

BPI Asset Management and Trust Group  
**PHILIPPINE DOLLAR BOND  
 INDEX FUND**

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**KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT**

**FUND FACTS**

<b>Classification:</b> Index Tracker Bond Fund	<b>Net Asset Value Per Unit (NAVPU):</b> USD195.37	<b>Fund Currency:</b> US Dollar
<b>Launch Date:</b> December 31, 2006	<b>Total Fund NAV (Mn):</b> USD28.67	<b>Benchmark:</b> JP Morgan Asia Credit Philippines Total Return Index, before fees and taxes
<b>Minimum Investment:</b> USD500.00	<b>Dealing Day:</b> Daily up to 12:00 PM	
<b>Additional Investment:</b> USD200.00	<b>Redemption Settlement:</b> Day 1 End-of-Day	
<b>Minimum Holding Period:</b> None	<b>Early Redemption Charge:</b> None	

**FEEES**

<b>Trust Fee:</b> 0.25%	<b>Custodianship Fee:</b> 0.0055%	<b>External Audit Fee:</b> 0.0021%
<b>Trustee:</b> BPI	<b>Custodian:</b> HSBC	<b>External Auditor:</b> Isla Lipana
<b>Computation:</b> % of average daily NAV	<b>Computation:</b> Billings received in 2014 divided by average daily NAV	<b>Computation:</b> Billings received in 2014 divided by average daily NAV

**INVESTMENT OBJECTIVE AND STRATEGY**

The Fund aims to achieve investment returns that closely track the total return of a U.S. dollar-denominated index, the JP Morgan Asia Credit Philippines Total Return Index, before fees and taxes, by investing in a diversified portfolio of Philippine sovereign and corporate fixed income instruments.

**CLIENT SUITABILITY**

A client profiling process should be performed prior to participating in the Fund to guide the prospective investor if the Fund is suited to his/her investment objectives and risk tolerance. Clients are advised to read the Declaration of Trust/Plan Rules of the Fund, which may be obtained from the Trustee, before deciding to invest. The Fund is for investors who:

- Are at least classified as aggressive based on their risk profile
- Take medium- to long-term views, which means having an investment horizon of more than seven (7) years

There is risk that the value of your investment, upon redemption may be worth less than the amount of your original contribution.

**KEY RISKS AND RISK MANAGEMENT**

You should not invest in this Fund if you do not understand or are not comfortable with the accompanying risks. Some of the key risks associated with this Fund are listed below:

<b>Interest Rate Risk:</b>	Possibility to experience losses due to changes in interest rates.
<b>Liquidity Risk:</b>	Possibility to experience losses due to the fund's inability to convert assets into cash immediately or in instances where conversion to cash is possible but at a highly disadvantageous price.
<b>Credit/Default Risk:</b>	Possibility to experience losses due to a borrower's failure to pay principal and/or interest in a timely manner on instruments such as bonds, loans, or other forms of debt security.
<b>Related Party Risk:</b>	Risk of any actual or potential conflicts of interest in handling of related party transactions.
<b>Foreign Exchange Risk:</b>	Possibility to experience losses due to fluctuations in foreign exchange rates.
<b>Country Risk:</b>	Possibility to experience losses arising from investments in securities issued by/in foreign countries due to the political, economic and social structures of such countries.
<b>Tracking Error Risk:</b>	The risk of the portfolio not matching or not achieving a high degree of correlation with the return of an index because of operating and other fund-management related expenses.

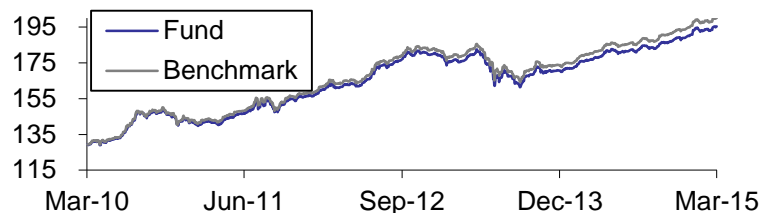
The Fund's investment outlets undergo proper screening and evaluation in accordance with the Trustee's accreditation process and minimum regulatory requirements. Regulatory exposure limits and asset allocation ranges as provided in the Fund's Plan Rules are strictly adhered to and monitored on a regular basis. In accordance with the provisions in the Declaration of Trust, the Fund employs a risk management policy based on duration. The Fund may also use financial derivatives to hedge the portfolio against market and credit risks.

- THE UIT FUND IS NOT A DEPOSIT AND IS NOT INSURED BY THE PHILIPPINE DEPOSIT INSURANCE CORP. (PDIC).
- RETURNS CANNOT BE GUARANTEED AND HISTORICAL NAVPU IS FOR ILLUSTRATION OF NAVPU MOVEMENTS/FLUCTUATIONS ONLY.
- WHEN REDEEMING, THE PROCEEDS MAY BE WORTH LESS THAN THE ORIGINAL INVESTMENT AND ANY LOSSES WILL BE SOLELY FOR THE ACCOUNT OF THE CLIENT.
- THE TRUSTEE IS NOT LIABLE FOR ANY LOSS UNLESS UPON WILLFUL DEFAULT, BAD FAITH OR GROSS NEGLIGENCE.

## FUND PERFORMANCE AND STATISTICS

Historical performance, when presented, is purely for reference purposes and is not a guarantee of future results.

### NAVPU GRAPH



### CUMULATIVE PERFORMANCE (%) <sup>1</sup>

	1 mo	3 mos	6 mos	1 YR	3 YRS	S.I. <sup>2</sup>
<b>Fund</b>	<b>0.84</b>	<b>3.35</b>	<b>6.84</b>	<b>10.37</b>	<b>21.32</b>	<b>95.37</b>
JACI Phil.	0.79	3.31	7.11	10.96	22.54	101.17

### ANNUALIZED PERFORMANCE (%) <sup>1</sup>

	1 YR	2 YRS	3 YRS	4 YRS	5 YRS	S.I. <sup>2</sup>
<b>Fund</b>	<b>10.37</b>	<b>5.31</b>	<b>6.65</b>	<b>8.39</b>	<b>8.60</b>	<b>8.45</b>
JACI Phil.	10.96	5.71	7.01	8.80	9.10	8.84

### CALENDAR YEAR PERFORMANCE (%) <sup>1</sup>

	YTD	2014	2013	2012	2011	2010
<b>Fund</b>	<b>3.35</b>	<b>10.75</b>	<b>-5.23</b>	<b>15.09</b>	<b>9.91</b>	<b>13.40</b>
JACI Phil.	3.31	11.47	-5.10	15.79	10.44	13.78

### STATISTICS

12 Month NAVPU (Low/High)	176.22/195.47
Weighted Average Duration (Years)	7.45
Volatility, Past 5 Years (%) <sup>3</sup>	4.92
Portfolio Weighted Yield to Maturity (%)	3.36
Current Number of Holdings	50
Tracking Error (3-Yr) <sup>4</sup>	1.05
Average Credit Rating	Baa2/BBB

### PORTFOLIO COMPOSITION

Allocation	% of Fund
Government	65.64
Corporates	31.47
Cash and Other Receivables	2.89
Maturity Profile	
Cash and less than 1 year	2.89
Between 1 and 3 years	9.49
Between 3 and 5 years	18.72
Between 5 and 7 years	7.63
Between 7 and 10 years	21.64
More than 10 years	39.63

### TOP HOLDINGS

Name	Maturity	% of Fund
Republic of the Philippines Bonds	10/23/2034	9.03%
Republic of the Philippines Bonds	1/14/2031	7.02%
Republic of the Philippines Bonds	2/2/2030	6.84%
Republic of the Philippines Bonds	3/16/2025	5.56%
Republic of the Philippines Bonds	1/20/2040	4.81%
Republic of the Philippines Bonds	1/15/2021	4.50%
Republic of the Philippines Bonds	1/13/2037	4.42%
Republic of the Philippines Bonds	1/21/2024	4.11%
Republic of the Philippines Bonds	1/15/2032	4.10%
Republic of the Philippines Bonds	6/17/2019	3.46%

### OUTLOOK AND STRATEGY

**Market Review.** The JP Morgan Chase Asia Total Return Philippine Bond Index gained 2.18% in March as US Treasuries swung from a high of 2.24% at the early part of the month thereafter dropping by 31 basis points to 1.93% by the end of March. Sentiments were bolstered by the unexpected tone of policy makers coming from the FOMC Meeting last March 19 as they emphasized data dependence and toned-down their outlook on US economic growth. Philippine Sovereign bonds showed positive returns for the month as expectations of a Fed rate hike were moved further back following the FOMC Meeting.

The European Central Bank along with the other central banks in the Eurozone started their bond purchasing program in an effort to stimulate the Eurozone's economy. They plan to purchase EUR 60 Bln of debt securities per month hoping to follow the quantitative-easing program undertaken by the US Federal Reserve in the past.

The Bangko Sentral ng Pilipinas maintained its neutral stance during its meeting last March 26, keeping policy rates, reserve requirement ratio and special deposit rates unchanged for the fourth straight meeting. It further adjusted its inflation forecasts for this year to 2.2% from 2.3% while keeping their estimate of 2.5% for 2016.

Inflation inched up in February to 2.5%, meeting investors' expectations. On the other hand, the budget deficit for 2014 was reported at Php 73.1Bn compared to Php 164.1Bn in 2013. This has been the smallest budget deficit since 2007. Money supply grew by 8.5% in February bringing it to P7.53 trillion, slightly moving faster than January's 7.7% pace.

**Fund Performance.** Against this backdrop, the fund rose by 0.84% in March.

**Fund Strategy.** The Fund will continue to closely track the JPMorgan Asia Credit Total Return Index.

<sup>1</sup>Returns are net of fees.

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

<sup>3</sup>Measures the degree to which the Fund fluctuates vis-à-vis its average return over a period of time.

<sup>4</sup>Measure of deviation between the Fund's return and benchmark returns. A lower number means the Fund's return is closely aligned with the benchmark.

\*Declaration of Trust is available upon request through branch of account.

## RELATED PARTY TRANSACTIONS\*

The Fund has transactions and outstanding investments including deposit, investments in the share/s of stock, and/or debt issuances of the following companies related to the Bank of the Philippine Islands:

Bank of the Philippine Islands, International Container Terminal Services, Inc., Philippine Long Distance Telephone Co., and Petron Corporation, First Gen Corporation

Investments in the said outlets were approved by the Trust Committee. Likewise, all related party transactions are conducted on an arm's length and best execution basis and within established limits.

\*Related Party in accordance with BPI's internal policy.

## LIST OF PROSPECTIVE INVESTMENTS

The following are among the Fund's approved investment outlets, wherein the Trustee intends to invest depending on strategy, availability, or other market-driven circumstances:

- (a) Primarily long term tradable fixed-income instruments issued or guaranteed by the Philippine government or the BSP; tradable fixed-income instruments issued by financial institutions or private corporations; exchange-listed securities; marketable instruments that are traded in an organized exchange; loans traded in an organized market; and, such other tradable investment outlets/ categories as the BSP may allow.
- (b) Tradable fixed-income securities issued, underwritten, or otherwise dealt by BPI and/or any of its subsidiaries, affiliates, their successors-in-interest or assignees, their directors, officers, stockholders, and related interest, and any of their trust and fund managed accounts, under such terms and conditions as the Trustee may deem to be in the best interest of the Fund
- (c) The principal investments of the Fund will be in fixed-income instruments denominated in, but are not limited to, the following major currencies: U.S. Dollar, Euro, British Pound, Canadian Dollar, Australian Dollar, Swiss Franc, Danish Kroner, and Japanese Yen.
- (d) Bank deposits and such other investments allowed under regulations issued by the BSP.