

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 07/31/2011

Cumulative Performance (%)¹

	1 mo	1YR	3YRS	4YRS
Fund	3.15%	8.21%	39.99%	53.13%
Benchmark ²	3.12%	9.43%	41.42%	55.18%

Annualized Performance (%)¹

	1YR	2YRS	3YRS	4YRS
Fund	8.21%	14.02%	11.87%	11.24%
Benchmark ²	9.43%	14.53%	12.25%	11.61%

Calendar Year Performance (%)¹

	YTD	2010	2009	2008
Fund	6.21%	13.34%	20.41%	-2.70%
Benchmark ²	6.80%	13.76%	24.38%	-5.43%

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	151.19
Total Fund NAV (Mln)	USD	14.02
Par Value	USD	100.00
Portfolio Weighted Yield to Maturity	%	4.39
Risk Characteristics	Fund	Benchmark
Duration (years) ³	7.97	7.91
Volatility ⁴	5.01%	4.25%
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

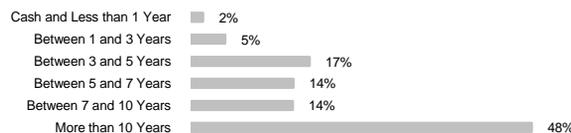
Portfolio Composition Government 79.6%, Corporates 18.7%, Deposits and Other Receivables 1.7%

Top Ten Holdings

Name	Maturity	% of Fund
Republic of the Philippines Bonds 6.375%	10/23/2034	8.62%
Republic of the Philippines Bonds 7.750%	1/14/2031	8.35%
Republic of the Philippines Bonds 9.500%	2/2/2030	7.48%
Republic of the Philippines Bonds 10.625%	3/16/2025	6.69%
Republic of the Philippines Bonds 6.500%	1/20/2020	5.91%
Republic of the Philippines Bonds 9.375%	1/18/2017	5.64%
Republic of the Philippines Bonds 4.000%	1/15/2021	5.37%
Republic of the Philippines Bonds 8.375%	6/17/2019	5.15%
Republic of the Philippines Bonds 6.375%	1/15/2032	4.52%
PSALM Corporate Bonds 4.800%	12/2/2024	4.29%

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 continued to rally in July throughout most of the yield curve, posting an average gain of 2.21%. The biggest gains came from the long end of the curve, with the ROP 32s and 34s returning more than 5% month-on-month. This caused yields to drop by an average 5.50 bps for the month of July. Five-year Philippine credit default swap (CDS) spreads also narrowed by 6 points from 140 to the 134 level. Positive investor sentiment for ROP bonds brought about by credit upgrades from Moody's and Fitch Ratings in June continued through most of July. Investor sentiment likewise perked up following reports that the Aquino government's budget deficit came in at Pp17.2Bn, lower than the Pp152.1Bn target. Bond investors also looked favorably upon the latest peso bond swap exercise which effectively lengthened the government's debt maturity profile.

Over in the US, Congress leaders worked overtime to come up with proposed spending cuts and an increase in the nation's debt ceiling just before the August 2 deadline lapsed. At stake was the prized triple A sovereign credit rating which the US has held since 1941. All their last ditch efforts were for naught, as Standard & Poor's still downgraded the US by one notch from AAA to AA+, with a negative outlook. In addition, the US economy slowed down as the 2nd quarter GDP figure came in at 1.3% QoQ, way below the consensus figure of 1.9%, while figures for 1Q11 were revised lower from 1.9% to 0.4%. In spite of these developments, US Treasury yields dropped by 18 bps on the average with most of the decline coming in the 5 and 7 year tenors.

Fund Performance. The Fund continued to track the returns and duration of the JP Morgan Asia Credit Index-Philippines Total Return Index. The Fund gained 3.15% for the month, slightly above its benchmark index. The portfolio ended the period with a duration slightly above that of the benchmark.

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

