

Philippine Dollar Bond Index Fund



As of February 28, 2011

Investment Objective

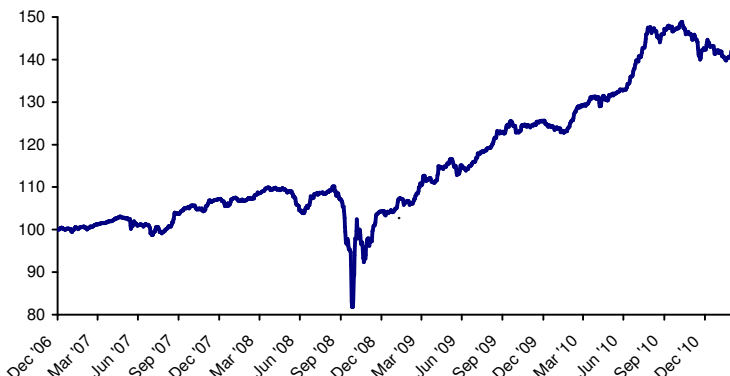
To achieve investment returns that closely track the total return of a US dollar-denominated index, the JPMorgan Asia Credit Index – Philippines, before fees and taxes, by investing in Philippine sovereign and corporate credits.

Fund Performance

Absolute Returns	Fund	JACI Phils Total Return Index
Year-to-date	-0.29%	-0.08%
2010	13.34%	13.76%
2009	20.41%	24.38%
2008	-2.70%	-5.43%
2007	7.20%	7.59%
Since Inception	41.94%	43.86%

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

Net Asset Value Per Unit



Net Asset Value USD 15.33 Million
 NAV Per Unit (NAVpu) USD 141.94
 Par Value USD 100.00

Fund Manager's Report

Monthly Commentary

Continued geopolitical tensions in the Middle East and North Africa (MENA) stoked earlier fears on inflation. Apprehension over the possible effects of civil unrest in MENA on the world's already fragile economic recovery emerged as the dominant theme in recent weeks after oil prices broke above USD100 per barrel on the New York Mercantile Exchange (NYMEX). On the local front, a confluence of higher food inflation and an increase in oil pump prices contributed to the 3.6% rise in the Consumer Price Index reported in January. Although within the Bangko Sentral ng Pilipinas' target range of 3% to 5% for the year, the figure exceeded market expectations.

On a positive note, remittances from overseas Filipino workers reached USD18.8 billion in 2010, 8% higher year-on-year and a new record high. Remittance inflows continued to boost gross international reserves, which amounted to USD63.5 billion in January, the highest on record. These dollar inflows may have likewise lent some support to local bid prices for ROP bonds.

Philippine dollar-denominated bonds continued on its downtrend with prices falling by 0.38 price points and bond yields rising by 4 bps on average. The decline came even as local investors put their dollar proceeds from the ROP-11 maturity to work, and even after Fitch Ratings upgraded its outlook on Indonesia's sovereign rating from stable to positive and brought INDON sovereign bonds closer to achieving investment grade status. Nevertheless, the 5-year Philippine credit default swap spreads narrowed by just 1.6 points to the 140.5 level.

Strategy

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.

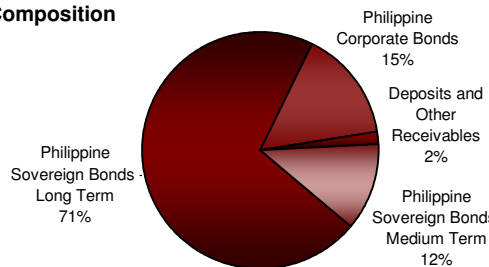
Risk Disclosure

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.

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 ¹	USD 500
Minimum Transaction ¹	USD 200
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%
Special Expense ⁵	PHP 2,000.00 per annum
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 Isla Lipana & Co.
External Auditor	Isla Lipana & Co.
Dealing	Daily up to 12 noon
Bloomberg Ticker	BPIDBIX PM

Portfolio Composition



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

Top 10 Holdings

	% of Fund
Republic of the Philippines Bonds 6.375% 10/23/2034	8.6
Republic of the Philippines Bonds 7.750% 01/14/2031	8.5
Republic of the Philippines Bonds 9.500% 02/02/2030	8.4
Republic of the Philippines Bonds 10.625% 03/16/2025	7.1
Republic of the Philippines Bonds 4.000% 01/15/2021	6.1
Republic of the Philippines Bonds 6.500% 01/20/2020	5.9
Republic of the Philippines Bonds 9.375% 01/18/2017	5.5
Republic of the Philippines Bonds 8.375% 06/17/2019	4.6
Republic of the Philippines Bonds 6.375% 01/15/2032	4.6
Republic of the Philippines Bonds 8.250% 01/15/2014	4.1

Any prospective investment shall be limited to the type of investments described in the Prospectus of the Fund.

Risk Characteristics

Risk Measures	Fund	JACI Phils Total Return Index
Duration	7.73	7.72
Volatility, Past 360 Days	8.47%	4.70%
Tracking Error, 36-mo Rolling	3.67%	

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.

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.