

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 08/31/2011

Cumulative Performance (%)¹

	1 mo	1YR	3YRS	4YRS
Fund	1.29	4.53	40.55	53.11
Benchmark ²	1.34	5.66	42.43	55.42

Annualized Performance (%)¹

	1YR	2YRS	3YRS	4YRS
Fund	4.53	13.32	12.01	11.24
Benchmark ²	5.66	14.12	12.51	11.66

Calendar Year Performance (%)¹

	YTD	2010	2009	2008	2007
Fund	7.58	13.34	20.41	-2.70	7.20
Benchmark ²	8.23	13.76	24.38	-5.43	7.59

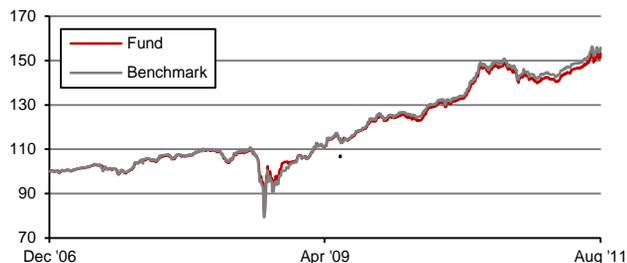
¹Returns are net of fees. Past performance is not an indication of future returns.

²The Benchmark of the fund is the JP Morgan Asia Credit Philippines Total Return Index.

Key Figures and Statistics

Net Asset Value per Unit (NAVPU)	USD	153.14
Total Fund NAV (Min)	USD	13.89
Par Value	USD	100.00
Portfolio Weighted Yield to Maturity	% , net	4.36
Risk Characteristics	Fund	Benchmark
Duration (years) ³	8.06	7.88
Volatility ⁴	4.69%	4.52%
Tracking Error ⁵	3.66%	
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 ⁶	USD	500.00
Minimum Transaction ⁶	USD	200.00
Minimum Holding Period	90 calendar days	
Early Redemption Fee	0.25%	
Trust Fee	0.25% per annum / 0.06% per quarter ⁷	
Custodianship Fees ⁸	0.004%	
External Audit Fees ⁹	0.002%	
Special Expense ¹⁰	PHP 2,000.00 per annum	
Valuation Methodology	Marked-to-Market	
Trustee and Fund Manager	Bank of the Philippine Islands	
Available Through	BPI Branches	
Third-Party Custodian	HSBC, Ltd. (Philippines)	
External Auditor	Isla Lipana & Co.	
Dealing	Daily up to 12 noon	

NAVPU Graph



Allocation

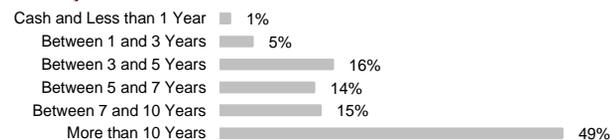
Portfolio Composition Government 79.7%, Corporates 18.8%, Deposits and Other Receivables 1.5%

Top Ten Holdings

Name	Maturity	% of Fund
Republic of the Philippines Bonds 6.375%	10/23/2034	8.90%
Republic of the Philippines Bonds 7.750%	01/14/2031	8.63%
Republic of the Philippines Bonds 9.500%	02/02/2030	7.71%
Republic of the Philippines Bonds 10.625%	03/16/2025	6.85%
Republic of the Philippines Bonds 6.500%	01/20/2020	6.00%
Republic of the Philippines Bonds 4.000%	01/15/2021	5.50%
Republic of the Philippines Bonds 9.375%	01/18/2017	5.16%
Republic of the Philippines Bonds 6.375%	01/15/2032	4.63%
PSALM Corporate Bonds 4.800%	12/02/2024	4.40%
PSALM Corporate Bonds 7.250%	05/27/2019	4.33%

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

Maturity Profile



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.

³Duration 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.

⁴Volatility measures the fluctuations in NAVPU. The higher the number, the higher the potential gain or loss.

⁵Tracking 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.

⁶Contribution rounded down/ redemption rounded off to the nearest whole unit.

⁷Trust fees paid for the quarter as a percentage of average daily NAV for the quarter.

⁸Custodianship fees billed for the quarter as a percentage of average daily NAV for the quarter.

⁹External Audit fees as a percentage of end-year 2009 NAV.

¹⁰For publication expense.

Manager's Report

Monthly Commentary. Philippine dollar-denominated bond prices rallied by half a percent on average in August, primarily due to price increases in 10-year and other longer-tenor bond issues. Yields though, were practically unchanged as the increase in short-term rates was offset by the decline in yields at the long end of the curve. The government reported a budget deficit of PHP26.5 Bn for July, bringing the year-to-date total to PHP43.7 Bn, still a long way off from the PHP300.0 Bn full-year target. The market took this as a positive, reflecting the administration's resolve to accelerate spending to spur economic growth. The economy was reported to have cooled down in the second quarter, expanding by only 3.4% year-on-year, following a downward revision of the 1Q2011 figure from 4.9% to 4.6%. A benign inflationary environment is in the offing as the headline inflation for August was reported at 4.7% (using 2006 base year prices), slower than the 5.1% inflation figure reported for July.

Risk aversion prevailed once again especially following the release of the US employment report, which showed the unemployment rate unchanged at 9.1% in August amid zero jobs growth. Concerns over a possible economic slowdown gained traction when the US economy was reported to have grown by only 1.0% (annualized) in the second quarter. Speculation for a weaker economy supported a rally in US Treasuries. Interest rates dropped across all benchmark tenors, with the biggest decline occurring at the long end of the yield curve. The 10-year US Treasury Note dropped to an all-time low of 1.906% before recovering to the 2.0% level. The same sentiment caused investors to become wary of perceived risk assets, including emerging market debt, as reflected by the 30-point widening in 5-year Philippine credit default swap (CDS) spreads from 134 to 164.

Fund Performance. Against this backdrop, the Fund returned 7.58% year-to-date. The Fund continues to track the JPMorgan Asia Credit Total Return Index.

Strategy. The Fund will continue to track the returns and duration of its benchmark. Investors are advised to pursue a long-term investment horizon.



BPI Asset Management