



Prospectus

GSIS MUTUAL FUND, INC.

TWO BILLION (2,000,000,000) GSIS MUTUAL FUND, INC. (GMFI) SHARES OF COMMON AND VOTING STOCKS AMOUNTING TO PHP2,000,000,000.00 AT A PAR VALUE OF PHP1.00 WILL BE OFFERED TO THE PUBLIC AT THE CURRENT NET ASSET VALUE PER SHARE. THE FUND SHALL BE READY TO BUY FROM AND SELL SHARES TO THE PUBLIC IN ANY OF ITS OFFICES AND BRANCHES.

THE FUND'S SHARES WILL NOT BE LISTED WITH THE PHILIPPINE STOCK EXCHANGE AND WILL BE SOLD OVER THE COUNTER. PHILAM ASSET MANAGEMENT, INC. IS THE FUND'S DISTRIBUTOR AND MANAGER.

As of December 27, 2007

RISK DISCLOSURE STATEMENT

GENERAL RISK WARNING

- The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities.
- Past performance is not a guide to future performance.
- There is an extra risk of losing money when securities are bought from smaller companies. There may be a big difference between the buying price and the selling price of these securities.
- An investor deals in a range of investments each of which may carry a different level of risk.

PRUDENCE REQUIRED

This risk does not purport to disclose all the risks and other significant aspects of investing in these securities. An investor should undertake his or her own research and study on the trading of securities before commencing any trading activity. He/she may request information on the securities and issuer thereof from the Commission which are available to the public.

PROFESSIONAL ADVICE

An investor should seek professional advice if he or she is uncertain of, or has not understood any aspect of the securities to invest in or the nature of risks involved in trading securities specially those high risk securities.

GSIS MUTUAL FUND, INC.

This Prospectus pertains to the registration and offer to the public of an additional of 1,000,000,000 new shares pursuant to the application for increase in authorized capital stock from 1,000,000,000 to 2,000,000,000 common shares which was approved by the Securities and Exchange Commission ("SEC") on May 29, 2007.

The increase in the Company's authorized capital stock, approved by the SEC on May 29, 2007, was brought about by the Fund's successful distribution activities which is a direct result of the Fund's impressive performance in 2006. Subject to the registration of the additional 1,000,000,000 shares with the SEC, the offering of the same to the public will allow the Fund to further improve its diversification and overall performance.

Estimated gross proceeds of the additional 1,000,000,000 shares, if sold at net asset value per share ("NAVPS") (*i.e.*, Php 2.0889) as of September 30, 2007, is Php 2,088,900,000.00. All proceeds will be held by the custodian bank.

The Company plans to use the proceeds from the sale of GMFI shares to build up its investment in equities of companies listed in the primary and secondary boards of the Philippine Stock Exchange ("PSE"). Likewise, proceeds will also be used to build up the investment in domestic fixed-income instruments, including but not limited to, treasury bills, Bangko Sentral ng Pilipinas' (BSP) Certificate of Indebtedness, other government securities or bonds and such other evidences of obligations issued by the BSP or guaranteed by the Philippine Government. GMFI is a balanced fund and is moderate in risk. The Fund's investments are made pursuant to the Investment Restrictions and Guidelines, which are set out in detail in the body of this Prospectus.

The Fund does not plan to invest in foreign securities. However, the SEC, pursuant to SEC Memorandum Circular No. 7, series of 2005, or the "Guidelines on the Evaluation of Foreign Investments by Mutual Fund Companies" allows mutual fund companies to invest up to 100% of its assets in foreign securities.

The Fund's NAVPS will be valued based on market prices and its performance benchmarked against the blended index composed of 50% Philippine Composite Index (Total return) + 40% Hongkong & Shanghai Bank Corp. (HSBC) Philippine Local Currency Bond Total return + 10% Philippine 30-day Saving rate general average (net of 20% withholding tax).

Aside from market conditions, timing will also be a critical area of consideration in the purchase or sale of the Fund's securities.

Dividends, whether in the form of cash, property or stock, may be declared from the unrestricted retained earnings of the Company at such time and in such percentage as the Board of Directors of GMFI may deem proper and in accordance with law. Under the Investment Company Act, it shall be unlawful for the Company to pay any dividend, or make any distribution in the nature of a dividend payment, wholly or partly from any source other than: (i) from the Company's accumulated undistributed net income, determined in accordance with good accounting practice and including profits or losses realized upon the sale of securities or properties; or (ii) from the Fund's earned surplus so determined for the current or preceding fiscal year, unless such payment is accompanied by a written statement which adequately discloses the source or sources of such payment. The SEC may prescribe the form of such statement by rules or regulations or by order in the public interest and for the protection of investors. It shall also be unlawful to advertise such dividends in terms of centavos or pesos per share without also stating the percentage they bear to the par value per share.

The Company is a domestic corporation, incorporated on August 8, 1997, with principal business office address at:

GSIS HEADQUARTERS, 2ND LEVEL, CORE F, FINANCIAL CENTER
ROXAS BOULEVARD, PASAY CITY 1308
TEL. NOS.: (632) 551-1881; (632) 551-5519

The Company acquired its secondary license as an open-end investment company or "mutual fund" from the SEC on June 18, 1998. It is engaged primarily in the business of investing, reinvesting and trading in securities and the sale of its shares. As a licensed open-end investment company, it offers to the public, on a continuing basis, redeemable shares of stock, at a price related to the net asset value of the Fund's portfolio.

The Investment Manager (or "Fund Manager") of the Fund is Philam Asset Management, Inc. (PAMI). As investment manager and principal distributor, PAMI is entitled to a management fee equivalent to 0.15% of the average net value of the Fund's assets, computed on a daily basis or not more than 1.8% of the average net asset value of the Fund's assets per year. Furthermore, PAMI is entitled to an incentive fee equivalent to 1/10 of 1% of the appreciation (whether realized or unrealized) in the value of the Fund's net asset value per share in excess of 12% in any calendar year but not exceeding Php1,000,000.00.

The Fund Manager will also receive from the Fund a sales load fee based on the following schedule:

Investment Amount (in Php)	Sales Load	VAT on Sales Load (12%)
500 to 5,000	2.5%	0.300%
5,001 to 50,000	2.0%	0.240%
50,001 to 100,000	1.5%	0.180%
100,001 to 1,000,000	1.0%	0.120%
1,000,001 and above	negotiable	

This Prospectus includes forward-looking statements. The Company has based these forward-looking statements largely on its current expectations and projections about future events and financial trends affecting its business and operations. Words including, but not limited to “believes”, “may”, “will”, “estimates”, “continues”, “anticipates”, “intends”, “expects” and similar words are intended to identify forward-looking statements. In light of the risks and uncertainties associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances in this Prospectus may not occur. The Company’s actual results could differ significantly from those anticipated in the Company’s forward-looking statements.

The GMFI shares are offered solely on the basis of the information contained and the representations made in this Prospectus. No dealer, salesman or other person has been authorized by the Company or the Fund Manager to issue any advertisement or to give any information or make any representation in connection with the offering other than those contained in this Prospectus and, if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorized by the Company or the Issue Manager.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of, the Company or the Fund Manager to subscribe for or purchase any of the GMFI Shares. Neither may this Prospectus be used as an offer to, or solicitation by, anyone in any jurisdiction or in any circumstance in which such offer or solicitation is not authorized or lawful. The distribution of this Prospectus and the offer in certain jurisdictions may be restricted by law. Persons who come into possession of this Prospectus are required by the Company and the Fund Manager to inform themselves about, and to observe any, such restrictions.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN IS TRUE AND CURRENT.

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**GSIS Mutual Fund, Inc.
Financial Highlights**

Year Ended December 31 For the Year (Phil Peso)	2006	2005	
Gross Investment Income	598,333,909	279,617,784	
Operating Expenses	36,000,374	27,470,204	
Provision for Income Tax	6,488,052	5,037,523	
Net Investment Income	555,845,483	247,110,057	
Total Assets	1,921,953,758	1,331,290,239	
Total Liabilities	39,495,591	21,060,431	
Net Assets	1,882,458,167	1,310,229,808	
NAVPS	31-Dec	1.7394	1.2164

THE GSIS MUTUAL FUND, INC.

The GSIS Mutual Fund, Inc. ("GMFI") is an open-end investment company established in accordance with Republic Act No. 2629, otherwise known as the Investment Company Act ("RA 2629"), and duly registered with and regulated by the Securities and Exchange Commission.

GMFI's shares will be offered to the public based on its net asset value per share, with a minimum investment of Php5,000 (for non-government employees) and Php1,000 (for government employees). The Securities and Exchange Commission has exempted GMFI from the Php5,000 minimum investment requirement under the implementing rules and regulations of RA 2629. All sales shall be on a cash basis and installment sales are prohibited.

The investment objective of the Fund is capital growth with returns and inflows derived out of investments in both equity and fixed-income securities. GMFI considers a medium to long-term investment horizon for its shareholders. The Fund will be positioned to compete directly with other balanced mutual funds and unit investment trust funds offered by commercial banks.

The Net Asset Value of the Fund will fluctuate with changes in the market value of the Fund's investments. Such changes in market value may occur as a result of various factors, including material changes in the Fund, general economic conditions or interest rate policy changes.

PAMI is the Investment Manager. PAMI, through its Treasury Manager, will handle all investments of the Fund with the guidance from PAMI's Asset Liability Committee (ALCO) and the officers of the Treasury Division of Philam Life.

For a description of the additional risk factors associated with the purchase of GMFI shares, see "Risk Factors" and other information.

GLOSSARY

"BSP"	: Bangko Sentral ng Pilipinas
"NAV"	: Net Asset Value
"NAVPS"	: Net Asset Value Per Share
"PAMI" or "Fund Management Company" or "Fund Manager"	: Philam Asset Management, Inc.
"GMFI" or "Fund" or "Company"	: GSIS Mutual Fund, Inc.
"PHP" or "Php"	: Philippine Pesos
"Philam Life"	: The Philippine American Life and General Insurance Company
"Philam Plans"	: Philam Plans, Inc.
"PhilamCare"	: PhilamCare Health Systems, Inc.
"GMD"	: Group Management Division
"R.A. 2629"	: Republic Act No. 2629 or the Investment Company Act
"SEC"	: Securities and Exchange Commission
"COA"	: Commission on Audit
"PSE"	: Philippine Stock Exchange

RISK FACTORS

GMFI is exposed to financial risk through its financial assets and financial liabilities. The most important components of this financial risk are credit risk, liquidity risk and market risk.

These risks arise from open positions in interest rate which are exposed to general and specific market movements. The risk that the Fund primarily faces due to the nature of its investments is interest rate risk and liquidity risk due to the open-end nature of the fund.

Listed below, in order of importance, is a summary of the above-mentioned risks:

- ❖ **Credit Risk:** Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

GMFI manages the level of credit risk it accepts through the following: setting up of exposure limits by each counterparty or group of counterparties and industry; right of offset where counterparties are both debtors and creditors; guidelines on obtaining collaterals and guarantees; reporting of credit risk exposures; monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment.

In respect of investment securities, GMFI secures satisfactory credit quality by setting maximum limits of portfolio securities with a single issuer or group of issuers. The Fund also transacts only with institutions with high credit worthiness.

GMFI sets the maximum amounts and limits that may be advanced to/placed with individual corporate counterparties which are set by reference to their long term ratings.

- ❖ **Liquidity Risk:** Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated.

The Fund is exposed to daily cash redemptions of its issued shares. It therefore invests the majority of its assets in investments that can be readily disposed of.

The Fund manages liquidity through the following activities: specifies minimum proportion of funds to meet emergency calls; sets up contingency funding plans; specifies the sources of funding and the events that would trigger the plan; determines concentration of funding sources; reports liquidity risk exposures; monitors compliance with liquidity risk policy and reviews the liquidity risk policy for pertinence and changing environment.

It is unusual for a Fund to predict the requirements of funding with absolute certainty as theory of probability is applied on contracts to ascertain the likely provision and the time period when such liabilities will require settlement. The amounts and maturities in respect of liabilities are thus based on management's best estimate based on statistical techniques and past experience.

- ❖ **Market Risk:** Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Fund structures levels of market risk it accepts through a market risk policy that determines the following: what constitutes market risk for the Fund; basis used to fair value financial assets and liabilities; asset allocation and portfolio limit structure; diversification benchmarks by type of instrument; the net exposure limits by each counterparty or group of counterparties and industry segments; control over hedging activities; reports market risk exposures; compliance with market risk policy and review of market risk policy for pertinence and changing environment.

Since the transactions of GMFI are generally carried out in its functional currency, its exposure to currency risk is minimal. Likewise, since the Fund is established to invest in fixed-income securities, it is not exposed to cash flow interest rate risk and price risk.

- ❖ **Interest Rate Risk:** Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose GMFI to cash flow interest risk, whereas fixed interest rate instruments expose the Fund to fair value risk. The Fund's fixed rate investments and receivables in particular are exposed to fair value risk.

The Fund's market risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial liabilities.

- ❖ **Price Risk:** Price risk exposure at year-end relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices, principally FVPL equity securities.

Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

GMFI's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investment, diversification plan and limits on investments.

Please find below additional risk control techniques that PAMI employs in the process:

1. Team approach to decision making: PAMI applies a team approach to account management. PAMI always assigns two portfolio managers per account to have a back-up in case of absence. Decisions on most trades involve an analyst, trader, and two portfolio managers, therefore enforcing quality and consistency in our decisions.

2. Industry review: Once a quarter, every industry in the investment grade universe is reviewed. The objective is to formulate an outlook for each industry. The portfolio managers in conjunction with the traders will then determine from this review what the appropriate industry weightings will be for the next 3 months. This way we maintain consistency in industry weightings across portfolios and time.
3. Investment Committee: The Committee meets monthly and reviews all new purchases. Written and oral presentations are given on new issuers added to the portfolios. Also, even though PAMI's clients' portfolios are constrained by their investment guidelines, PAMI applies a consistent investment process across all accounts. This practice further ensures the alignment of interest with our clients.
4. Performance risk: This is managed through the independent production of performance data by a separate performance department. That data is distributed monthly to all portfolio managers, as well as senior management. Pricing of portfolios is carried out by the back office, independently of the portfolio managers. The PAMI Performance Team runs performance attribution for the investment teams using Wilshire Axiom. These reports help PAMI analyze the sources of our return and value added.

The Team uses the following portfolio analytical systems to monitor existing positions and risk exposures.

Risk Management System is a proprietary system fed by the Investment DataBase (IDB). It allows portfolio managers to view a group of portfolios and answer the following questions related to credit default risks:

- How much exposure do we have to a specific industry?
- How much exposure do we have to a specific credit?
- What securities of the credit do we own and how much of each?
- Which accounts have the exposure?
- What are our analysts' current outlook and recommendations for the credit?
- When was the outlook last changed?

All holdings and individual security characteristics, including duration, call data, book value, and yield are analyzed for each portfolio. This system is used to view the key structural parameters of a portfolio. The system provides on a daily basis: index weightings; summary statistics; access to specific holdings; and comparisons between each portfolio and its index benchmark.

Investment risk (for example, tracking error, position size, diversification, etc.) is tracked utilizing a number of external systems as well as internal proprietary systems and frameworks. PAMI uses an approach whereby total tracking error at any given time is sub-divided in a variety of sources. The aim is to ensure the ordering of tracking error contributions reflects both diversification and the confidence level in the views that prompt us to take on each source of risk.

- Fiduciary duty

In managing client portfolios, PAMI has a fiduciary responsibility to treat clients fairly. This duty requires a course of conduct, consistent with other statutory and regulatory obligations, that seeks to be prudent and in the client's best interest. When there is a conflict of interest between PAMI and a client, PAMI must make full disclosure to the client, and in certain instances, obtain the client's informed consent prior to pursuing a course of action.

Accordingly, employees and officers of PAMI are required to report to Compliance any activities that appear to violate any laws or the Compliance Manual. PAMI has a policy of non-retaliation, so employees may report apparent violations without fear that such action will have a negative impact on their career in the company. Reports of apparent violations may be made anonymously with Compliance.

FUND FEATURES

Classification of Investment Objective

GMFI seeks growth and income, and will invest, under normal conditions, in both equity and fixed income securities. The Fund will invest in equities of companies listed in the primary and secondary boards of the PSE. Likewise the Fund will invest in domestic fixed-income instruments, including but not limited to, treasury bills, Bangko Sentral ng Pilipinas' (BSP) Certificate of Indebtedness, other government securities or bonds and such other evidences of obligations issued by the BSP or guaranteed by the Philippine Government

The objectives of the Fund:

1. The preservation of capital.
2. Long-term capital appreciation through investments in equity securities.
3. A steady stream of income payments through investments in a broadly diversified portfolio of fixed income securities.

Under normal circumstances, the Fund will invest approximately 50% of its assets in equity securities and 50% in fixed income securities. However, the Manager may, at its discretion, and when in its judgment the conditions so warrant, invest a substantial amount of the Fund's assets in equity securities up to the maximum allowed under prevailing Philippine laws or up to 100% in fixed income securities (i.e. liquid or semi-liquid assets), subject to any existing liquidity requirements as may be required by law. In addition, as a defensive strategy, the Manager, at its discretion, may elect to invest up to 100% of the Fund's assets in cash and/or other liquid assets, again, subject to any existing liquidity requirements as may be required by law. SEC Memorandum Circular #7 Series of 2005 "Guidelines on the Evaluation of Foreign Investments by Mutual Fund Companies" allows mutual fund companies to invest up to 100% of its assets in foreign securities.

Investment Plans

GMFI will invest in a combination of stocks with big and medium capitalization that can provide good value and capital appreciation over the medium term. Management, earnings potential, strong balance sheet, and attractive valuations will be the primary criteria for stock selection. Changes in the macroeconomic conditions can dictate the equities that the Fund will invest in. Temporary shifts to cash or fixed-income instruments may be done as a defensive move.

The Fund's fixed-income portfolio shall be invested in fixed-income instruments including but not limited to medium to long-term government securities (notes, bonds, and other certificate of indebtedness issued by the Philippine Government both locally and abroad), short-term government securities, bonds or other evidences of indebtedness issued by the Philippine government or any of its instrumentalities. Likewise, the Fund's fixed-income portfolio shall be invested in SEC registered corporate debt papers subject to at least PRS2 rating by the Philippine Rating System, savings or time deposits, and other deposit substitutes, preferred shares, and convertibles, the issuers of whom had been pre-approved by the Board of Directors of the Fund Management Company and transacted with commercial banks and financial institutions pre-approved by the Board of Directors of the Fund Management Company.

Shares Offered

GMFI shares are redeemable common stocks (one class of shares only).

INVESTMENT RESTRICTIONS AND GUIDELINES

1. Unless ordered otherwise by the Securities and Exchange Commission, the Fund shall not sell securities short or invest in any of the following:
 - a) margin purchase of securities (investments in partially paid shares are excluded);
 - b) commodity futures contracts;
 - c) precious metals;
 - d) unlimited liability investments;
 - e) other investments as the SEC shall, from time to time prescribe.
2. The Fund shall not incur any further debt or borrowings unless at the time of its occurrence or immediately thereafter, there is an asset coverage of at least three hundred percent (300%) for all its borrowings. In the event that such asset coverage shall fall below 300%, the Fund shall within three (3) days thereafter, reduce the amount of its borrowings to an extent that the asset coverage of such borrowings shall be at least 300%.
3. The Fund shall not participate in an underwriting or selling group in connection with public distribution of securities except for its own capital stock.
4. The Fund shall not purchase from or sell to any of its officers or directors or the officers or directors of the Fund Management Company, managers or distributors or other firms of which any of them are members, any security other than the capital stock of the Fund.
5. The Fund shall not make any investment for the purpose of exercising control of management.
6. Operational expenses of the Fund shall not exceed ten percent (10%) of its total investment fund or total net worth as shown in the previous year's audited financial statements of the Fund.
7. 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, provided that in no case shall the total investment of the Fund exceed ten percent (10%) of the outstanding securities of any one investee company.
8. For liquidity purposes, unless otherwise prescribed by the SEC, in case of open-end companies, at least ten percent (10%) of its fund shall be invested in liquid/semi-liquid assets such as:

- a) Treasury notes or bills, Central Bank 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", "numbered" account or other similar arrangement.
9. The Fund does not plan to invest in foreign securities. However, SEC Memorandum Circular #7 Series of 2005 or the "Guidelines on the Evaluation of Foreign Investments by Mutual Fund Companies" allows mutual fund companies to invest up to 100% of its assets in foreign securities.
10. The Fund may not lend to individual and corporate borrowers.
11. Changes in the Fund's investment objective should be with notice and prior approval of the SEC. An investment company shall not change its investment objective without the approval from the majority of the Fund's shareholders.

Portfolio Mix

The Fund intends to acquire and hold equity securities primarily for long-term capital appreciation and fixed income instruments for maximum yields. However, as market conditions dictate, the Fund may shift between debt and equity securities to meet its objectives.

Under normal circumstances, the Fund will invest approximately 50% of its assets in equity securities and 50% in fixed income securities. Equity investments comprise of companies listed in the primary and secondary boards of the PSE. Fixed income investment comprise domestic fixed-income instruments, including but not limited to, treasury bills, BSP Certificate of Indebtedness, other government securities or bonds and such other evidences of obligations issued by the BSP or guaranteed by the Philippine Government.

However, the Fund Manager may, at its discretion, and when in its judgment the conditions so warrant, invest a substantial amount of the Fund's assets in equity securities up to the maximum allowed under prevailing Philippine laws or up to 100% in fixed income securities (i.e. liquid or semi-liquid assets), subject to any existing liquidity requirements as may be required by law. In addition, as a defensive strategy, the Manager, at its discretion, may elect to invest up to 100% of the Fund's assets in cash and/or other liquid assets, again, subject to any existing liquidity requirements as may be required by law. SEC Memorandum Circular #7 Series of 2005 or the "Guidelines on the Evaluation of Foreign Investments by Mutual Fund Companies" allows mutual fund companies to invest up to 100% of its assets in foreign securities.

Eligible Applicant

Shares of the Fund may be held by any person of legal age or any duly organized and existing corporation, partnership, or any other legal entity regardless of citizenship or nationality. If the applicant is a corporation, partnership or other legal entity, copies of the articles of incorporation and by-laws, certificate of registration and the resolution of the applicant's Board of Directors authorizing the investment, all duly certified, must be submitted with the application.

Offering Price

The GMFI shares shall be sold at NAVPS for the banking day, if payment is made within the daily cut-off time; otherwise, the NAVPS on the following banking day will be used if payment is made after the daily cut-off time plus an entry fee or sales load depending on the investment amount. The daily cut-off time will be 12:00 noon of a banking day. A banking day is defined as a day when commercial banks in Metro Manila are not required or authorized to close by law.

Sales Load

Sales load for each investment will not be more than 2.5% based on the following schedule:

Investment Amount (in Php)	Sales Load	VAT on Sales Load (12%)
500 to 5,000	2.5%	0.300%
5,001 to 50,000	2.0%	0.240%
50,001 to 100,000	1.5%	0.180%
100,001 to 1,000,000	1.0%	0.120%
1,000,001 and above	negotiable	

Minimum Purchase Policy

The SEC has exempted GMFI from the Php5,000 minimum investment requirement under the implementing rules and regulations of RA 2629. Minimum initial purchase for government employees is Php1,000 with a minimum additional purchase of Php500. For non-government employees, they are allowed to purchase a minimum of Php5,000 and Php1,000 for initial and additional placements, respectively.

Income Distribution Policy

All investment income derived by the Fund shall be distributed proportionately among the shareholders. Dividends may be declared from the surplus profits or unrestricted retained earnings of the Company at such time and in such percentage as the Board of Directors may deem proper and in accordance with law. Please refer to the more detailed discussion under the sub-section "Dividends".

PROCEDURES IN THE PURCHASE AND SALE OF SECURITIES

Opening an Account

Any qualified investor may purchase GMFI shares, through the principal distributor, PAMI, or through any authorized investment solicitor. The minimum initial purchase for government employees is Php1,000 and minimum additional purchase is Php500. For non-government employees, minimum of Php5,000 and Php1,000 for initial and additional placements, respectively.

Opening an account requires filling-out, disclosing and presenting the following information and documents:

1. Individual Accounts

- Client Information Sheet (CIS) for the primary, secondary and principal investors
- Investment Application Form (IAF)
- Photocopy of one (1) valid ID with photo from each "AND" and "OR" joint investors (authenticated copy).

Examples of acceptable IDs issued by an official authority as contained in the CIS are listed below.

1. Bureau of Internal Revenue (BIR) Tax Identification No. (TIN) I.D.
 2. Department of Foreign Affairs I.D.
 3. Social Security System (SSS) I.D.
 4. Government Service Insurance System (GSIS) I.D.
 5. Philippine Health Insurance Corp. (Philhealth) I.D.
 6. Home Development Mutual Fund (PAG-IBIG) I.D.
 7. Commission on Election (COMELEC) Voters I.D.
 8. Philippine Regulatory Commission (PRC) I.D.
 9. Philippine Postal Office I.D.
 10. Land Transportation Office (LTO) Driver's License
 11. Philippine Passport
 12. Barangay Office or Center I.D.
- Copy of Trust Agreement in case of ITF account

The receiving agent, PAMI sales or sales & administrative assistant personnel should confirm that the original IDs were personally shown to him by writing in the IAF the statement: *ID authenticated by "name of receiving personnel"* and affixing his signature after the statement.

2. Corporate Accounts

- Client Information Sheet (CIS) for corporate accounts
- Investment Application Form (IAF)
- Articles of Incorporation or Partnership
- By-laws
- Board Resolution or Secretary's Certificate to invest in the Fund
- Board Resolution or Secretary's Certificate on the authorized signatories
- Latest General Information Sheet
- Contact numbers
- Sworn statement as to the existence or non-existence of beneficial owners
- Verification of the authority and identification of the person purporting to act on behalf of the client

The receiving agent, PAMI sales or sales & administrative assistant personnel should confirm that he has verified the authority and identification of the person transacting in behalf of the corporate client by writing

in the IAF: *“Capacity of Mr. X to transact in behalf of “name of company” authenticated by “name of receiving” and affixing his signature after the statement.*

Additional Investment

To add to an existing account, an IAF is accomplished and, together with the check or payment order, submitted to the account manager. For existing joint, any one of the investors can add to the investment and sign the documents.

Acceptance of Applications

Applications to purchase are subject to confirmation by PAMI as to the amount of shares, the applicable NAVPS and the final approval by the investment manager. Applications that do not comply with the purchase terms, rules and regulations may be rejected at the sole discretion of the Fund Manager.

Determination of NAVPS

The offering price of one share is its NAVPS plus an entry fee or sales load. The NAVPS is normally calculated as of 4 P.M. each banking day. It is determined by taking the fair value of the Fund's total assets less all its liabilities, and divided by the total number of shares outstanding. Expenses are accrued daily and applied when computing for the NAVPS. Investments made before the cut-off time of 12 o'clock noon shall be priced at the applicable NAVPS for the day. NAVPS of the following day will be used for investments received after 12 o'clock noon.

Issuance of Stock Certificates

An investment confirmation will be given to the shareholder upon approval of the investment application. Stock certificates evidencing ownership of shares shall only be issued by the transfer agent upon the written request of the shareholder and delivered after approval of the application to purchase and the receipt of payment thereof, at the address of the investor indicated in the official application to purchase or, upon instruction, to the investment manager. Costs of issuance of stock certificates will be borne by the Fund.

Statements and Reports

Investors will receive a statement of account after the end of each quarter. PAMI also sends investors annual publication to keep the investors updated with the present economic conditions, the Fund's performance, and answers to commonly asked questions from investors. PAMI may also issue a certification and annual report, as may be requested by an investor.

NAVPS Computation

NAVPS is defined as the difference of total assets of the Fund less its total liabilities, divided by the number of shares outstanding. The Fund shall compute the NAVPS daily. The price of the Fund will be posted on a conspicuous place in the principal office of the Company and published daily in at least two newspapers of general circulation in the Philippines.

Manner & Method of Redemption

How to Redeem

Shareholders can file their redemption request forms in any PAMI office. Redemption from the Fund requires filling-out, disclosing and presenting the following information and documents:

- Redemption Request Form (RRF)
- Stock Assignment Forms (SAF)
- Reason for Redemption (monitoring form)
- 2 Valid IDs (for walk-in redemptions)

The receiving agent, PAMI sales or sales & administrative assistant personnel should make sure that the forms are completely filled-out with the client's signature affixed on the RRF and SAF. If the redemption is coursed thru fax, the original redemption documents must be submitted before the proceeds will be released. Redemption proceeds will be available three days after the transaction date.

Amount of Redemption

Shareholders can redeem their shares partially or in full. Partial redemption is not allowed if the number of shares that would remain after such redemption is less than three thousand (3,000).

Redemption

The price of securities surrendered for redemption within the daily cut-off time shall be the current banking day's NAVPS after the redemption is received, while those surrendered after the daily cut-off time shall be deemed to have been received the following banking day. The daily cut-off time for redemption shall be 12:00 o'clock noon. Payment shall be made no later than seven (7) days from receipt of redemption request, at the principal office of the investment manager.

NAVPS Computation

NAVPS is defined as the difference of total assets of the Fund less its total liabilities, divided by the number of shares outstanding. The Fund shall compute the NAVPS daily. The price of the Fund will be posted on a conspicuous place in the principal office of the Company and published daily in at least two newspapers of general circulation in the Philippines.

Claiming Redemption Proceeds

Shareholders, upon claiming the proceeds must present 2 valid IDs and sign the receiving copy. In case of a representative, present an authorization letter signed by the shareholder and one (1) valid ID of the shareholder.

Special Considerations

GMFI shall not suspend the right of redemption or postpone the date of payment or satisfaction upon redemption of any redeemable security for more than seven banking days after the tender of such security to the Company, except on the following cases:

1. For any period during which banks are closed other than customary weekend and holiday closings.
2. For any period during which an emergency exists as a result of which (a) disposal by the Company of securities owned by it is not reasonably practicable or (b) it is not reasonably practicable for the Company to determine the value of its net assets; or
3. For such other periods as the SEC may, by order, permit for the protection of security holders of the Company.
4. The Commission may, whenever necessary or appropriate in the public interest and for the protection of investors, suspend the redemption of securities of open-end investment companies.

Note: Shareholders can file their redemption request forms in any PAMI office. If necessary, the Fund may establish a network of redemption centers.

Redemption Fee

The Fund charges redemption fees not more than 2.0%.

USE OF PROCEEDS

GMFI plans to use the proceeds from the sale of the additional 1,000,000,000 GMFI shares to build up its investment in equities of companies listed in the primary and secondary boards of the PSE. Proceeds will also be used to build up investment in domestic fixed-income instruments, including but not limited to, treasury bills, BSP Certificate of Indebtedness, other government securities or bonds and such other evidences of obligations issued by the BSP or guaranteed by the Philippine Government.

The Fund does not plan to invest in foreign securities. SEC Memorandum Circular #7 Series of 2005 or the "Guidelines on the Evaluation of Foreign Investments by Mutual Fund Companies" nevertheless allows mutual fund companies to invest up to 100% of its assets in foreign securities.

The Fund's NAVPS will be valued based on market prices and its performance benchmarked against a comparable Government Securities Index, hence, the Fund's portfolio duration will approximate that of the chosen index. However, the investment manager, may, at any time, change the reference index where, for reasons outside the investment manager's control, the index has been replaced by another index, or where another index may be reasonably be considered to have become the industry standard for the relevant exposure. Shareholders will be advised of any change in the reference index in the next annual report of the Fund. A custodian bank duly appointed by the board of directors will safe keep the proceeds of the sale of shares.

Estimated gross proceeds of the additional GMFI shares, if sold at NAVPS (i.e., Php 2.0889) as of September 30, 2007, is Php 2,088,900,000.00. In accordance with the SEC's Investment Restrictions and Guidelines, the following table lists the estimated expenses pertaining to the Fund's issuance and distribution as well as the estimated net proceeds from the sale of the GMFI shares.

PARTICULARS	AMOUNT
Estimated Gross Proceeds	2,088,900,000
Less: Estimated Expenses	
SEC Registration & Filing Fees	3,050,097
Documentary Stamp Taxes	5,000,000
Legal Fees	300,000
Management Fees	38,759,400
Directors Fees	322,000
Advertising (Print)	50,000
Sales & Marketing	50,000
Prospectus, Letters & Envelopes	55,000
Postage	25,000
<i>Total Estimated Expenses</i>	<i>47,611,497</i>
Estimated Net Proceeds	2,041,288,503

No material amount of the proceeds will be used to acquire or finance the acquisition of other businesses. The proceeds will not be used to discharge debt or reimburse any officer, director or shareholder for services rendered, assets previously transferred, money advanced or otherwise, or any other expenses. The proceeds derived by the Fund from the sale of its shares, including the original 1,000,000,000 shares duly registered with the SEC, will be held by the custodian bank.

DETERMINATION OF OFFERING PRICE

The offering price is determined at NAVPS for the banking day, if payment is made within the daily cut-off time. The NAVPS on the following banking day will be used for payment made after the daily cut-off time plus an entry fee or sales load depending on the investment amount. The daily cut-off time shall be 12:00 noon of a banking day. A banking day is defined as a day when commercial banks in Metro Manila are not required or authorized to close by law.

PLAN OF DISTRIBUTION

Based on Portion II Section 7 of the Management & Distribution Agreement, PAMI functions only as the principal distributor of the Fund. PAMI does not have any arrangement to designate or nominate a member or members of the board of directors of GMFI. Similarly, PAMI does not have the right to designate or sell shares to specified persons

Investments in the Fund will be offered as single one-time placement and through innovative savings program. Packaging contributions through programmed designs will essentially make investing in the Fund a strategic option for the Philam Life and Philam Plans policyholders who want to augment plan benefits. It will also be a good competitive tool for agents who encounter "buy term - invest the difference" concepts in the market. The programmed financial packages will be presented as simple savings programs that will be easy to sell.

The Market Regulation Department of SEC issued PAMI its license for the current year to operate as an Investment Company Adviser, subject to the provisions of the Investment Company Act, the Securities Regulation Code and its implementing rules and regulations, as well as other pertinent laws, rules and regulations applicable. The said license is renewed every November of each year.

Also licensed by the SEC to engage in the distribution of securities to the public, PAMI will directly distribute Fund shares through its licensed account managers and sales officers. Campaigns will utilize print media, direct mailers, and telemarketing. Promotions will be directed at both the distribution channels and the retail investor.

As investment manager and principal distributor, PAMI is entitled to a management fee equivalent to 0.15% of the average net value of the Fund's assets, computed on a daily basis or not more than 1.8% of the average net asset value of the Fund's assets per year. Furthermore, PAMI is entitled to an incentive fee equivalent to 1/10 of 1% of the appreciation (whether realized or unrealized) in the value of the Fund's net asset value per share in excess of 12% in any calendar year but not exceeding Php1,000,000.00.

DESCRIPTION OF SECURITIES TO BE REGISTERED

GMFI was incorporated with an authorized capital stock of One Billion Pesos (Php1,000,000,000.00), divided into one billion redeemable common shares with par value of One Peso (Php1.00) for each share.

On 19 January 2004, the Board of Directors of the Fund, by a vote of the majority of all its members, resolved to increase GMFI's authorized capital stock from One Billion Pesos (Php1,000,000,000.00) to Two Billion Pesos

(Php2,000,000,000.00). In a stockholders' meeting held on 1 March 2004, the stockholders owning or representing at least two-thirds of the outstanding capital stock of the Fund, approved the proposed increase in GMFI's authorized capital stock. On 29 May 2007, the SEC approved the Amended Articles of Incorporation of GMFI thereby increasing its authorized capital stock to Two Billion Pesos (Php2,000,000,000.00), divided into two billion (2,000,000,000) shares with par value of One Peso (Php1.00) per share. Of the increase in the authorized capital stock, one billion (1,000,000,000) new shares will be offered to the public with an offer price equivalent to the Net Asset Value per Share ("NAVPS") plus an entry fee or sales load.

Each share of GMFI stock is a voting stock with voting rights equal to every other outstanding stock. Furthermore, each share of stock is subject to the following rights:

1. Right of Redemption at NAVPS
2. Power of Inspection
3. Right to Information
4. Right to Dividends
5. Appraisal Right

However, each share of GMFI stock is subject to the following restrictions:

1. Waiver of pre-emptive rights – No stockholder shall, because of his ownership of stock, have a pre-emptive or other right to purchase, subscribe for, or take any part of any stock or of any other securities convertible into or carrying options or warrants to purchase stock of the Corporation.
2. Restriction on transfer – No transfer of stock of the Corporation which would reduce the stock ownership or equity interest of Filipino citizens to less than the percentage required by applicable laws or regulations shall be caused or allowed to be recorded in the proper books of the Corporation.

There is no provision in the Company's Articles of Incorporation or By-Laws that would delay, deter, or prevent a change in control of the registrant.

The Company has not sold any unregistered or exempt securities and is prohibited from selling these types of securities. Hence, no exceptions from registration were claimed nor were there any dealings with underwriters to that effect.

CORPORATE PROFILE OF GMFI

GMFI is a stock corporation incorporated on August 8, 1997. The company's sole product is shares (securities) of GMFI. PAMI will directly distribute Fund shares. For the fiscal year ending December 31, 2006, GMFI's gross investment income was P598,333,909.00. Of this amount, 73.9% percent (or P409,781,476) comprised of unrealized gain on securities at fair value through profit and loss; twenty one percent (21% or P125,223,757) comprised of realized gain on sale of securities at fair value through profit and loss; six percent (6% or P37,393,453) comprised of interest income; and four percent (4% or P25,937,801) comprised of dividend income.

GMFI is an open-ended mutual fund whose shares will be offered to the public at net asset value with a minimum investment of Php1,000 and minimum additional purchase of Php500 for government employees. For non-government employees, they are allowed to invest in a minimum of Php5,000 and Php1,000 for initial and additional placements, respectively. GMFI considers a medium to long-term investment horizon for its shareholders.

There are currently 40 registered mutual funds in the industry with over P87B in assets. The principal method of competition within the mutual fund industry is performance and service. GMFI belongs in the peso-denominated balanced fund segment with 8 other competitors.

The major competitor of GMFI is the Sun Life Prosperity Balanced Fund, Inc. (the "Sun Life Fund"). Sold by distribution agents, the Sun Life Fund has over P9 Billion in assets (as of end-Sept 2007). Other competitors include the First Galleon Family Fund, Inc.; First Metro Save & Learn Balanced Fund, Inc.; Legacy HY Fund, Inc.; MFCP Kabuhayan Fund, Inc., Optima Balanced Fund and another PAMI-managed fund, Philam Fund, Inc.

GMFI can compete very well with all the other balanced funds given PAMI's financial muscle and distribution capabilities. PAMI's main distribution channels are the Philam Life and Philam Plans agency forces, which has about 6,000 agents and 40,000 agents, respectively. PAMI also maximizes on the established corporate relationships of the Philam Group through its officers' network, GMD and PhilamCare, to tap the institutional investment segment. A major distribution channel is the third party distributor group which grows their customer relationships by expanding their product and service offerings.

Hence, based on the above discussion, we believe that the Fund will perform well in terms of both yield and sales. Furthermore, the Fund's cash flow facility will be a major differential advantage that will attract long-term investors.

As investment manager, PAMI is tasked to provide and render management and technical services to GMFI. PAMI also functions as the principal distributor of GMFI. As such, it takes charge of sales of the GMFI shares to prospective investors. Through its Management and Distribution Agreement with GMFI, the guidelines for the management of the resources and operations of GMFI by PAMI are set. PAMI is wholly owned by Philam Life, an affiliate of the American International Group, Inc. (AIG).

The management fee to be charged by PAMI is equivalent to 1.8% of the average net assets value for the Fund per year computed on a daily basis. The management fee to be charged will be set at the start of each quarter and will remain constant for the duration of the calendar quarter. PAMI will vary the entry fee depending on the Fund's performance in order to provide shareholders with reasonable returns on their investments. A sales load of not more than 2.5% will also be charged. No-load arrangements can be negotiated with institutional investors on a case-to-case basis.

The Custodial Agreement establishes the relationship among GMFI, PAMI and Citibank, N.A., with Citibank, N.A. as the custodian bank. The Custodial Agreement covers the custodian bank's duties on receipt of securities, identification and segregation of assets, registration of assets, reports and records to be accomplished by the custodian bank, and custody of GMFI investments.

The transfer agent of GMFI is the Bank of the Philippine Islands ("BPI"). The primary responsibility of BPI is the accurate record keeping of individual shareholdings and the issuance and cancellation of stock certificates in GMFI.

Compliance with the Investment Company Act of 1960

Investment companies are primarily regulated by Republic Act No. 2629, the Investment Company Act of 1960, and its implementing rules and regulations. Subject to exceptions under RA 2629, an investment company is any issuer which is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting, or trading in securities. Investment companies may be either open-end or closed-end. An open-end company is an investment company that offers for sale, or has outstanding, any redeemable security of which it is the issuer. A closed-end company is any investment company other than an open-end company.

Investment companies must be organized as stock corporations and must comply with the requirements of the Corporation Code of the Philippines, as well as with the following additional requirements under RA 2629:

1. Minimum subscribed and paid-in capital of at least PhP50,000,00.00;
2. All members of the Board of Directors must be Filipino citizens;
3. All shares of its capital stock must be common and voting shares; and
4. In the case of open-end companies, the Articles of Incorporation shall provide for the waiver of preemptive rights of shareholders.

The Company has complied with the above requirements.

RA 2629 requires every investment company organized or created under Philippine laws to register by filing with the SEC a registration statement, which shall set forth such information that the SEC may require. Furthermore, any securities proposed to be issued and distributed or sold by the investment company must likewise be registered with the SEC.

For the protection of its investors, every registered investment company is required to place and maintain its securities and similar investments in the custody of a duly organized local commercial bank of good repute; or a company which is a member of a securities exchange as defined in the Securities Act (now the Securities Regulation Code), subject to such rules and regulations as the SEC may from time to time prescribe; or such registered company, but only in accordance with such rules and regulations or orders as the SEC may from time to time prescribe for the protection of investors.

Registered investment companies are subject to the reporting provisions of SRC Rule 17.1. Moreover, ICA Rule 35-1(i) requires the registered investment companies, within the first ten (10) days of every month, to submit to the SEC reports under oath executed on behalf of the investment companies by their Treasurer or any other officer, showing the following information:

- (a) the total amount received from the sale of shares;
- (b) the total amount of redemption;
- (c) the number of shares outstanding at the beginning of the month;
- (d) the number of shares sold during the month;

- (e) the number of shares redeemed during the month;
- (f) the number of shares outstanding at the end of the month; and
- (g) the percentage of the outstanding shares owned by Filipinos.

Investment companies are also required to file with the SEC such information and documents including financial statements as the SEC may require, on a semi-annual or quarterly basis, to keep reasonably current the information and documents contained in the registration statements filed by the investment companies when they registered as investment companies as required under RA 2629.

EMPLOYEES

GMFI employs no personnel as it functions solely through its Fund Manager, PAMI.

PROPERTIES

GMFI does not own any real or personal properties (such as real estate, plant and equipment, mines, patent, etc.). Neither does the Fund lease any property nor does it intend to acquire any real or personal properties within the next 12 months.

LEGAL PROCEEDINGS

There is no pending litigation or arbitration proceedings where the Company is a party and no litigation or claim of material importance is known to the Directors of GMFI to be pending or threatened against the Company during the past five (5) years up to the date of this Prospectus.

MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDERS' MATTERS

Market Information

(Net Asset Value Per Share Per Quarter)

QTR	YEAR	DATE	NAVPS	
1	2005	1-Jan	1.0694	LOW
		7-Mar	1.2418	HIGH
2		18-Apr	1.0954	LOW
		6-Jun	1.1932	HIGH
3		4-Jul	1.0964	LOW
		14-Aug	1.1785	HIGH
4		24-Oct	1.1462	LOW
		22-Nov	1.2294	HIGH
1	2006	2-Jan	1.2124	LOW
		31-Mar	1.2907	HIGH
2		14-Jun	1.2303	LOW
		11-May	1.4809	HIGH
3		19-Jul	1.2883	LOW
		30-Sep	1.4634	HIGH
4		4-Oct	1.4463	LOW
		31-Dec	1.7394	HIGH
1	2007	2-Jan	1.7326	LOW
		25-Feb	2.0183	HIGH
2		1-Apr	1.9088	LOW
		21-Jun	2.1848	HIGH
3		17-Aug	1.8031	LOW
		13-Jul	2.2117	HIGH

Holders

As of September 30, 2007, there were a total of thirteen thousand six hundred eighty four (13,684) holders of redeemable common stock (one class of shares only) totaling 956,197,835 shares. Following are the top 20 shareholders:

	Name	# of Shares	% to Total
1	Government Service Insurance System (GSIS)	697,659,301	72.96%
2	Co, Aida	10,766,478	1.13%
3	Domingo, Renato T. Or Santos, Ruben M.	8,038,153	0.84%
4	Core Maritime Corporation	7,750,836	0.81%
5	Dannug, Edgardo Noel F. Or Maria Dolore	5,113,672	0.53%
6	Klar, Frank V. Or Maria Isabel G.	4,893,370	0.51%
7	Cebu CFI Community Cooperative, Inc.,	4,408,855	0.46%
8	Santos, Ruben M. Or Eleanor C.	3,928,452	0.41%
9	Canuto, Francisco C.	2,979,144	0.31%
10	Gatmaitan, Francisco &/Or Corazon &/Or	2,810,387	0.29%
11	Poblete, Luis Jr. E. Or Remedios P. Or	2,709,870	0.28%
12	Smith, Donald L.	2,609,660	0.27%
13	Cruz, Manuel L. Or Maria Erlinda O.	2,592,514	0.27%
14	China Banking Corporation Trust Group A	2,548,420	0.27%
15	Deutsche Bank A.G. As Trustee Of Toyota	2,534,712	0.27%
16	Clemente, Lourdes G.	2,472,351	0.26%
17	Barcelon, Elizabeth M.	2,380,806	0.25%
18	Miranda, Francis Martin Jr. G. Or Rosar	2,202,901	0.23%
19	Panaligan, Gaudencio H. Or Mindanita B.	2,091,512	0.22%
20	Manuel, Limuel R. Or Rina-Lorena R.	2,031,328	0.21%

Dividends

GMFI has not declared any cash dividends for the last three (3) years. The Board of Directors of GMFI may decide to declare dividends, whether in the form of cash, property or stock, from the unrestricted retained earnings of the Fund at a time and percentage as the GMFI Board may deem proper and in accordance with the pertinent laws.

Under R.A. 2629, it shall be unlawful for any registered investment company to pay any dividend, or make any distribution in the nature of a dividend payment, wholly or partly from any source other than: (i) from the investment company's accumulated undistributed net income, determined in accordance with good accounting practice and including profits or losses realized upon the sale of securities or properties; or (ii) from the Fund's earned surplus so determined for the current or preceding fiscal year, unless such payment is accompanied by a written statement which adequately discloses the source or sources of such payment. The SEC may prescribe the form of such statement by rules or regulations or by order in the public interest and for the protection of investors. It shall also be unlawful to advertise such dividends in terms of centavos or pesos per share without also stating the percentage they bear to the par value per share.

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

OPERATIONAL HIGHLIGHTS/PERFORMANCE INDICATORS

1. Assets Under Management

Jan 2006 – Dec 2006

GMFI's net assets as of end-December 2006 grew by 43.67% as it rose to P1,882,458,167 from P1,310,229,808 in end-December 2005. The increase in assets under management was mainly due to the Fund's net investment income of P555,845,483 (Gross Investment Income P598,333,909 less Operating Expenses P36,000,374 less Income Tax P 6,488,052).

GMFI's net investment income was largely due to the Fund's equity gains - Unrealized and Realized - of P409,781,476 and P125,223,757 respectively.

Jan 2007 – Sept 2007

By end-Sept 2007, GMFI's net assets grew by 99.63% as it rose to P3,758,036,540 from P1,882,458,167 in end-December 2006. The increase in assets under management was due to the Fund's net investment income of P390,775,269 (Gross Investment Income P445,013,758 less Operating Expenses P47,587,141 less Income Tax P6,651,347).

GMFI's net investment income was largely due to the Fund's equity gains - Unrealized and Realized - of P228,521,281 and P146,483,897 respectively.

2. Net Asset Value per Share and Yields

Jan 2006 – Dec 2006

The following table summarizes the quarters' Net Asset Value Per Share (NAVPS) highs and lows; the end-quarters' year-to-date yields (in percent) vis-à-vis benchmark (blended index). As GMFI is a balanced fund with a mixed portfolio, the benchmark is composed of 50% Philippine Composite Index (Total return) + 40% Hongkong & Shanghai Bank Corp. (HSBC) Philippine Local Currency Bond Total return + 10% Philippine 30-day Saving rate general average (net of 20% withholding tax).

QTR	DATE	NAVPS		End-QTR Yield YTD (in%)	Benchmark (Blended Index)
1	2-Jan	1.2124	LOW	6.11%	2.89%
	31-Mar	1.2907	HIGH		
2	14-Jun	1.2303	LOW	6.17%	2.99%
	11-May	1.4809	HIGH		
3	19-Jul	1.2883	LOW	20.31%	12.60%
	30-Sep	1.4634	HIGH		
4	4-Oct	1.4463	LOW	43.00%	23.29%
	31-Dec	1.7394	HIGH		

In sum, GMFI's yields outperformed the benchmark consistently throughout the four quarters of the year. By end-December, the Fund yielded an impressive 43.00%.

Jan 2007 –Sept 2007

The following table summarizes the quarters' Net Asset Value Per Share (NAVPS) highs and lows; the end-quarters' year-to-date yields (in percent) vis-à-vis benchmark (blended index).

QTR	DATE	NAVPS		End-QTR Yield YTD (in%)	Benchmark (Blended Index)
1	2-Jan	1.7326	LOW	9.74%	4.41%
	25-Feb	2.0183	HIGH		
2	1-Apr	1.9088	LOW	23.08%	12.05%
	21-Jun	2.1848	HIGH		
3	17-Aug	1.8031	LOW	20.09%	11.83%
	13-Jul	2.2117	HIGH		

For the past three quarters, GMFI outperformed the benchmark and ended September with 20.09% yield year-to-date.

3. Sales and Distribution

Jan 2006 – Dec 2006

For the year 2006, GMFI garnered total net sales of P16,189,727 (Gross Sales of P21,617,124 less Redemptions of P5,427,397). This performance was 791.85% higher than the year 2005's net sales of P1,815,300 (Gross Sales of P6,772,807 less Redemptions of P 4,957,507).

Jan 2007 –Sept 2007

From January 2007 to end-September 2007, GMFI's net sales ballooned to P1,496,547,844 (Gross Sales of P1,696,684,911 less Redemptions of P200,137,067). This performance was a staggering 33,422% higher

compared to the net sales for the same period in 2006 (P4,464,345.39 = Gross Sales of P8,776,398.04 less Redemptions of P4,312,052.65).

Sales Development

Sales for both the year 2006 and first half of 2007 capitalized on the bullishness in the equities market. PAMI's agency force and institutional partners highlighted GMFI's stellar performance by regularly providing fund reports and market updates to encourage continuous investments. Also for the same periods, PAMI conducted investment forums to prospective clients and investors nationwide.

However for the third quarter, we educated our investors regarding the US sub prime market contagion and the events that have occurred in the last 2 years. Our objective was to inform our investors that despite these market events, the local equities market remains resilient and is known to bounce back from its lows; hence still a good investment outlet for those seeking good long term returns.

To provide awareness, PAMI also implemented a more aggressive print advertising campaign throughout the same period. From April to May 2007, advertisements highlighted the Investment Company Association of the Philippines (ICAP) award won by GMFI (first place in the one year return category). GMFI was part of PAMI's June & July print advertisements as the campaign highlighted the bullishness in equities. PAMI senior officers also participated in the televised GSIS Members Hour in June thereby creating increased awareness and interest from both GSIS and non GSIS members.

On the promotions aspect, GMFI was included in the quarterly sales promotion of PAMI where prizes can be won by sales agents and referring clients to the equity-laced funds.

4. Performance Vis-à-vis Competitors

In terms of market share (based on net assets), GMFI maintained its number two position in the balanced funds category for both year-end 2006 and end-September 2007. The following table summarizes the balanced funds category's net assets:

BALANCED FUND	NET ASSETS end-2006	NET ASSETS as of end-Sept'07	Mkt Share end-Sept'07
Sun Life Prosperity Balanced Fund, Inc.	3,171,054,975	9,183,293,633	50.7%
GSIS Mutual Fund, Inc.	1,882,458,167	3,758,036,540	20.7%
Philam Fund, Inc.	1,019,958,740	2,791,481,208	15.4%
Sun Life Prosperity Dollar Advantage Fund, Inc.	1,146,294,017	1,403,700,514	7.7%
MFCP Kabuhayan Fund	638,041,051	700,521,059	3.9%
Legacy HY Fund, Inc.	157,619,342	64,914,300	0.4%
First Galleon Family Fund, Inc.	12,843,200	13,072,467	0.1%
First Metro Save & Learn Balanced Fund, Inc. (May '07)	N.A.	86,941,868	0.5%
Optima Balanced Fund, Inc. (July '07)	N.A.	120,436,511	0.7%
TOTAL BALANCED FUNDS	8,028,269,492	18,122,398,100	

(Source: ICAP Monthly Mutual Fund Statistical Report)

In terms of sales (as measured by net sales), GMFI improved its position as it jumped from number four in the year 2006 to number two position by end-September 2007. The following table summarizes the balanced funds category's net sales:

BALANCED FUND	NET SALES end-2006	NET SALES as of end-Sept'07	Mkt Share end-Sept'07
Sun Life Prosperity Balanced Fund, Inc.	6,419,371	(96,876,568)	-3.2%
GSIS Mutual Fund, Inc.	16,189,727	1,496,547,844	48.7%
Philam Fund, Inc.	400,309,051	1,517,934,047	49.4%
Sun Life Prosperity Dollar Advantage Fund, Inc.	264,622,754	(8,393,086)	-0.3%
MFCP Kabuhayan Fund	22,829,016	(14,102,803)	-0.5%
Legacy HY Fund, Inc.	(60,925,429)	(13,904,749)	-0.5%
First Galleon Family Fund, Inc.	2,846,902	209,171	0.0%
First Metro Save & Learn Balanced Fund, Inc. (May '07)	N.A.	71,717,095	2.3%
Optima Balanced Fund, Inc. (July '07)	N.A.	121,328,751	3.9%
TOTAL BALANCED FUNDS	652,291,392	3,074,459,702	

(Source: ICAP Monthly Mutual Fund Statistical Report)

5. FUND MANAGEMENT & ENVIRONMENTAL ANALYSIS

FIXED INCOME MARKET

Jan 2006 – Dec 2006

Local government securities yields reached near-historic lows resulting from excess market liquidity running after a limited supply of debt paper. By November, the 91-day T-Bill rate dropped to 4.837%.

The government's noteworthy tax collection efforts and fiscal austerity measures led to a significant drop in the country's budget deficit figures for the year and consequently, the Philippine Bureau of Treasury (BTr) cancelled a number of scheduled debt offerings in December.

Another factor in the steep descent of primary and secondary market yields was the implementation of a tiered interest rate system by the Bangko Sentral ng Pilipinas (BSP) for overnight deposits parked by banks with the central bank. This slashed the central bank's overnight rates by 200 basis points for placements more than P10 billion. Traders even pulled yields down further given the positive macroeconomic indicators.

Inflation-wise, consumer price index growth continuously fell to 4.3% by end-December, a 2 ½ year low. Foreign exchange reserves also reached historically high levels which prompted the BSP to prepay some of its loans. The country's USD reserves grew to an all-time high of USD23 Billion in December. Heavy Overseas Filipino Worker (OFW) remittances of USD, was integral in domestic liquidity which also influenced the downward momentum in interest rates and appreciation of the local currency. The USD/PHP exchange rate had dropped steeply from USD/PHP 50.01 on October 2 to USD/PHP 49.03 as of December 29.

Jan 2007 – Sept 2007

A bearish flattened yield curve marked the first half of 2007 as short-term secondary market yields rose by an average of 60 basis points above long-term yields. The increase was due to two main factors: the extension of the BSP's SDA (Special Deposit Account) facility for trust departments & government pension funds and the poor collections of the government's tax agencies – the Bureau of Internal Revenue (BIR) and Bureau of Customs (BoC).

Targeted to mop up excess liquidity, SDA demand more than tripled in June with a volume of P215B, up from the second week of May at P62B. Inevitably, traders boosted government bond yields as SDAs directly compete with government securities.

Apart from contributing to market liquidity, strong OFW remittances and Foreign Direct Investments (FDIs) strengthened the Peso as it reached the seven-year all-time high of P45.62=USD\$1.00 early June. The sound Peso kept inflation in check at 2.3% by end-2Q.

By the third quarter, the local government securities market greatly improved as benchmark government bonds eased by an average of 4 basis points across the yield curve quarter-on-quarter. Another corollary was the capital inflow into the local bond, currency and equity markets.

As the US rectified the crisis from rising sub-prime mortgage defaults and delinquencies, the Philippine government responded accordingly with its improved tax collections and asset privatization programs. These efforts reinforced the country's already robust fundamentals.

Despite the plateau in overseas remittance and sluggish money supply, 2Q GDP growth posted a record 7.5%. Apart from surpassing the targeted 6.5%, the 2Q 2007 performance was the highest since 1989. This boost was attributed to the government's infrastructure spending and sustained overseas remittance.

Fixed Income Portfolio Performance

Jan 2006 – Dec 2006

GMFI posted a Weighted Average Interest Rate (WAIR) of 10.086% by end-December, 298 basis points superior to the average yield of the HSBC Local Bond Index, benchmark for the fixed income portion.

Jan 2007 – Sept 2007

GMFI posted a WAIR of 6.76% by the end-September, 43 basis points superior to the average yield of the HSBC Local Bond Index, benchmark for the fixed income portion.

By end-September, 67.38% of GMFI's portfolio was placed in equities and 32.62% in fixed income instruments.

Outlook For The Remainder Of The Year

Increasing interest rates are projected given two factors: prolonged weak government revenue collections & delayed sales of government stakes in big corporations, with the latter's proceeds aimed to offset full-year budget deficit. Hence, GMFI will stay short in duration (to be increased with caution) pending new position at higher yield levels.

EQUITIES MARKET

Market Performance

Jan 2006 – Dec 2006

The year saw a vibrant equities market as it posted a 42% gain as by end-December the Philippine Composite Index (Phisix) closed at 2,982.54. Foreign investors heavily invested in the Philippine market given optimism in macroeconomic performance and fiscal reforms outlook.

Jan 2007 – September 2007

Buoyed by better-than-expected first quarter GDP (6.9% growth), the bull run continued for the duration of the second quarter of 2007 as the Phisix broke the 10-year all-time high in mid-May.

Fostering the upbeat markets were various positive macroeconomic indicators such as continuous growth of OFW remittances, sustained increases in net Foreign Direct Investments, stable domestic interest rates, constant appreciation of the Philippine Peso and government expenditures on infrastructure.

By the third quarter the market consolidated and was greatly affected by the events in the US sub-prime market. The market fell by approximately 25% in August, which virtually offset all the gains since the start of the year. To arrest the crisis, the US Fed cut the discount rate by 50 basis points which helped stabilize the global financial markets.

Moreover, big falls meant big recoveries as the drop was not warranted and the market eventually rose by 24% in September.

Despite the fragile state of the US financial markets, the domestic environment remained positive given the government's programs in improved tax collections and asset privatization. July and August tax revenues were above target and in September, the government received 24 bids for the 40% stake in PNOC-EDC – a sale estimated to yield P35-50B.

Market Review & Analysis

Investors were bullish given two main factors – high first quarter 2007 GDP growth and the improved increasing incomes of institutions such as Ayala Corporation, Meralco, Manila Water, Metrobank, Bank of the Philippine Islands & PLDT. Initial Public Offerings also became a highlight during second quarter with the listing of new entrants such as Pacific Online and National Reinsurance Corporation

However, overseas developments such as tightened monetary policies in China and the US' lackluster economic growth prompted investors to lock in gains as the index slightly dropped during the early part of the second quarter 2007.

Also on the external front, the near collapse of the US Bear Stearns hedge funds due to its sub-prime debt investments signaled caution on the global investment environment. Inflationary concerns rose as the US 10-yr bond yield breached the 5.3% level for a brief period. The US Fed alleviated market apprehension as rates remained at 5.25%.

The third quarter marked two significant events – the sub-prime market woes and the consequent diminishing risk appetite of investors. However, improvements are expected as the US Fed is slated to slash funds rate by at least 100 basis points over the next 5 months in order to mitigate any significant market volatilities.

Similarly, the BSP is also seen to cut its policy rates from 25-50 basis points. This will be beneficial for the government's financial requirements given the lower cost of funds.

Optimism was further sustained 2Q GDP growth of 7.5% exceeded the targeted 6.5%. Growth drivers were the government's infrastructure spending and rising consumption as a result of increased overseas remittances.

These improvements and positive macroeconomic indicators will foster confidence in both equities and fixed income funds.

Equities Portfolio Performance

GMFI's equities portfolio significantly increased in value given its unrealized and realized gains on securities at fair value through profit and loss. For the year 2006, these were P409,781,476 in unrealized gains and P125,223,757 in realized gains. For the interim period Jan – Sept 2007, GMFI's equities portfolio performed well as unrealized gains were P228,521,281 and realized gains were P146,483,897.

Outlook For The Remainder Of The Year

As the underlying fundamentals of the Philippines remain intact, PSGF will move more to defensive stocks and the general strategy is to accumulate on dips.

Although we should remain cautious as the contagion effect might affect short-term investors, our outlook is positive. Records show October as an upbeat month for the Philippines equities market. Since 2003, every October posted gains in the index. Also, US Fed Board policies are now more receptive in stemming market volatility. Hence, such volatilities should not be perceived in a vacuum but seen as opportunities to buy into the Philippine market.

FINANCIAL HIGHLIGHTS (detailed financial information provided in pages 36 to 38)

**Note – all year 2006 & 2007 figures/computations are inclusive of Deposit for Future Subscription*

Income

Interim (September 30, 2007)

Net Investment Income for the first three quarters of the year 2007 was P390,775,269 (Gross Investment Income P445,013,758 less Operating Expenses P47,587,141 less Income Tax P6,651,347). This was 4% lower compared to Jan-Sept 2006's net investment income of P406,873,229 (Gross Investment Income P436,174,895 less Operating Expenses P24,799,854 less Income Tax P4,501,812). The decrease was due to the unrealized loss on Marked-to-Market Valuation of FI placements which was -P16,270,436.

Earnings Per Share for the first three quarters of 2007 was P0.2172 (Net Investment Income P390,775,269 divided by 1,799,017,825 shares). This was 43% lower compared to the same period of the previous year as Jan-Sept 2006's Earnings Per Share was P0.3783 (Net Investment Income P406,873,229 divided by 1,075,574,716 shares).

Full Fiscal Years (2006, 2005 & 2004)

Net investment income for the year 2006 was P555,845,483 (Gross Investment Income P598,333,909 less Operating Expenses P36,000,374 less Income Tax P 6,488,052). This figure was more than double the previous year as it was 125% higher compared to the year 2005's Net investment Income of P247,110,057; and more than five times compared to two years before as it was 501% higher compared to the year 2004's net investment income of P92,556,705.

Earnings Per Share (EPS) for the year 2006 was P0.7616 (Net Investment Income P555,845,483 divided by the weighted average number of common shares 729,867,025). This was also more than double the previous year as it was 124% higher compared to the year 2005's EPS of P0.3404 (Net Investment Income P247,110,057 divided by the weighted average number of common shares 725,905,083); and nearly five times more compared to two years before as it was 497% higher compared to the year 2004's EPS was P0.128 (Net Investment Income P92,556,705 divided by the weighted average number of common shares 725,384,557)

Net Assets and Net Asset Value Per Share

Interim (September 30, 2007)

Net Assets for the first three quarters of the year 2007 was P3,758,036,540 (Total Assets P3,858,470,241 less Total Liabilities P100,433,701). This was more than double compared to the same period of the previous year as it was 139% higher compared to Jan-Sept 2006's Net Assets of P1,573,970,625 (Total Assets P1,604,890,239 less Total Liabilities P30,919,615).

NAVPS on September 30, 2007 was P2.0889. This was significantly higher compared to the NAVPS on the same day of the previous year as it was 437% more compared to September 30, 2006 NAVPS of P1.4634.

Full Fiscal Years (2006, 2005 & 2004)

Net assets for the year 2006 was P1,882,458,167 (Total Assets P1,921,953,758 less Total Liabilities P39,495,591). This figure was significantly higher compared to the previous year as it was 44% over the year 2005's net assets of P1,310,229,808; and 64% more compared to two years before as the year 2004's net assets of P1,147,352,523.

NAVPS on December 31, 2006 was P1.7388. This was significantly higher compared to the NAVPS on the same days of the years 2005 and 2004 as it was 42% more compared to December 31, 2005 NAVPS of P1.2218 and 62% more compared to the December 31, 2004 NAVPS of P1.0716.

Liquidity And Other Issues

The Fund does not anticipate any cash flow or liquidity problems given GMFI's Investment Restrictions and Guidelines and Portfolio Mix (detailed in pages 11 to 12 of this Prospectus). As a defensive strategy, GMFI, at its discretion, may elect to invest up to 100% of the Fund's assets in cash and/or other liquid assets, subject to any existing liquidity requirements as may be required by law. Furthermore, GMFI is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement.

Also, GMFI does not have any material off-balance sheet transactions, arrangements, obligations (contingent or otherwise) with other individuals or institutions.

There are no known trends, events or uncertainties that are expected to have a significant material change in the relationship between income and expenses.

Lastly, there are no significant elements of income that did not arise from GMFI's continuing operations.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANT ON ACCOUNTING AND FINANCIAL DISCLOSURES

There are no changes in and disagreements with the Commission on Audit (COA) on accounting and financial disclosures.

The 1987 Constitution grants COA post audit jurisdiction on all GOCCs. A GOCC is defined by the Administrative Code of 1987 as an agency owned by the Government directly or through its instrumentalities either wholly or to the extent of at least fifty-one percent (51%) of its capital stock. The GSIS, a government instrumentality, holds more than 51% of GMFI's shares. As such GOCC, GMFI is subject to the post-audit jurisdiction of the COA and may not avail of the services of other external auditors.

CORPORATE GOVERNANCE

The evaluation system adopted by GMFI to determine the level of compliance of the Board of Directors and top level management with its Manual of Corporate Governance is based primarily on the SEC Corporate Governance Self-Rating Form (CG-SRF).

GMFI has undertaken the following measures to fully comply with the adopted leading practices on good corporate governance:

- Consider changes, improvements, or additions to current corporate disclosure procedures
- Implement processes for identifying items where timely corporate disclosure is necessary

GMFI has no material deviations from its Manual of Corporate Governance since it filed its CG-SRF with the SEC on July 31, 2003.

Apart from the foregoing changes or improvements being considered for corporate disclosures, there are no plans to improve the current corporate governance of GMFI.

GMFI DIRECTORS AND EXECUTIVE OFFICERS

As of the date of this Prospectus, the Board of Directors and Executive Officers of GMFI are as follows:

<i><u>Name</u></i>	<i><u>Age</u></i>	<i><u>Citizenship</u></i>	<i><u>Position</u></i>	<i><u>Term</u></i>	<i><u>Years of Service</u></i>
ROBERTO VERGARA		Filipino	Chairman of the Board		
BENEDICTO JOSE R. ARCINAS		Filipino	Director / President		
CONSUELO D. MANANSALA	53	Filipino	Director / Treasurer	1 Year (2007-2008)	1
CORAZON ALMA G. DE LEON	66	Filipino	Independent Director	1 Year (2007-2008)	5
EM L. ANG	43	Filipino	Independent Director	1 Year (2007-2008)	5
VILLAMOR VENTURA S. PLAN	40	Filipino	Independent Director	1 Year (2007-2008)	5
EDUARDO G. POLICARPIO	59	Filipino	Independent Director	1 Year (2007-2008)	5
TADEO F. HILADO	55	Filipino	Corporate Secretary	1 Year (2007-2008)	4
GERARDO DE LEON	41	Filipino	Compliance Officer	1 Year (2007-2008)	<1

ROBERTO VERGARA
Chairman of the Board

Mr. Vergara, a fund manager and director at Lionhart Limited, Hong Kong, received his Master of Business Administration degree from the Harvard Business School, and his Bachelor of Science degree in Management, Engineering and Mathematics from the Ateneo de Manila University. His resume includes stints at Morgan Stanley Asia and Dresdner Kleinwort Wasserstein.

BENEDICTO JOSE R. ARCINAS
President and Director

Mr. Arcinas graduated Bachelor of Science in Business Economics from the University of the Philippines and holds a Master of Science in Management (Graduation with Distinction) from Arthur D. Little Management Education Institute in Cambridge, Massachusetts, U.S.A. He is currently the Executive Vice-President for the Finance Sector for GSIS. Prior to his joining public service, Mr. Arcinas was Treasurer of Export and Industry Bank, Managing Director of ATR-Kim Eng Fixed Income, Inc. and Peregrine Fixed Income Ltd.-HK. Mr. Arcinas has also headed the Treasury Groups of Metrobank and the Philippine Banking Corp. along with several other Directorships and Treasury positions in other commercial banks. Mr. Arcinas is a member of the Board of Advisors of the Money Market Association of the Philippines (MART) and served as its president in 1996.

CONSUELO D. MANANSALA
Treasurer and Director

Ms. Manansala is Officer-In-Charge/Executive Vice President Operations Sector and concurrent Senior Vice President, Field Operation Group of the Government Service Insurance System (GSIS). A career professional, Ms. Manansala has been with the GSIS since 1987. Previous to her present position, she was Vice President and Treasurer. Ms. Manansala earned her Master in Business Administration degree from the De La Salle University and is also a Certified Public Accountant.

CORAZON ALMA G. DE LEON
Independent Director

Ms. de Leon earned her B.A. in Social Work degree at the University of the Philippines, Master's degree in Social Work at the Catholic University of America, Washington D.C., USA and Master's degree in Public Health at University of Pittsburgh, Pennsylvania, USA. Currently, she is the Secretary General of the Philippine National Red Cross (since 2006). She is also currently Lecturer at the Ateneo De Manila University School of Government (since 2006); a Professor at the Asian Social Institute (since 2001); and a Faculty member of the Development Academy of the Philippines. Ms. de Leon was previously Chair of the Civil Service Commission (1995-2001); Chair of the Career Executive Service Board (1997-2001) and was Secretary of the Department of Social Welfare and Development (1992-1995).

EM L. ANG
Independent Director

Ms. Ang graduated Bachelor of Science in Nursing from the University of St. La Salle, Bacolod City and holds a Master of Arts in Education at the University of Negros Occidental Recoletos and a Master's Degree in Business Administration at the University of St. La Salle in Bacolod City. She is currently the President of Regent Pearl Development Corporation (since 2001) and Real Estate Options Marketing Corporation (since 2001); Executive Vice President of Kenbert Enterprises, Inc. (since 1992) and Director of Spotcash Lending Investors, Inc. (since 2001). Ms. Ang is a member of various professional and civic organizations such as the: Subdivision and Housing Developers Association, Inc., (SHDA), Chamber of Real Estate Builders Association (CREBA), Research, Education and Concern to Help (REACH).

VILLAMOR VENTURA S. PLAN
Independent Director

Atty. Plan earned his Bachelor of Laws at the Ateneo de Manila University. He also graduated cum laude and magna cum laude in the University of Sto. Tomas, Central Seminary with a degree in A.B. Philosophy, Bachelor in Philosophy, and Licentiate in Philosophy, respectively. A Practicing Lawyer with the Plan Law Office since 1994, Atty. Plan is currently the Legal Counsel for the Subic-Clark Alliance for Development Council (SCAD) since 2006. Previously, he was Director IV of the Office of the Presidential Chief of Staff (2006-2007) and was Legal Officer III with the Department of Health. He is a member of the Integrated Bar of the Philippines, Cagayan Chapter and a member and club secretary of the Rotary Club of Tuguegarao.

EDUARDO G. POLICARPIO
Independent Director

Mr. Policarpio is a graduate of Bachelor of Science in Civil Engineering at the Mapua Institute of Technology. He is the current President and CEO of Golden Lily River, Inc. (since 2003), International Recovery Group, Inc.

(since 2001) and the Egapol Construction (since 2001). He is also a member in various organizations such as the National Constructors Confederation Association of the Philippines (NACCAP), Pampanga Constructors Association (PCA), and the Kabalikat ng Malayang Pilipino (KAMPI).

TADEO F. HILADO
Corporate Secretary

Atty. Hilado is a Senior Partner of Angara Abello Concepcion Regala & Cruz Law Offices. He currently heads the Firm's Corporate and Special Projects Department. He is also the Corporate Secretary of various corporations, including but not limited to, ATS Construction International, Inc., Cocoa Specialities, Inc., Creative Diecast Philippines, Inc., Integrated Device Technology (Phils.) Inc., Southern Cross Cement Corporation, Sigma Cee Mining Corporation, Vitarich Corporation, and Sumisetsu Philippines, Inc. He received his Bachelor of Arts degree under the Honors Accelerated Program graduating Valedictorian and *summa cum laude* from De La Salle University in 1973 and his Bachelor of Laws degree from the University of the Philippines in 1977. Mr. Hilado was a Clyde De Witt fellow at the University of Michigan where he obtained his Master of Laws degree in 1981, after which he worked for a year as a visiting lawyer in the U.S. law firm of Graham & James in San Francisco, California. Mr. Hilado is a member of the Integrated Bar of the Philippines, International Bar Association, and the Legal Management Council of the Philippines.

GERARDO J. DE LEON
Compliance Officer

Atty. De Leon is the Compliance Officer of PAMI. Since 2007, he is also the compliance officer of the following: Philam Fund, Inc., Philam Bond Fund, Inc., Philam Dollar Bond Fund, Inc., Philam Strategic Growth Fund, Inc., Philam Managed Income Fund, Inc. GSIS Mutual Fund, Inc. and AIG Global Bond Fund Philippines, Inc. (since 2008). Also a Certified Public Accountant, Atty. De Leon obtained his degrees in Bachelor of Science in Commerce major in Accounting and Bachelor of Laws at the University of Santo Tomas and the San Beda College, respectively. Before taking up law, he worked as an audit examiner for Far East Bank and Trust Co. and as an operations clerk at the Hongkong & Shanghai Banking Corporation. While waiting for the results of the bar examinations, he joined the law firm of Chato Eleazar Liboro & Santos (now Chato and Vinzons-Chato Law Offices) where he gained significant training and experience in litigation and corporate practice. Prior to joining PAMI, he was the Vice President and Compliance Officer of Citystate Savings Bank, Inc.

Significant Employee

There is no significant employee who is expected by the Company to make a significant contribution to the business.

Family Relationships

None of the Company's Directors and Executive Officers is related to each other up to the fourth civil degree of consanguinity or affinity.

Involvement in Certain Legal Proceedings

To the best of the Company's knowledge, there has been no occurrence during the past five (5) years up to the date of this Prospectus of any of the following events that are material to an evaluation of the ability or integrity of any director, any nominee for election as director, executive officer or controlling person of the Company:

1. any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
2. any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
3. being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
4. being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

Executive Compensation

Information as to the aggregate compensation paid or accrued during the last previous fiscal year and the preceding two fiscal years to the GMFI Board of Directors is as follows:

Year	Per Diem	Allowances	Total
2004	60,000	NA	60,000
2005	75,000	153,000	228,000
2006	200,000	57,000	257,000
2007*	190,000	132,000	322,000

*Estimated

Directors named for 2004 to 2006 include the following:

Reynaldo Palmieri (2004)
 Reynaldo Nograles (2004)
 Roy Joseph Rafols (2005)
 Roberto Vergara (2004 – present)
 Corazon Alma G. De Leon (2004 – present)
 Eduardo G. Policarpio (2004 – present)
 Villamor Ventura S. Plan (2004 – present)
 Em L. Ang (2004 – present)
 Benedicto Jose R. Arcinas (2010 – present)
 Consuelo D. Manansala (2006 – present)

Directors' Compensation

The following has not yet been approved or ratified by the stockholders of the Fund as required in the By-laws, as the 2007 annual stockholders' meeting has not yet been held.

In accordance with the Company's By-Laws, the Members of the Board of Directors of the Fund receive such compensation as may be determined by the Board of Directors, subject to the approval or ratification by the stockholders.

In a board meeting held on 17 January 2007, the Fund's Board of Directors approved a resolution authorizing GMFI to provide each director, beginning with the Special Meeting held on 17 January 2007, the following compensation for every board meeting attended by such director:

- a. if the director is affiliated with the Government Service Insurance System ("GSIS"), a per diem in the amount of Five Thousand Pesos (Php5,000.00);
- b. if the director is not affiliated with the GSIS:
 - (i) a per diem in the amount of Five Thousand Pesos (Php5,000.00)
 - (ii) a representation allowance in the amount of Five Thousand Pesos (Php5,000.00)
- c. for all directors, a per diem in the amount of five thousand pesos (Php5,000.00) per day of attendance in every seminar, workshop or other similar activity attended by him in order to comply with the requirement of any government regulatory authority

Employment Contracts and Termination of Employment and Change-In-Control Arrangements

None of the Executive Officers have employment contracts with the Company.

There are no arrangements that exist which could result in a change in control of the Company.

Warrants and Options Outstanding

As of the date of this Prospectus, none of the Company's common shares are subject to outstanding options or warrants to purchase, or securities convertible into common shares of the Company.

Security Ownership of Certain Record and Beneficial Owners as of September 30, 2007

Prior to the offer, and after the increase in the number of common shares, the following shareholder is the only owner of more than 5.0% of the Company's voting capital stock, whether directly or indirectly, as record owner or beneficial owner:

TITLE OF CLASS	NAME AND ADDRESS OF RECORD OWNER AND	NAME OF BENEFICIAL OWNER & RELATIONSHIP	CITIZENSHIP	NO OF SHARES HELD AND	PERCENT OF CLASS
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	RELATIONSHIP WITH ISSUER	WITH RECORD OWNER		OUTSTANDING PRIOR TO OFFER	
Common	Government Service Insurance System, 7/F Financial Center, Roxas Blvd., Pasay City	Government Service Insurance System, 7/F Financial Center, Roxas Blvd., Pasay City	Filipino	697,659,301	72.96%

The Government Insurance System (“GSIS”) is a government pension fund. The GSIS is the majority stockholder of GMFI. It also was the lone subscriber to the additional shares subject of this registration.

Mr. Roberto Vergara, the President and General Manager of GSIS, serves as the Chairman of the Board of Directors of GMFI. Mr. Benedicto Jose R. Arcinas, the Executive Vice President of the Finance Sector of GSIS, is a member of the Board of Directors and is the President of GMFI. Ms. Consuelo D. Manansala, a Senior Vice President of GSIS, is a member of the Board of Directors and is the Treasurer of GMFI.

Mr. Benedicto Jose R. Arcinas is the person with the power to vote and dispose of the shares of GSIS.

Security Ownership of Management

TITLE OF CLASS	NAME AND ADDRESS OF OWNER	CITIZENSHIP	AMOUNT & NATURE OF OWNERSHIP (INDICATE RECORD &/OR BENEFICIAL)	PERCENT OF CLASS
Common	Government Service Insurance System, 7/F Financial center, Roxas Blvd., Pasay City (697,659,301 shares)	Filipino	PhP1,457,366,964 – “b”	72.96%
Common	Consuelo D. Manansala: GSIS Headquarters, 7th Level Financial Center, Roxas Blvd., Pasay City	Filipino	PhP 208.89 – “r”	0.000010%
Common	Corazon Alma G. de Leon: #1 Venus St., Bricktown Subdivision, Parañaque City	Filipino	PhP 208.89 – “r”	0.000010%
Common	Em L. Ang: Regeant Pearl Center, Masilingan, Bacolod City	Filipino	PhP 208.89 – “r”	0.000010%
Common	Eduardo G. Policarpio: 7556 Sycamore St., Marcelino Green Village, Parañaque City	Filipino	PhP 208.89 – “r”	0.000010%
Common	Villamor Ventura S. Plan: #23 Tuguegarao City, Cagayan	Filipino	PhP 208.89 – “r”	0.000010%

Voting Trust

The Company knows of no persons holding more than 5.0% of its shares under a voting trust or similar agreement which may result in a change in control of the Company.

Certain Relationships and Related Transactions

During the last two years, there are no transactions - either proposed or series of similar transactions – with or involving the company in which a director, executive officer, or stockholder owning ten percent (10%) or more of total outstanding shares and members of their immediate family had or is to have a direct or indirect material interest.

PARTIES INVOLVED IN THE FUND

Investment Manager and Principal Distributor

PAMI is the investment manager of GMFI. As investment manager, PAMI is tasked to provide and render management and technical services to GMFI. PAMI also functions as the principal distributor of GMFI. As such, it takes charge of sales of the GMFI shares to prospective investors. Through its Management and Distribution Agreement with GMFI, the guidelines for the management of the resources and operations of GMFI by PAMI are set.

PAMI is wholly owned by Philippine American Life Insurance Company (Philam Life) and an affiliate of the American International Group. Philam Life, which started in 1947, is the country’s largest and most diversified insurance company and the undisputed market leader for over half the century. It is a wholly owned subsidiary of the American International Group, Inc. (AIG). At present, PAMI manages and distributes five other investment companies, namely: Philam Bond Fund, Inc., Philam Dollar Bond Fund, Inc., Philam Fund, Inc., Philam Strategic Growth Fund, Inc. and Philam Managed Income Fund, Inc. The management fee to be charged by PAMI is a maximum of 1.8% per year. PAMI will vary the entry fee depending on the Fund’s performance in order to

provide shareholders with reasonable returns on their investments. A sales load of not more than 2.5% of the investment will also be charged.

The Market Regulation Department of SEC issued PAMI its license for the current year to operate as an Investment Company Adviser, subject to the provisions of the Investment Company Act, the Securities Regulation Code and its implementing rules and regulations, as well as other pertinent laws, rules and regulations applicable. The said license is renewed every November of each year.

PAMI Board of Directors

TREVOR BULL

Chairman of the Board

Mr. Trevor Bull joined Philam Life as President & CEO in August 2009. Mr. Bull was Tata AIG Life's Managing Director from 2006. His previous experience includes appointments as Senior Vice-President and General Manager at American International Assurance (AIA) in Korea and Vice-President for American Life Insurance Co. (ALICO) Japan. Mr. Bull has over 31 years of experience in the life insurance industry and has spent considerable time working in Britain prior to his assignments in Asia.

KAREN LIZA M. ROA

President and CEO

Ms. Roa obtained her degree in Bachelor of Science in Legal Management at the Ateneo De Manila University. She later on pursued her MBA degree with a Major in Management at the Fordham University in New York, USA. Ms. Roa was an Operations Analyst in Chase Manhattan Bank N.A. in New York for two years and eventually became an Associate in the Bank's Management Development Program. She returned to the Philippines and became the Assistant Vice-President and Financial Business Process Manager for the Asia Regional Financial Center of Citibank N.A. She later joined Philam Savings Bank Trust Banking Division as the Vice-President and Trust Officer. She was responsible for setting up and managing the Bank's trust business including investments, credit and compliance, and operations. Prior to joining Philam Asset Management, Inc., Ms. Roa was the Asia-Pacific Product Director for Investment and Wealth Management Solutions of Sungard Asia-Pacific.

OMAR T. CRUZ

Director

Mr. Cruz is Philam Life's Executive Vice-President and Chief Investment Officer. He graduated at the De La Salle University with a degree in Bachelor of Science in Industrial Management Engineering and Master of Science in Industrial Economics at the University of Asia & the Pacific. Since 2008, he is Director of the following: Philam Fund, Inc., Philam Bond Fund, Inc., Philam Dollar Bond Fund, Inc., Philam Strategic Growth Fund, Inc., Philam Managed Income Fund, Inc. and PAMI Global Bond Fund Philippines, Inc. Previous to his current post at Philam Life, Mr. Cruz was the Treasurer of the Philippines from March 2005 to May 2007. A renowned economist and financial expert even prior to his stint with the government, Mr. Cruz was a key senior officer at Citibank N.A. overseeing several groups such as Treasury, Risk Management and Private Banking.

REYNALDO C. CENTENO

Director

Mr. Centeno has truly proven himself up the ladder as he is now Philam Life's Senior Executive Vice-President and Chief Operating Officer. He has been with this company for 24 years. He started working with Philam Life as an Actuarial Associate in 1986, got promoted as Assistant Vice-President and Actuary immediately after a year and eventually as the Senior Assistant Vice-President of the Actuarial Department in 1989. Shortly after that, he became the Vice-President and supervised the overall operation of the actuarial area and its coordination with other departments. In 1991, he was promoted as First Vice-President of the Actuarial Division and eventually as a Senior Vice-President for Insurance Operations. Mr. Centeno was also affiliated with the Social Security System where he became OIC of the Investment Accounts and Real Estate Departments. He is a member of the Board of Directors of Philam Life (2005-present), BPI-Philam Life Assurance Corp. (2010-present), Philam Asset Management, Inc. (1994-present), Philam Call Center (1999-present), Philam Equitable Life Assurance Co. (2003-present), Tower Club, Inc.(2000-present), and the Asian Eye Institute, Inc. He is Chairman of the Board of Directors of Philam Properties Corporation (2010-present), Philam Life Tower Condominium Corporation (2002-present), Philam Life Tower Management Corp. (2000-present), and Philam Tower Realty Corp. (2000-present). He is a member of the Board of Trustees of Philam Foundation. He is a Fellow of the Society of Actuaries (USA), the Actuarial Society of the Philippines, and the Life Management Institute. He is also a Member of the American Academy of Actuaries and the International Actuarial Association. He holds a Bachelor of Science degree in Mathematics, *cum laude*, from the University of the Philippines and Master of Science degree in Actuarial Mathematics from the University of Michigan. Mr. Centeno is a graduate of the Top Management Program of the Asian Institute of Management.

FE R. VELASCO*Director*

Effective January 2009, Ms. Velasco was appointed as the Senior Vice-President and Chief Finance Officer of Philam Life. Prior to this, she held the position of First Vice-President and Controller for nine years. She spent four years serving as Associate Controller and eight years as Budget Manager, prior to which as an Audit Assistant at SGV & Co. She is a member of the Board of Directors of Philam Properties Corporation (1995 to 1996, 1998 to present), 18/f, Holdings, Inc. (2006 – present), 45/f, Holdings, Inc. (2007- present), Kapatiran Realty Corporation (April 2002 – present), PERF Realty Corporation (2002-present), Philam Asset Management, Inc. (April 2010 – present), Tower Club Inc. (2000 – present) and a member of the Board of Trustees of Philam Foundation, Inc (2002 – present). She is a member of the Philippine Institute of Certified Public Accountants, Financial Executives of the Philippines and she is a Fellow of the Life Management Institute. Ms. Velasco received a BSC in Accounting from the University of Sto. Tomas, Magna Cum Laude.

LING CHI KEVIN NG*Director*

Mr. Ng is a graduate of Bachelor of Information Technology (Economics) from the Australian National University and completed his MSc in International Management and MSc in Financial Economics from the University of London. He is likewise a Chartered Financial Analyst. He is currently the Vice-President, Head of Asset Allocation Advisory of the American International Assurance Company Limited (AIA). He was formerly the Vice-President, Wealth Management Products, Asia at the ABN AMRO Bank where he set up a regional investment advisory platform up and a structured product development platform for all ABN AMRO branches in Asia.

WING CHE ANDREW LEUNG*Director*

Mr. Leung holds a Ph.D. in Engineering from the University of Cambridge and is also a Chartered Financial Analyst. He is currently Vice-President and Head of External Manager Strategies of the American International Assurance Company Limited (AIA). He is responsible for overseeing investment outsourcing strategy and manager evaluation processes for the Group. Prior to joining AIA, he was Executive Director, Head of Research of SPARX International where he led the manager selection process across alternative investment strategies in Asia. Mr. Leung spent 12 years with HSBC Asset Management where he was involved in building up the multi-manager function and drove the manager research process across a wide range of traditional investment funds, and where as a member of the Multi-Manager Global Investment Committee, he was responsible for setting research procedures and criteria, and for selecting and monitoring performances of third party managers on the HSBC global platforms.

JAVIER CALERO*Independent Director*

Mr. Calero was previously Senior Adviser for International Foundation for Elections Systems based in Washington D.C. which is currently working on Strengthening National and Provincial Legislative Governance in Pakistan. He was also Chairman of the Zenith Optimedia and Signium Ward Howell, an Executive Development Search Firm. His exposure to social and political climate was very evident as he was involved in the Indonesian Presidential Elections in 1999 where he became part of the post-election program funded by the USAID. Likewise, he was then President and CEO of J. Walter Thompson, Philippines and was promoted as its Regional Director in countries like Sri Lanka, Malaysia, Indonesia, and Singapore in which he was responsible in ensuring the profitability of the said countries. Currently, he holds directorship in various organizations—Institute of Corporate Directors, Philippine Band of Mercy, Asian Institute for Journalism and Communication, Dearborn Motors-Ford Dealership, Performance Auto Motors Group, Inc. and World Association of Psychosocial Rehabilitation. He is also Trustee and Vice-Chairman of the University of Asia and the Pacific.

EDGARDO A. GRAU*Independent Director*

Mr. Grau is a graduate of the De La Salle University with a degree in Bachelor of Science in Mechanical Engineering and graduated with an MBA degree, major in Industrial Management at Wharton Graduate School, University of Pennsylvania. He was previously the Executive Vice-President and Chief Investment Officer of Philam Life and a director of various mutual funds of Philam Asset Management, Inc. as well as the affiliates, subsidiaries and investee companies of Philam Life. Mr. Grau also held positions at Meralco's Technical Services Group as Assistant Vice-President, Philippine Commercial International Bank as Vice-President, Atlantic Gulf & Pacific Company of Manila, Inc. as Executive Vice-President & Chief Operating Officer, Magellan Capital Holdings Corporation as Senior Vice-President and Chief Financial Officer, and Philippine Asia Equity Securities, Inc. as Senior Vice-President for Investment Banking.

Custodian Bank

The Custodial Agreement establishes the trustor-trustee relationship between GMFI, PAMI and Citibank, N.A. as the custodian bank. The Custodial Agreement covers the custodian bank's duties on receipt of securities, identification and segregation of assets, registration of assets, reports and records to be accomplished by the custodian bank, custody of GMFI investments and fees of the custodian bank.

Transfer Agent

The transfer agent of GMFI is the Bank of the Philippine Islands (BPI). The primary responsibility of the transfer agent is the accurate record keeping of individual shareholdings and the issuance and cancellation of stock certificates.

Legal Counsel

The law firm Angara Abello Concepcion Regala & Cruz (ACCRA) serves as the independent legal counsel for the Company.

External Auditor

The Commission on Audit (COA) is the Company's external auditor.

DIRECT OR INDIRECT INTEREST OF EXTERNAL AUDITOR AND INDEPENDENT COUNSEL

COA & ACCRA, GMFI External Auditor Legal Counsel, respectively, have not been retained on a contingency basis. Both will not receive any direct or indirect interest in the Fund pursuant to or in connection with the offer.

With the exception of ACCRA Atty Tadeo F. Hilado and Atty. Andre B. Navato, Jr., GMFI Corporate Secretary and Assistant Corporate Secretary, respectively, ACCRA has not acted or will not act as promoter, voting trustee, officer or employee of the Company.

MATERIAL CONTRACTS AND AGREEMENTS

The following is a summary of the material contracts and agreements relating to the Fund:

Management and Distribution Agreement

Under this Agreement, Philam Asset Management, Inc. ("PAMI") was engaged by GMFI to act as the Fund Manager.

The services to be rendered by PAMI under the Fund Management Agreement include the following:

1. Investment and re-investment of the assets of GMFI;
2. Preparation of reports, circulars, notices and other information on internal corporate affairs as may be required by GMFI, its stockholders or its Board of Directors, including monthly reports on:
 - a. revenues and disbursements broken down as investments and expenses,
 - b. sales and redemption, and
 - c. performance of GMFI's investment portfolio and changes in the net asset value of the Fund;
3. Preparation and submission of such reports that the SEC may require;
4. Registration and/or transfer of all investments made and/or held by PAMI under the Fund Management Agreement in GMFI's name, or its nominee, or to retain the investments unregistered or in any form permitting transferability by delivery, but the books and records of PAMI should at all times show that all such investments belong to GMFI;
5. Procurement of any and all licenses, permits and authorizations in making, holding and disposing of the investments as well as the distribution of GMFI's capital stock;
6. Transactions with stockbrokers for the account of GMFI in connection with PAMI's investment and re-investment of GMFI's assets; and
7. Execution of any and all acts necessary to collect or realize any securities or investments, in the event of default.

In purchasing and selling securities or otherwise making or disposing of investments for the account of the Fund, PAMI may act without need of prior approval or notification from GMFI, provided that it acts within the limits of the investment policies and guidelines prescribed by GMFI's Board of Directors and subject to the provisions of the ICA, the registration statements of GMFI and in accordance with the provisions of the GSIS Charter (R.A. 8291).

The Certificates and other evidence of title to assets in the investment portfolio of the Fund shall be under the custody of a Custodian. However, PAMI may, either directly or through the Custodian, take charge of the collection of interests, dividends or other payments on all securities owned by the Fund, and shall exercise any and all rights of the Fund pertaining to such securities.

PAMI also acts as the principal distributor of the capital stock of GMFI. PAMI shall use its best efforts to sell GMFI stock, and it is agreed that PAMI does not undertake to buy or sell any or any specific portion of the capital stock of the Fund.

The initial term of the Fund Management Agreement is two years, after which the agreement shall continue in effect from year to year, provided that the continuation shall be specifically approved at least annually by GMFI's Board of Directors or by a vote of the shareholders holding or representing majority of the outstanding stock of GMFI. In a meeting held on 24 April 2007, the Board of Directors of GMFI approved to extend the engagement of PAMI as GMFI's Fund Manager for the fiscal year ending April 2008.

The Fund Management Agreement may be terminated at any time, upon written notice of not less than 60 days, by GMFI's Board of Directors, or by a vote of the shareholders holding or representing majority of the outstanding capital stock of GMFI, or by PAMI. The Fund Management Agreement is also deemed automatically terminated after a new fund manager is qualified and selected in the event that PAMI has signified its intention not to renew.

For services rendered under the Fund Management Agreement, PAMI shall receive a monthly fee equivalent to 0.15% of the average net value of the Fund's net assets, computed on a daily basis or not more than 1.8% of the average net asset value of the Fund's assets per year. In addition, PAMI shall be entitled to an incentive fee equivalent to 1/10 of 1% of the appreciation (unrealized or realized) in the value of the Fund's net asset value per share in excess of 12% in any calendar year, but not exceeding One Million Pesos (Php1,000,000.00). The Fund Management Agreement provides that in no case may the total compensation to PAMI exceed any maximum limit prescribed under RA 2629. At present, the SEC has not yet issued any guidelines or regulations prescribing the maximum limits for compensation to fund managers.

Direct Custodial Services Agreement

GMFI engaged the services of various Citibank branches around the world as custodian of GMFI's property and cash. The Citibank branches in the following countries were engaged as custodians under this agreement: Australia, Austria, Canada, France, Germany, Hong Kong, Indonesia, Italy, Japan, Korea, Malaysia, Mexico, Netherlands, New Zealand, Philippines, Portugal, Singapore, Spain, Switzerland, Taiwan, Thailand, United Kingdom and the United States.

The agreement does not provide for a definite term and shall be terminated at the instance of either party. This agreement may be terminated by GMFI by giving notice to the applicable custodian or to Citibank N.A. (if it wishes to terminate the entire arrangement), by giving written notice of not less than sixty days. Any custodian or Citibank may likewise terminate the agreement by giving the same written notice within the same period.

The services to be rendered by the Custodians under this agreement include the following:

1. Taking custody of the property and cash of GMFI;
2. Collecting and receiving for the account of GMFI all income, payments and distributions in respect of the property held under its custody;
3. Receiving and holding for the account of GMFI all securities received as a result of a stock dividend, share subdivision or reorganization, capitalization of reserves or otherwise; and
4. Making cash disbursements for any expenses incurred in handling the property.

The fees payable by GMFI to each custodian under the agreement varies depending on the country where the custodian bank is located. For instance, in the Philippines, the fee is Php500.00 per transaction, while in the United States, the fee is US\$30 per transaction. In addition, there is a fixed electronic banking fee of US\$300.00 per month and an account maintenance fee of US\$300.00 per month.

Service Agreement

GMFI engaged the services of the Bank of the Philippine Islands ("BPI") as Stock Transfer Agent.

The services to be rendered by BPI under this agreement include the following:

1. Taking possession of and safeguarding the following items, among others:
 - a. All unissued stock certificates of GMFI;
 - b. All unclaimed stock certificates of GMFI;
 - c. Corporate seal of GMFI; and

- d. Stock Transfer Journal and Ledgers of GMFI.
2. Issuing certificate of stocks of GMFI upon instruction of PAMI and upon presentation of the proper underlying documents;
3. Attending to all details of stock cancellation and issuance, including the prompt and due recording in the stock and transfer journal and ledgers;
4. Computing and submitting to PAMI the proper amount of Documentary Stamp Tax; and
5. Registering all liens constituted on the shares of stock of GMFI upon receipt thereof and canceling existing liens upon receipt of notice of release thereof.

The term of this agreement is from May 9, 2007 until May 8, 2012. It may be terminated upon thirty days notice from either party. BPI may renew and renegotiate the agreement every five years, however, BPI is given the right to review the account yearly.

For services rendered, GMFI agrees to pay BPI a monthly retainer fee of PhP15,000.00, plus PhP45.00 per certificate issued and PhP15.00 per check issued for dividends and redemption. Costs for documentary stamps, forms, stationery, signature cards, checks, certificates and other related expenses shall also be for the account of GMFI. In addition, BPI may request for additional billings at the end of each year to cover excess time charges on account of a considerable increase in the number of stockholders, considerable increase in transactions, or considerable increase in time spent on replying to queries from stockholders and other parties.

TAXATION

The following is a general description of certain Philippine tax aspects of the investment in the Company. This discussion is based upon laws, rules and regulations, rulings, income tax conventions (treaties), administrative practices, and judicial decisions in effect at the date of this Prospectus. Subsequent legislative, judicial, or administrative changes or interpretations, which may be retroactive in nature, could affect tax consequences to the prospective investor.

The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be applicable to an investor.

This general description does not purport to be a comprehensive description of the Philippine tax aspects of the investment in shares and no information is provided regarding the tax aspects of acquiring, owning, holding, or disposing of the shares under applicable tax laws of other pertinent jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding, and disposing of the shares in such other jurisdictions.

The terms "resident alien," "non-resident citizen," "non-resident alien," "resident foreign corporation," and "non-resident foreign corporation" are used in the same manner as in the Tax Code.

A "resident alien" is an individual whose residence is within the Philippines and who is not a citizen thereof.

A "non-resident citizen" is a citizen of the Philippines who: (a) established to the satisfaction of the Commissioner of Internal Revenue the fact of his/her physical presence abroad with a definite intention to reside therein; (b) leaves the Philippines during the taxable year to reside abroad, either as an immigrant or for employment on a permanent basis; or (c) works and derives income from abroad and whose employment thereat requires him to be physically present abroad most of the time during the taxable year. A citizen of the Philippines who has been previously considered as a non-resident citizen and who arrives in the Philippines at any time during the taxable year to reside permanently in the Philippines shall be treated as a non-resident citizen for the taxable year in which he/she arrives in the Philippines with respect to his/her income derived from sources abroad until the date of his/her arrival in the Philippines.

A "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen thereof. A "non-resident alien" may either be engaged or not engaged in trade or business in the Philippines. A "non-resident alien" who stays in the Philippines for an aggregate period of more than 180 days during any calendar year is deemed a "non-resident alien doing business in the Philippines."

A "resident foreign corporation" refers to a foreign corporation engaged in trade or business in the Philippines, while a "non-resident foreign corporation" refers to a foreign corporation not engaged in trade or business in the Philippines.

A resident citizen is taxed on income from all sources (other than certain passive income and capital gains) at progressive rates ranging from 5.00% to 32.00% of net taxable income. A non-resident alien engaged in trade or business in the Philippines is generally subject to tax on net income from Philippine sources (other than certain passive income and capital gains) at the same progressive tax rates imposed on resident aliens and citizens.

A non-resident alien not engaged in trade or business in the Philippines is taxed on gross income from Philippine sources (other than certain passive income and capital gains) at the rate of 25.00% withheld at source.

Below is a short discussion of the pertinent taxes with respect to the transactions of the Fund and the shareholders in the Fund.

THE FUND

Corporate Income Tax

A domestic corporation is subject to a tax of 35.00% (currently scheduled to be reduced to 30.00% beginning in 2009) of its taxable income (gross income less allowable deductions) from all sources within and outside the Philippines except those items of income that are subject to final withholding tax, such as: (a) gross interest income from Philippine currency bank deposits and yield or any other monetary benefit from deposit substitutes, trust funds, and similar arrangements as well as royalties from sources within the Philippines that are generally taxed at the lower final withholding tax rate of 20.00% of the gross amount of such income; and (b) interest income from a depository bank under the expanded foreign currency deposit system that is subject to a final tax at the rate of 7.50% of such income

A resident foreign corporation (except certain types of corporations enumerated in the Tax Code) is subject to a tax of 35.00% (currently scheduled to be reduced to 30.00% beginning in 2009) of its taxable income (gross income less allowable deductions) from all sources within the Philippines except those items of income that are subject to final withholding tax, such as: (a) gross interest income from Philippine currency bank deposits and yield or any other monetary benefit from deposit substitutes, trust funds, and similar arrangements as well as royalties from sources within the Philippines that are generally taxed at the lower final withholding tax rate of 20.00% of the gross amount of such income; and (b) interest income from a depository bank under the expanded foreign currency deposit system that is subject to a final tax at the rate of 7.50% of such income.

A minimum corporate income tax of 2.00% of the gross income as of the end of the taxable year is imposed on a domestic corporation, as well as on a resident foreign corporation (other than an international carrier, an offshore banking unit, or a regional or area headquarters or regional operating headquarters of a multinational company), beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the regular income tax for the taxable year. Any excess of the minimum corporate income tax over the ordinary corporate income tax shall be carried forward and credited against the latter for the three (3) immediately succeeding taxable years. Further, subject to certain conditions, the minimum corporate income tax may be suspended with respect to a corporation that suffers from losses on account of a prolonged labor dispute, or because of force majeure, or because of legitimate business reverses.

The President of the Philippines may, upon the recommendation of the Secretary of Finance and upon occurrence of certain macroeconomic conditions, allow domestic and resident foreign corporations the option to be taxed on a gross basis at the rate of 15.00%. This authority has not been exercised to date.

A final withholding tax of 35.00% is imposed, as a general rule, upon the gross income received during each taxable year of a non-resident foreign corporation from all sources within the Philippines, subject to the provisions of tax treaties between the Philippines and the country of residence of such foreign corporation.

THE SHAREHOLDER

Tax on Dividends

Cash and property dividends received from a domestic corporation by individual stockholders who are either citizens or residents of the Philippines are subject to final withholding tax at the rate of 10.00%. Cash and property dividends received by non-resident alien individuals engaged in trade or business in the Philippines are subject to a 20.00% final withholding tax on the gross amount thereof, while cash and property dividends received by non-resident alien individuals not engaged in trade or business in the Philippines are generally subject to final withholding tax at the rate of 25.00% of the gross amount subject, however, to the applicable preferential tax rates under tax treaties executed between the Philippines and the country of residence or domicile of such non-resident foreign individuals. A non-resident alien who comes to the Philippines and stays in the country for an aggregate period of more than 180 days during any calendar year will be deemed a non-resident alien engaged in business in the Philippines.

Cash and property dividends received from a domestic corporation by another domestic corporation or by resident foreign corporations are not subject to tax while those received by non-resident foreign corporations (i.e. foreign corporations not engaged in trade or business in the Philippines) are subject to final withholding tax at the rate of 35.00% until end-2008 (with a reduced final withholding tax at the rate of 30.00% from 2009 onwards).

The 35.00% rate may also be reduced to 15.00% if the country in which the non-resident foreign corporation is domiciled imposes no tax on foreign-sourced dividends or allows a credit against the tax due from the non-resident foreign corporation, for taxes deemed to have been paid in the Philippines equivalent to 20.00%. Effective on January 1, 2009, the credit against the tax due shall be 15.00%.

The 35.00% rate for dividends paid to a non-resident foreign corporation may be reduced if the country of residence of such foreign corporation has an existing tax treaty with the Philippines and such treaty provides for a preferential tax rate.

Philippine tax authorities have prescribed, through an administrative issuance, certain procedures for availment of tax treaty relief. Subject to the approval by the BIR of the Company's application for tax treaty relief, the Company shall withhold taxes at a reduced rate on dividends to be paid to a non-resident holder, if such non-resident holder provides the Company with proof of residence and if applicable, individual or corporate status. Proof of residence for an individual consists of certification from his/her embassy, consulate, or other equivalent certification issued by the proper government authority, or any other official document proving tax residence. If the regular tax rate is withheld by the Company instead of the reduced rates applicable under the treaty, the non-resident holder of the shares may file a claim for refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal if the claim is denied by the BIR. The filing of a claim for refund may therefore prove to be impractical.

Stock dividends distributed pro-rata to any holder of shares of stock are not subject to Philippine income tax.

Sale, Exchange or Disposition of Shares

Taxes on Capital Gains

Gains realized by the shareholder upon redemption of his shares of stock in the Fund are not subject to tax.

Documentary Stamp Tax

The original issuance of shares of stock is subject to documentary stamp tax of Php1.00 for each Php200.00 par value or a fraction thereof, of the shares of stock issued. On the other hand, the sale, transfer, or other disposition of shares of stock (including the re-issuance of previously redeemed shares of stock) is subject to a documentary stamp tax of Php0.75 for each Php200.00 par value or a fractional part thereof of the shares sold, transferred, or otherwise disposed of.

Estate and Gift Taxes

Shares issued by a corporation organized under Philippine laws are deemed to have a Philippine *situs*, and any transfer thereof by way of succession or donation even if made by a non-resident decedent or donor outside the Philippines, is subject to Philippine estate or donor's tax.

Subject to certain exceptions, the transfer of shares upon the death of an individual holder to his/her heirs by way of succession, whether such holder was a citizen of the Philippines or an alien, regardless of residence, will be subject to Philippine taxes at progressive rates ranging from 5.00% to 20.00%, if the net estate is over Php200,000.00. On the other hand, individual and corporate holders, whether or not citizens or residents of the Philippines, who transfer shares by way of gift or donation will be liable to Philippine donor's tax on such transfers at progressive rates ranging from 2.00% to 15.00% of the net gifts during the year exceeding Php100,000.00. The rate of tax with respect to net gifts made to a stranger (i.e. one who is not a brother, sister, spouse, ancestor, lineal descendant or relative by consanguinity within the fourth degree of relationship) is a flat rate of thirty percent (30.00%) of the net gifts.

Estate and donor's taxes, however, shall not be collected in respect of intangible personal property, such as shares of stock: (a) if the decedent at the time of his/her death or the donor at the time of the donation was a citizen and resident of a foreign country which at the time of his/her death or donation did not impose a transfer tax of any character, in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (b) if the laws of the foreign country of which the decedent or donor was a citizen and resident at the time of his/her death or donation allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

EACH PROSPECTIVE HOLDER SHOULD CONSULT WITH HIS/HER OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF PURCHASING, OWNING AND DISPOSING OF THE GMFI SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL AND NATIONAL TAX LAWS.