourage local companies to list with PSE
- Expands reach to prospective investors and applicant companies in different parts of the country



Improve Corporate Governance



Moving Forward



- Strong growth in the Philippine economy will lead to increased disposable income and greater funds being invested in the capital markets
- Structural regulatory changes, an increased variety of products available for trading and enhanced investor base will result in significant mobilization of funds channeling into capital markets and increasing the number of listings and trading volumes
- Low cost philosophy and scalable platform of the PSE will further strengthen the operational efficiency and therefore enhance the profitability of the stock exchange
- Enhanced corporate governance and capable management team will reinforce investor confidence

Low capital market penetration, coupled with strong economic growth, favorable regulatory changes and enhanced operational efficiency, indicates significant room for long term capital markets growth

Thank You

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