

Philippine Dollar Bond Index Fund

August 31, 2010

BPI ASSET MANAGEMENT is backed by years of leadership in trust and investment management, with over PHP495 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 Index |
|------------------------|---------------|-------------------------------|
| Year-to-date | 16.65% | 16.52% |
| 2009 | 20.41% | 24.38% |
| 2008 | -2.70% | -5.43% |
| 2007 | 7.20% | 7.59% |
| Since Inception | 46.51% | 47.48% |

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

Fund Manager's Report

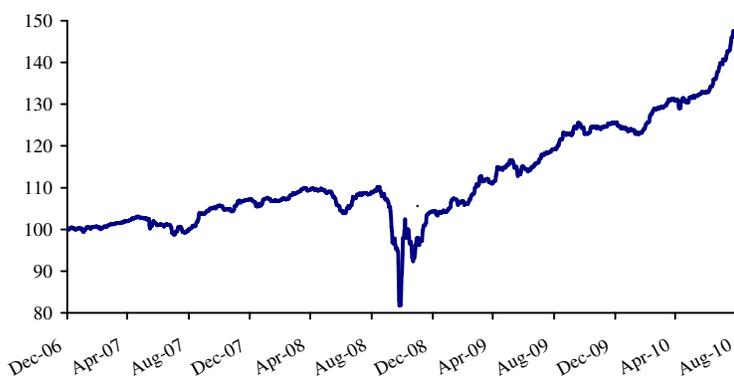
Philippine USD-denominated ROP bonds continued to rally as prices rose by an average of 3.88%, while bond yields declined by 44 basis points on average for the month of August. This came on the back of positive news that the Philippine economy grew by 7.9% year-on-year in 2Q2010, while GDP growth figure for the previous quarter was revised upwards from 7.3% to 7.8%.

Other economic news that propped up investor sentiment included July inflation tallying at 3.9%, below the 4.1% figure expected by market players, and the Bureau of the Treasury's successful auction for peso-denominated Retail Treasury Bonds, which allowed the government to raise PHP97.50Bn for its coffers.

The five-year ROP CDS spreads widened by 17 points though, settling at the 162 level by the end of August.

Against this backdrop, the Fund continued to track the JPMorgan Asia Credit Total Return Index. Investors of the Fund are advised to pursue a long-term investment horizon.

Net Asset Value Per Unit

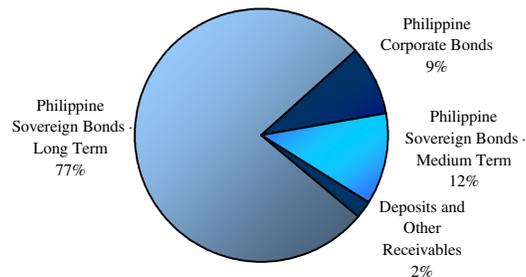


Net Asset Value, end-of-period **USD 14.69 Million**
 NAV Per Unit (NAVpu) **USD 146.51**
 Par Value **USD 100.00**

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.

Portfolio Composition



Average Credit Rating: Ba3 (Moody's) / BB- (S&P)

Top 10 Holdings

| Security | Weight | Yield | Maturity | % of Fund |
|-----------------------------------|---------|------------|----------|-----------|
| Republic of the Philippines Bonds | 10.625% | 03/16/2025 | 10.5 | |
| Republic of the Philippines Bonds | 7.750% | 01/14/2031 | 9.6 | |
| Republic of the Philippines Bonds | 9.500% | 02/02/2030 | 8.7 | |
| Republic of the Philippines Bonds | 6.375% | 10/23/2034 | 8.1 | |
| Republic of the Philippines Bonds | 8.375% | 06/17/2019 | 5.7 | |
| Republic of the Philippines Bonds | 8.250% | 01/15/2014 | 5.3 | |
| Republic of the Philippines Bonds | 6.375% | 01/15/2032 | 5.2 | |
| Republic of the Philippines Bonds | 9.875% | 01/15/2019 | 4.7 | |
| Republic of the Philippines Bonds | 9.500% | 10/21/2024 | 4.7 | |
| Republic of the Philippines Bonds | 6.500% | 01/20/2020 | 4.7 | |

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

Risk Characteristics

| Risk Measures | Fund | JACI Phils Total Return Index |
|---------------------------|-------|-------------------------------|
| Duration | 7.89 | 7.90 |
| Volatility, Past 360 Days | 8.17% | 4.17% |

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.

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 Index |
| Client Suitability | The fund is suitable for investors with an aggressive risk profile |
| Base Currency | US Dollar |
| Minimum Initial Investment | USD 1,000.00 |
| Minimum Transaction ¹ | USD 200.00 |
| Minimum Holding Period | 90 calendar days |
| Early Redemption Fee | 0.25% |
| Trust Fees | 0.25% per annum 0.06% per quarter ² |
| Custodianship Fees ³ | 0.002% |
| External Audit Fees ⁴ | 0.01% |
| 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 |
| External Auditor | Isla Lipana & Co. |
| Dealing | Daily up to 12 noon |
| Bloomberg Ticker | BPIDBIX PM |

¹Contribution rounded down/ redemption rounded off to the nearest whole unit.

²Trust fees paid for the quarter as a percentage of average daily NAV for the quarter.

³Custodianship fees billed for the quarter as a percentage of average daily NAV for the quarter.

⁴External Audit fees as a percentage of end year 2008 NAV

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.