

## Philippine Dollar 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 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.

### Figures as of 04/30/2012

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

	1 mo	1YR	3YRS	5 YRS	S.I. <sup>3</sup>
Fund	0.95	13.90	46.29	59.41	62.60
Benchmark <sup>2</sup>	0.89	13.83	48.41	62.19	65.64

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

	1YR	2YRS	3YRS	4YRS	5YRS	S.I. <sup>3</sup>
Fund	13.90	11.39	13.52	10.38	9.78	9.54
Benchmark <sup>2</sup>	13.83	11.85	14.07	10.77	10.16	9.92

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

	YTD	2011	2010	2009	2008	2007
Fund	3.87	9.97	13.34	20.41	-2.70	7.20
Benchmark <sup>2</sup>	4.14	10.47	13.76	24.38	-5.43	7.59

<sup>1</sup>Returns are net of fees. Past performance is not an indication of future returns.  
<sup>2</sup>The Benchmark of the fund is the JP Morgan Asia Credit Philippines Total Return Index.  
<sup>3</sup>Since inception.

### Key Figures and Statistics

Net Asset Value per Unit (NAVPU)	USD	162.60
Total Fund NAV (Min)	USD	17.13
Par Value	USD	100.00
Portfolio Weighted Yield to Maturity	% , net	3.94
Current Number of Holdings		32
Tracking Error (1-Yr) <sup>4</sup>		2.16%

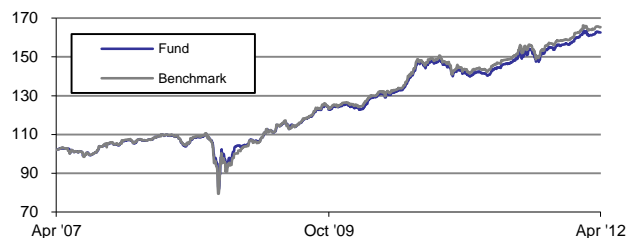
#### Statistics (Past 5 Years)

	Fund	Benchmark
Annualized Return (net)	9.78	10.16
Annualized Volatility (%)	7.46	7.93
Duration (years)	8.07	8.14

#### General Information

Launch Date	December 31, 2006	
Fund Structure	Unit Investment Trust Fund	
Fund Classification	Index Tracker Bond Fund	
Fund Currency	US Dollar	
Minimum Initial Investment <sup>5</sup>	USD	500.00
Minimum Transaction <sup>5</sup>	USD	200.00
Minimum Holding Period	90 calendar days	
Early Redemption Fee	0.25%	
Trust Fee	0.25% per annum / 0.06% per quarter <sup>6</sup>	
Custodianship Fees <sup>6</sup>	0.001%	
External Audit Fees <sup>7</sup>	0.017%	
Special Expense <sup>8</sup>	PHP 2,000.00 per annum	
Valuation Methodology	Marked-to-Market	
Trustee and Fund Manager	Bank of the Philippine Islands	
External Auditor	Isla Lipana & Co.	
Receiving Banks	BPI Branches	
Third-Party Custodian	HSBC, Ltd. (Philippines)	
Dealing Cut-Off	12:00 PM	

### NAVPU Graph



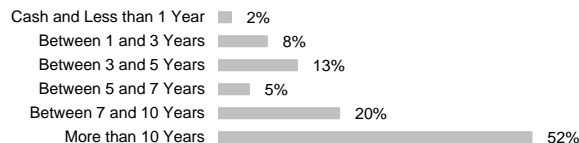
### Allocation

Portfolio Composition Government 80.6%, Corporates 17.4%, Deposits and Other Receivables 2.0%

### Top Ten Holdings

Name	Yield (%)	Maturity	% of Fund
Republic of the Philippines Bonds 6.375%	4.66	10/23/2034	8.85%
Republic of the Philippines Bonds 7.750%	4.61	1/14/2031	8.32%
Republic of the Philippines Bonds 9.500%	4.60	2/2/2030	7.89%
Republic of the Philippines Bonds 10.625%	4.28	3/16/2025	6.40%
Republic of the Philippines Bonds 4.000%	3.28	1/15/2021	5.54%
Republic of the Philippines Bonds 6.500%	3.27	1/20/2020	4.62%
Republic of the Philippines Bonds 6.375%	4.64	1/15/2032	4.46%
Republic of the Philippines Bonds 9.375%	2.63	1/18/2017	4.35%
Republic of the Philippines Bonds 5.500%	4.11	3/30/2026	4.35%
Republic of the Philippines Bonds 5.000%	4.66	1/13/2037	4.29%

### Maturity Profile



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

### Average Credit Rating: Ba2 (Moody's) / BB (S&P)

### Risk Disclosure

The Fund is suitable for investors with an 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. 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.

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

<sup>5</sup> Contribution rounded down/ redemption rounded off to the nearest whole unit.

<sup>6</sup> Trust fees/management fees/custodianship fees as a percentage of average daily NAV for the quarter.

<sup>7</sup> External Audit fees as a percentage of end-year NAV.

<sup>8</sup> For publication expense.

### Manager's Report

**Monthly Commentary.** Philippine dollar-denominated bond prices increased by close to half a percent on average in April. Longer-dated bonds posted the most gains, with the price of the 25-year ROP 2037 rising by as much as 0.8% month-on-month. Prospectively, we expect ROP prices to remain well-supported given the lack of new supply and on investors' willingness to take on more Philippine risk as the country's fiscal consolidation measures start to take effect. This comes even as the government reported a deficit of PHP34Bn in 1Q12, way below the deficit target of PHP83Bn.

US Treasury prices also rallied as yields declined by 13 basis points on average. The Federal Reserve met on April 25 and, as widely expected, kept policy rates on hold and reiterated its stance to keep interest rates low until 2014.

A flight-to-safety atmosphere prevailed once again, causing investors to seek safe-haven debt, amid resurgent concerns over Europe. The spotlight turned to Spain during the month after the new government announced that they could not meet the austerity measures that the previous administration had agreed to. The country also officially entered into recession after the economy reportedly shrank by 0.3% in the first three months of 2012, matching the quarter-on-quarter decline reported in 4Q2011. In addition, nearly a quarter of Spaniards can't find jobs, pushing the unemployment rate to 24.4%. To make matters worse, Standard & Poor's downgraded Spain's credit rating by 2 notches from A to BBB+.

**Fund Performance.** Against this backdrop, the Fund returned 0.95% for the month and 3.87% year-to-date. The Fund continues to track the JPMorgan Asia Credit Total Return index.

