

# Philippine Dollar Bond Index Fund



As of January 31, 2011

## Investment Objective

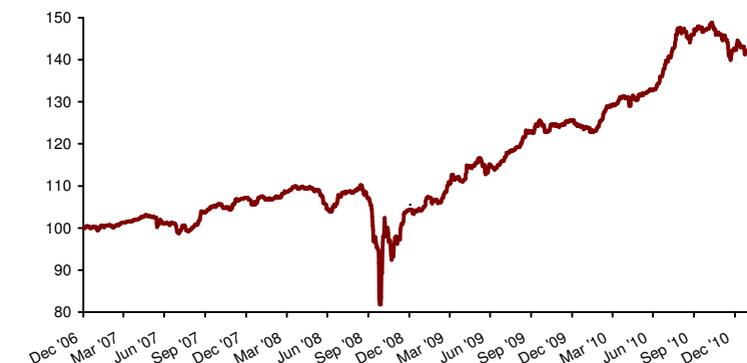
To achieve investment returns that closely track the total return of a US dollar-denominated index, the JPMorgan Asia Credit Index – Philippines, before fees and taxes, by investing in Philippine sovereign and corporate credits.

## Fund Performance

Absolute Returns	Fund	JACI Phils Total Return Index
Year-to-date	-0.58%	-0.28%
2010	13.34%	13.76%
2009	20.41%	24.38%
2008	-2.70%	-5.43%
2007	7.20%	7.59%
Since Inception	41.52%	43.58%

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

## Net Asset Value Per Unit



**Net Asset Value** USD 15.00 Million  
**NAV Per Unit (NAVpu)** USD 141.52  
**Par Value** USD 100.00

## Fund Manager's Report

### Monthly Commentary

Global inflation fears amid rising food prices triggered a new round of "risk-off" sentiment, causing investors to sell down emerging market (EM) debt. Inflation rates in EM countries are believed to be more susceptible to higher food prices as food items make up a larger portion of price indices in these economies. Political unrest in Africa, especially in Egypt, and the possible disruption of trade coursed through the Suez Canal, also fanned fears that oil prices could further rise.

Philippine dollar-denominated bonds did not escape the contagion effect as prices fell by 0.85% on the average. Bonds were hit especially on the long end even as the 2010 full-year GDP figure came in better than expected at 7.3% and bolstered the view that the Philippine economy remains in good shape. The 5-year Philippine credit default swap also widened by 15 points from the 125 level to 141.275 by end-January.

On the supply side, the Philippine government plans to issue longer-term dollar-denominated debt this year. A clear example of this is the issuance in January of the equivalent of USD1.25 billion in 25-year Global Peso Notes, which allowed the government to refinance its maturing 2011 ROP bond at a significantly lower cost.

### Strategy

Although there were no new names added to the JPMorgan Asia Credit (JACI) Total Return Index in January, the Fund continues to rebalance its portfolio vis-a-vis the said index. 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.

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.

## 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.

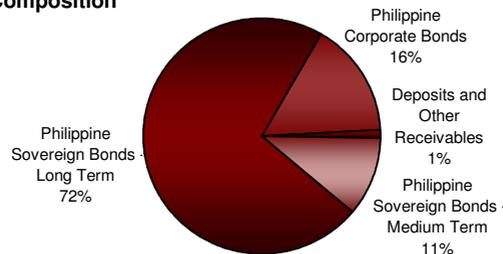
**Base Currency** US Dollar  
**Minimum Initial Investment<sup>1</sup>** USD 500  
**Minimum Transaction<sup>1</sup>** USD 200  
**Minimum Holding Period** 90 calendar days  
**Early Redemption Fee** 0.25%  
**Trust Fees** 0.25% per annum  
 0.06% per quarter<sup>2</sup>

**Custodianship Fees<sup>3</sup>** 0.002%  
**External Audit Fees<sup>4</sup>** 0.01%  
**Special Expense<sup>5</sup>** 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

**External Auditor** Isla Lipana & Co.  
**Dealing** Daily up to 12 noon  
**Bloomberg Ticker** BPIDBIX PM

<sup>1</sup>Contribution rounded down/ redemption rounded off to the nearest whole unit.  
<sup>2</sup>Trust fees paid for the quarter as a percentage of average daily NAV for the quarter.  
<sup>3</sup>Custodianship fees billed for the quarter as a percentage of average daily NAV for the quarter.  
<sup>4</sup>External Audit fees as a percentage of end-year 2008 NAV.  
<sup>5</sup>For publication expense.

## Portfolio Composition



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

## Top 10 Holdings

Top 10 Holdings	% of Fund
Republic of the Philippines Bonds 6.375% 10/23/2034	8.8
Republic of the Philippines Bonds 7.750% 01/14/2031	8.5
Republic of the Philippines Bonds 9.500% 02/02/2030	8.3
Republic of the Philippines Bonds 10.625% 03/16/2025	7.4
Republic of the Philippines Bonds 4.000% 01/15/2021	6.2
Republic of the Philippines Bonds 6.500% 01/20/2020	5.8
Republic of the Philippines Bonds 9.375% 01/18/2017	5.6
Republic of the Philippines Bonds 6.375% 01/15/2032	4.6
Republic of the Philippines Bonds 8.375% 06/17/2019	4.6
Republic of the Philippines Bonds 8.750% 10/07/2016	3.9

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	7.64	7.85
Volatility, Past 360 Days	8.45%	4.64%
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.