

## 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 07/31/2012

#### Cumulative Performance (%)<sup>1</sup>

	1 mo	1YR	3YRS	5 YRS	S.I. <sup>3</sup>
Fund	4.03	14.66	49.06	75.59	73.36
Benchmark <sup>2</sup>	4.03	14.91	50.73	78.31	76.69

#### Annualized Performance (%)<sup>1</sup>

	1YR	2YRS	3YRS	4YRS	5YRS	S.I. <sup>3</sup>
Fund	14.66	11.39	14.23	12.56	11.92	10.35
Benchmark <sup>2</sup>	14.91	12.14	14.66	12.91	12.26	10.73

#### Calendar Year Performance (%)<sup>1</sup>

	YTD	2011	2010	2009	2008	2007
Fund	10.74	9.97	13.34	20.41	-2.70	7.20
Benchmark <sup>2</sup>	11.09	10.47	13.76	24.38	-5.43	7.59

<sup>1</sup>Returns are net of fees. Past performance is not an indication of future returns.

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

<sup>3</sup>Since inception.

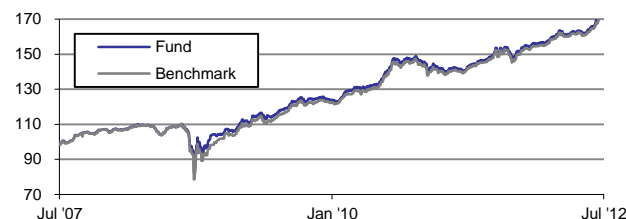
### Key Figures and Statistics

Net Asset Value per Unit (NAVPU)	USD	173.36
Total Fund NAV (Min)	USD	21.81
Portfolio Weighted Yield to Maturity	%, net	3.40
Current Number of Holdings		34
Tracking Error (1-Yr) <sup>4</sup>		2.18%
<b>Statistics (Past 5 Years)</b>	<b>Fund</b>	<b>Benchmark</b>
Annualized Return (net)	11.92	12.26
Annualized Volatility (%)	7.43	7.90
Duration (years)	8.24	8.32

#### 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 <sup>5</sup>	USD 500.00
Minimum Transaction <sup>5</sup>	USD 200.00
Trust Fee	0.25% per annum / 0.06% per quarter <sup>6</sup>
Custodianship Fees <sup>6</sup>	0.001%
External Audit Fees <sup>7</sup>	0.017%
Special Expense <sup>8</sup>	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



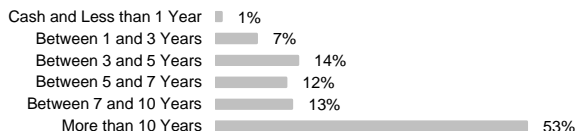
### Allocation

Portfolio Composition Government 78.4%, Corporates 20.4%, Deposits and Other Receivables 1.2%

### Top Ten Holdings

Name	Yield	Maturity	% of Fund
Republic of the Philippines Bonds 6.375%	3.94	10/23/2034	9.27%
Republic of the Philippines Bonds 7.750%	3.91	1/14/2031	8.67%
Republic of the Philippines Bonds 9.500%	3.91	2/2/2030	8.12%
Republic of the Philippines Bonds 10.625%	4.04	3/16/2025	6.51%
Republic of the Philippines Bonds 4.000%	2.59	1/15/2021	5.66%
Republic of the Philippines Bonds 6.375%	3.89	1/15/2032	4.65%
Republic of the Philippines Bonds 5.500%	3.34	3/30/2026	4.56%
Republic of the Philippines Bonds 5.000%	3.92	1/13/2037	4.31%
Republic of the Philippines Bonds 8.375%	2.47	6/17/2019	3.99%
Power Sector Assets and Liabilities Mgmt 7.39%	3.77	12/2/2024	3.73%

### 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.

<sup>4</sup> 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.

<sup>5</sup> Contribution rounded down/ redemption rounded off to the nearest whole unit.

<sup>6</sup> Trust fees/management fees/custodianship fees as a percentage of average daily NAV for the quarter.

<sup>7</sup> External Audit fees as a percentage of end-year NAV.

<sup>8</sup> For publication expense.

### Manager's Report

**Market Review.** For the month of July, Philippine dollar denominated bond prices increased by an average of 3.23%. Commitment by various central banks to support global growth enhanced demand for ROPs.

The Fed stated that it is considering possible easing tools such as purchase of assets and rate cuts to support the economy. The ECB also signaled its willingness to boost growth by cutting the policy rate to a record low 0.75% from 1.00%. Other countries that lowered policy rates include Brazil, Korea, China and Philippines.

The Philippines continued to exhibit sound macroeconomic fundamentals with a number of analysts expecting the second quarter GDP of the country to register a figure above 6%, after posting a solid 6.4% GDP growth in the first quarter. This is on the back of strong non-electronic exports and higher spending. Overseas remittances in May increased by 5.1%, this brought the year-to-date remittances to US\$8.27billion. Furthermore, the government continued to exhibit strong fiscal management as the budget balance registered a Php 11.7billion deficit in June, following the Php 19.9billion deficit in May. The six month budget deficit now stands at Php 34.5billion, well below the government's first half deficit target of Php 109billion (Full year deficit target of Php 279billion).

In contrast, US treasuries underperformed as yields increased by an average of 4bps in July. Appetite for risk emerged as market optimism arose after China registered a GDP that is at par with market expectation (7.6%), and as the ECB pledged to take necessary action to protect the Euro.

**Fund Performance.** The Fund's return for the month was 4.03%, bringing its year-to-date return to 10.74%. The Fund continues to track the JPMorgan Asia Credit Total Return Index.

