



PHILIPPINE DOLLAR BOND INDEX FUND

May 31, 2009

BPI ASSET MANAGEMENT is backed by years of leadership in trust and investment management, with over PHP380 Billion in total assets under management.

Investment Objective

To achieve investment returns that track the total return of the JPMorgan Asia Credit Index Philippines through investments in a diversified portfolio of US dollar denominated fixed income instruments issued by the Philippine government, corporations and financial institutions.

Fund Performance

Absolute Returns	Fund	JACI Phils Total Return
Year-to-date	10.75%	13.90%
2008	-2.70%	-5.43%
2007	7.20%	7.59%
Since Inception	15.52%	15.90%

Returns are net of fees. Past Performance is not an indication of future returns.

Fund Facts

Launch Date	December 31, 2006
Structure	Unit Investment Trust Fund
Fund Type	Index Tracker Bond Fund
Benchmark	JPMorgan Asia Credit Philippines Total Return
Base Currency	US Dollar
Net Asset Value	USD 5.90 Million
NAV Per Unit (NAVpu)	USD 115.52
Par Value	USD 100.00
Minimum Investment	USD 1,000.00
Minimum Additional	USD 200.00
Minimum Holding Period	90 days
Early Redemption Fee	0.25%
Management Fee	0.25% p.a.
Valuation Methodology	Mark-to-Market
Trustee and Fund Manager	Bank of the Philippine Islands
Available Thru	Bank of the Philippine Islands Branches
Custodians	HSBC Bank of New York
Dealing	Daily up to 12 noon

Risk Characteristics

Risk Measures

	Fund	JACI Phils Total Return
Duration	6.30	6.79
Volatility, Past 360 Days	15.09%	15.93%

Duration measures the sensitivity of NAVpu to interest rate movements. As interest rates rise, bond prices fall. The higher the duration, the more NAVpu will fluctuate in relation to changes in interest rates. Volatility measures the fluctuations in NAVpu. The higher the number, the higher the potential gain or loss.

Risk Disclosure

An index tracker bond fund is suitable for investors who take medium- to long term views and want exposure to Philippine bonds. As a marked-to-market UITF, the Fund's yield, net asset value, and total return may fall as well as rise as a result of interest rate movements and the changes in 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.

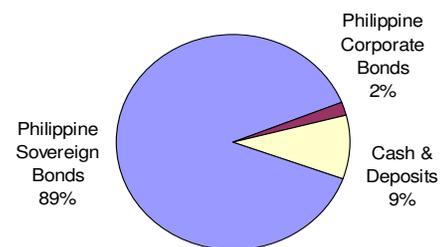
Fund Manager's Report

Philippine dollar-denominated bonds closed firmer in May, given positive momentum in global equities and investors focusing on emerging signs of economic recovery. Despite volatilities during the month, ROP prices managed to increase by an average of 3% month-on-month, with yields lower across all tenors by an average of 40bps. In terms of spreads to US treasuries, ROP spreads tightened by 80bps on the average. Favorable sentiment was likewise reflected in the tightening of ROP credit default swap levels. Five year ROP CDS narrowed 66bps to 228 month-on-month. Amid improving credit market conditions, PSALM (Power Sector Assets & Liabilities Management) Corp. successfully issued \$1Billion 10-year notes guaranteed by the Republic of the Philippines at a yield of 7.375% or 412bps premium over benchmark US Treasury. There was ample demand for the said issue which was almost 6 times oversubscribed showing strong investor interest in higher-yielding issues despite global market volatilities. On the other hand, medium to long tenor US Treasury yields rose by an average of 30bps. The US yield curve steepened on concerns about heavy treasury supply in order to finance a widening budget deficit, bank bailouts and fiscal recovery packages. Against this backdrop, the Fund continued to closely track the returns and duration of the index in May. Moving forward, we expect volatility to persist given lingering market uncertainties as well as supply risks. Investors of the Fund are advised to pursue a long-term investment horizon.

Net Asset Value Per Unit



Portfolio Composition



Average Credit Rating: B1 (Moody's) / BB- (S&P)

Top 10 Holdings

Security	Yield	Maturity	% of Fund
Republic of the Philippines Bonds	8.375%	01/14/2031	10.3%
Republic of the Philippines Bonds	9.500%	02/02/2030	10.2%
Republic of the Philippines Bonds	10.625%	03/16/2025	10.0%
Republic of the Philippines Bonds	8.250%	01/15/2014	7.4%
Republic of the Philippines Bonds	8.375%	06/17/2019	7.1%
Republic of the Philippines Bonds	8.375%	02/15/2011	6.6%
BPI Certificate of Deposit		06/29/2009	6.2%
Republic of the Philippines Bonds	8.000%	01/15/2016	5.9%
Republic of the Philippines Bonds	8.375%	01/15/2032	5.6%
Republic of the Philippines Bonds	8.375%	01/15/2019	4.9%

Any prospective investment shall be limited to the type of investments described in the Declaration of Trust for the Fund.

Philippine Dollar Bond Index Fund is a Unit Investment Trust Fund (UITF) and not a bank deposit product. It is not guaranteed by BPI nor by the Philippine Deposit Insurance Corporation (PDIC). As such, units of participation of the investor in the UITF, when redeemed, may be worth more or worth less than his/her initial investment/contributions. Due to the nature of the investments, yield and potential yields cannot be guaranteed. Any income or loss arising from market fluctuations and price volatility of the securities held by the UITF, even if invested in government securities, is for the account of the investor. Historical performance, when presented, is purely for reference purposes and is not a guarantee of future results. The Trustee is not liable for losses, unless upon willful default, bad faith or gross negligence. For the purpose of lodging, clearing, settlement, and delivery of securities in the Fund, the Trustee is authorized to avail of the services of third party institutions such as but not limited to custodians which the Trustee may change or replace without prior notice to or approval from the investors. The Trustee will not be responsible for any loss or damage suffered by the Fund as a result of the third parties' willful default, gross negligence, or evident bad faith. Investors are advised to read the Declaration of Trust for the Fund, which may be obtained from the office of the Trustee, before deciding to invest. For inquiries, please call: (632) 845-5080, (632) 845-5087 or (632) 816-9053, email bpi_trust@bpi.com.ph or visit www.bpiexpressonline.com.