

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 08/31/2012

Cumulative Performance (%)¹

	1 mo	1YR	3YRS	5 YRS	S.I. ³
Fund	0.40	13.66	46.01	74.03	74.06
Benchmark ²	0.42	13.86	48.25	76.97	77.43

Annualized Performance (%)¹

	1YR	2YRS	3YRS	4YRS	5YRS	S.I. ³
Fund	13.66	9.00	13.45	12.48	11.72	10.27
Benchmark ²	13.86	9.68	14.02	12.85	12.09	10.64

Calendar Year Performance (%)¹

	YTD	2011	2010	2009	2008	2007
Fund	11.23	9.91	13.40	20.71	-2.95	7.23
Benchmark ²	11.60	10.44	13.78	26.07	-6.71	7.57

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.

³Since inception.

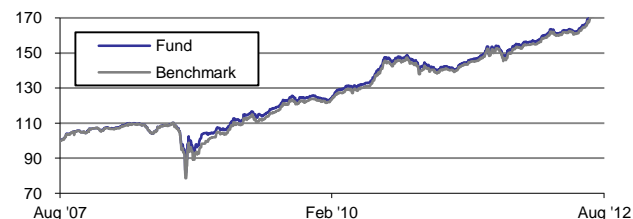
Key Figures and Statistics

Net Asset Value per Unit (NAVPU)	USD	174.06
Total Fund NAV (Min)	USD	22.77
Portfolio Weighted Yield to Maturity	%, net	3.39
Current Number of Holdings		35
Tracking Error (1-Yr) ⁴		2.16%
Statistics (Past 5 Years)	Fund	Benchmark
Annualized Return (net)	11.72	12.09
Annualized Volatility (%)	7.42	7.88
Duration (years)	8.15	8.26

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	USD 500.00
Minimum Transaction	USD 200.00
Minimum Holding Period	None
Trust Fee	0.25% per annum / 0.06% per quarter ⁶
Custodianship Fees ⁵	0.001%
External Audit Fees ⁶	0.017%
Special Expense ⁷	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



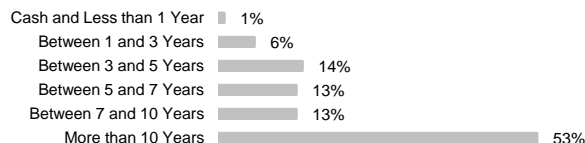
Allocation

Portfolio Composition Government 77.7%, Corporates 21.0%, Deposits and Other Receivables 1.3%

Top Ten Holdings

Name	Yield	Maturity	% of Fund
Republic of the Philippines Bonds 6.375%	3.94	10/23/2034	9.19%
Republic of the Philippines Bonds 7.750%	3.88	1/14/2031	8.53%
Republic of the Philippines Bonds 9.500%	3.89	2/2/2030	7.94%
Republic of the Philippines Bonds 10.625%	3.51	3/16/2025	6.45%
Republic of the Philippines Bonds 4.000%	2.62	1/15/2021	5.52%
Republic of the Philippines Bonds 6.375%	3.91	1/15/2032	4.60%
Republic of the Philippines Bonds 5.500%	3.36	3/30/2026	4.46%
Republic of the Philippines Bonds 8.375%	2.52	6/17/2019	4.22%
Republic of the Philippines Bonds 5.000%	3.92	1/13/2037	4.26%
Power Sector Assets and Liabilities Mgmt. 7.39%	3.77	12/2/2024	3.57%

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. Prior to investment in the Fund, the investor shall undergo a client suitability assessment procedure to determine whether the Fund is appropriate for him considering his investment objective, risk tolerance, preferences and experience. 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.

⁴ 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.

⁵ Trust fees/management fees/custodianship fees as a percentage of average daily NAV for the quarter.

⁶ External Audit fees as a percentage of end-year NAV.

⁷ For publication expense.

Manager's Report

Market Review. For the month of August, Philippine dollar denominated bond prices were flat, decreasing slightly by 0.25% on average. The sound macroeconomic fundamentals of the country subdued the effect of the upward movement of US treasury yields on ROP yields.

The Philippine second quarter GDP registered at 5.9% due to notable improvements in investment and private consumption. The number, though lower than the first quarter's adjusted figure of 6.3%, was better than the expected 5.5%. Furthermore, the Philippines continued to exhibit prudent fiscal management as the budget balance registered a Php 39.2 billion deficit in July, following the Php 11.7 billion deficit in June. The seven month budget deficit now stands at Php 74 billion, well below the government's target of Php 82 billion (Full year deficit target of Php 279 billion).

In global markets, US treasuries and Euro benchmark bonds, underperformed for the month of August, as yields increased by an average of 4.4 basis points and 3.3 basis points, respectively. Demand for safe-haven assets dampened as optimism ensued in the world market. Reports showed that the US housing market is slowly rebounding and consumer confidence is gaining strength, as evidenced by home sales figures and confidence surveys. The ECB, likewise, lifted market sentiment as EU officials expressed support for the preservation of the Euro.

Fund Performance. The Fund's return for the month was 0.40%, bringing its year-to-date return to 11.23%.

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

