

## ABF Philippines Bond Index Fund A Unit Investment Trust Fund of the Bank of the Philippine Islands



### Investment Objective

The Fund aims to achieve investment returns that closely track the total return of the iBoxx Philippines index, before fees and expenses, by investing in a diversified portfolio of peso-denominated sovereign, quasi-sovereign, and supranational bonds.

### Figures as of 06/30/2014

#### Cumulative Performance (%)<sup>1</sup>

Fund	1 mo	1YR	3YRS	5YRS	S.I. <sup>2</sup>
Fund	-0.76	-0.08	22.13	41.55	103.39
iBoxx ABF <sup>3</sup>	-0.73	0.08	23.26	44.19	121.52

#### Annualized Performance (%)<sup>1</sup>

Fund	1YR	2YRS	3YRS	4YRS	5YRS	S.I. <sup>2</sup>
Fund	-0.08	7.17	6.89	7.42	7.20	8.04
iBoxx ABF <sup>3</sup>	0.08	7.38	7.22	7.79	7.59	9.05

#### Calendar Year Performance (%)<sup>1</sup>

Fund	YTD	2013	2012	2011	2010	2009
Fund	1.38	7.25	7.39	5.81	11.26	7.45
iBoxx ABF <sup>3</sup>	1.51	7.32	7.93	6.31	11.75	8.49

### Key Figures and Statistics

Net Asset Value per Unit (NAVPU)	PHP	203.39
Total Fund NAV (Mn)	PHP	6,210.19
Average Daily NAV for the Quarter (Mn) <sup>4</sup>	PHP	6,199.84
Portfolio Weighted Yield to Maturity	% <sub>net</sub> <sup>5</sup>	3.53
Current Number of Holdings		54

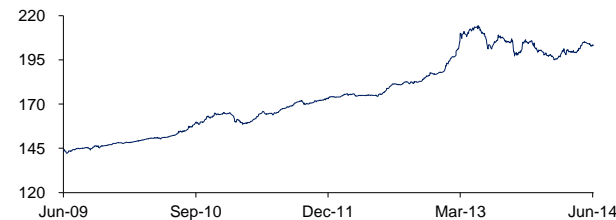
#### Statistics (Past 5 Years)

	Fund	Index
Annualized Return (% <sub>net</sub> )	7.20	7.59
Annualized Volatility (%)	4.10	4.05
Duration (years)	7.31	7.38
Tracking Error (36-Month Rolling, %) <sup>6</sup>	0.19	
Tracking Error (from June 2012, %) <sup>6</sup>	0.20	

#### General Information

Launch Date	April 21, 2006
Fund Structure	Unit Investment Trust Fund
Fund Classification	Index Tracker Bond Fund
Fund Currency	Philippine Peso
Minimum Initial Investment	PHP 10,000.00
Minimum Transaction	PHP 1,000.00
Minimum Holding Period	None
Days to Settlement (Contribution)	Day 2 End-of-Day
Days to Settlement (Redemption)	Day 2 5:00 PM
Trust Fee <sup>7</sup>	0.08% per annum / 0.02% per quarter
Management Fee	0.252% per annum
License Fee	0.01% per annum
External Audit Fee <sup>8</sup>	0.007%
Valuation Methodology	Marked-to-Market
Fund Manager	Bank of the Philippine Islands
External Auditor	Isla Lipana & Co.
Available Through	BPI Branches and <a href="http://www.bpiexpressonline.com">www.bpiexpressonline.com</a>
Trustee and Third-Party Custodian	HSBC, Ltd. (Philippines)
Dealing Cut-Off	12:00 PM

### NAVPU Graph



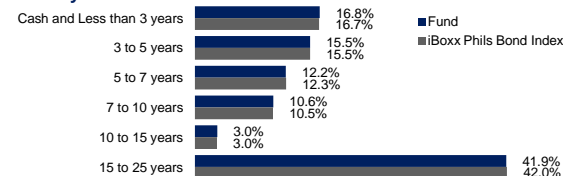
### Allocation

Portfolio Allocation: Fixed Income 98.58% and Cash and Receivables 1.42%

### Top Holdings

Name	Yield (%) <sup>9</sup>	Maturity	% of Fund
Fixed Rate Treasury Notes	3.71	7/19/2031	13.90
Fixed Rate Treasury Notes	4.20	12/16/2035	8.90
Fixed Rate Treasury Notes	3.63	5/27/2030	5.01
Fixed Rate Treasury Notes	1.79	1/27/2016	4.97
Fixed Rate Treasury Notes	2.80	11/22/2019	4.67
Fixed Rate Treasury Notes	2.46	8/18/2018	4.15
Fixed Rate Treasury Notes	2.60	2/19/2019	3.53
Fixed Rate Treasury Notes	2.39	5/23/2018	3.14
Fixed Rate Treasury Notes	3.08	12/6/2022	3.10
Fixed Rate Treasury Notes	2.07	3/31/2017	3.03

### Maturity Profile



Any prospective investment shall be limited to the type of investments described in the Declaration of Trust for the Fund. The Declaration of Trust is available upon request.

### Risk Disclosure

The Fund is suitable for investors with at least a moderately aggressive risk profile. An index tracker bond fund is suitable for investors who take medium- to long-term views and want exposure to Philippine bonds. Prior to investment in the Fund, the investor shall undergo a client suitability assessment procedure to determine whether the Fund is appropriate for him considering his investment objective, risk tolerance, preferences and experience. As a marked-to-market UITF, the Fund's yield, net asset value, and total return may fluctuate as a result of interest rate movements and changes in the credit quality of the investments. On redemption of units, an investor may receive an amount less than the original amount of the investment. Liquidity risk also needs to be taken into account.

<sup>1</sup>Returns are net of fees. Past performance is not an indication of future returns.

<sup>2</sup>Since inception as an Investment Management Arrangement (IMA) on April 26, 2005

<sup>3</sup>The fund tracks the iBoxx ABF Philippines Index (1 April 2006 to 31 December 2009, 1 June 2012 to present) and iBoxx ABF Philippines 1-10 years index (1 January 2010 to 31 May 2012).

<sup>4</sup>Average daily NAV for the past 3 months

<sup>5</sup>Net of management fee and taxes

<sup>6</sup>Tracking error is the measure of deviation between the Fund's return and benchmark returns. It is computed as the annualized standard deviation of monthly returns as against the benchmark over three year periods. A lower number means the Fund's return is closely aligned with the benchmark.

<sup>7</sup>Trust fee as a percentage of average daily NAV for the quarter

<sup>8</sup>External Audit fee as a percentage of 2012 end-year NAV

<sup>9</sup>Net of Tax

### Manager's Report

**Market Review.** Local bond rates experienced mixed movements with the short-end of the curve decreasing by 13 basis points and with the medium and long-end of the curve 5 and 28 basis points higher, respectively.

The Bangko Sentral ng Pilipinas unexpectedly raised the rate it pays on its special deposit accounts by 25 basis points to 2.25% for all tenors, while maintaining its policy rate at 3.5%. Reserve requirement ratios for banks were also held after two adjustments in the last two policy meetings.

The BSP also adjusted upward its inflation target for this year to 4.4% from 4.3% previously as inflation nears the high end of this year's 3-5% target. Inflation came in at 4.4% in June after it hit 4.5% in May, which was the highest since November 2011.

Meanwhile, money supply growth eased for the fifth straight month to 28.4% in May. The budget returned to a Pph8,512 billion surplus as the government's spending program continued to fall behind schedule. In May alone, the government posted a Pph11.782-billion surplus.

The Bureau of the Treasury retained its Pph135 billion quarterly program, though longer tenor bonds will be auctioned off in the next three months. It will offer Pph75 billion worth of 7-, 10- and 20-year bonds.

**Fund Performance.** The Fund continued to track the returns and duration of the iBoxx ABF Philippines in June. The Fund declined -0.76% for the month, slightly more than its benchmark index.

**Fund Strategy.** The iBoxx index will see the inclusion of the reissued FXTN 7-56 this month accounting for roughly 0.7% of the fund. The Fund will rebalance to reflect any changes to continue to closely track the duration of its benchmark.