

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 06/30/2012

Cumulative Performance (%)¹

	1 mo	1YR	3YRS	5 YRS	S.I. ³
Fund	2.66	13.69	45.05	64.98	66.65
Benchmark ²	2.66	13.90	47.89	67.64	69.85

Annualized Performance (%)¹

	1YR	2YRS	3YRS	4YRS	5YRS	S.I. ³
Fund	13.69	11.96	13.20	12.35	10.53	9.73
Benchmark ²	13.90	12.62	13.93	12.83	10.89	10.11

Calendar Year Performance (%)¹

	YTD	2011	2010	2009	2008	2007
Fund	6.46	9.97	13.34	20.41	-2.70	7.20
Benchmark ²	6.79	10.47	13.76	24.38	-5.43	7.59

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.

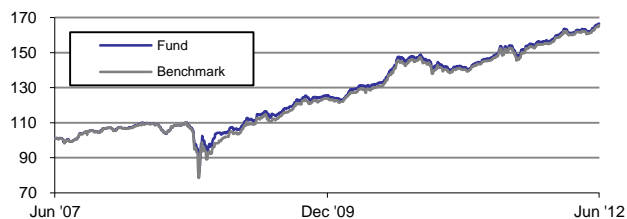
Key Figures and Statistics

Net Asset Value per Unit (NAVPU)	USD	166.65
Total Fund NAV (Min)	USD	18.70
Portfolio Weighted Yield to Maturity	%, net	3.83
Current Number of Holdings		36
Tracking Error (1-Yr) ⁴		2.18%
Statistics (Past 5 Years)	Fund	Benchmark
Annualized Return (net)	10.53	10.89
Annualized Volatility (%)	7.43	7.91
Duration (years)	8.03	8.12

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 ⁵	USD 500.00
Minimum Transaction ⁵	USD 200.00
Minimum Holding Period	90 calendar days
Early Redemption Fee	0.25%
Trust Fee	0.25% per annum / 0.06% per quarter ⁶
Custodianship Fees ⁶	0.001%
External Audit Fees ⁷	0.017%
Special Expense ⁸	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



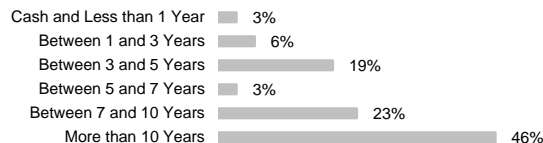
Allocation

Portfolio Composition Government 76.2%, Corporates 21.1%, Deposits and Other Receivables 2.7%

Top Ten Holdings

Name	Yield (%)	Maturity	% of Fund
Republic of the Philippines Bonds 6.375%	4.38	10/23/2034	8.91%
Republic of the Philippines Bonds 7.750%	4.41	1/14/2031	8.35%
Republic of the Philippines Bonds 9.500%	4.41	2/2/2030	7.79%
Republic of the Philippines Bonds 10.625%	4.04	3/16/2025	6.39%
Republic of the Philippines Bonds 4.000%	2.99	1/15/2021	5.61%
Republic of the Philippines Bonds 6.375%	4.39	1/15/2032	4.51%
Republic of the Philippines Bonds 5.500%	3.82	3/30/2026	4.41%
Republic of the Philippines Bonds 5.000%	4.41	1/13/2037	4.07%
Republic of the Philippines Bonds 8.375%	2.87	6/17/2019	3.96%
Republic of the Philippines Bonds 6.500%	2.89	1/20/2020	3.49%

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 Contribution rounded down/ redemption rounded off to the nearest whole unit.

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

⁷ External Audit fees as a percentage of end-year NAV.

⁸ For publication expense.

Manager's Report

Market Review. For the month of June, prices of Philippine dollar-denominated bonds increased by 1.9% on average, as the strong macroeconomic fundamentals of the country overshadowed the uncertainty hovering over global markets. The Philippines posted a first quarter GDP growth of 6.4%, an upside surprise to the market, mainly due to robust household consumption and government spending. The rise in domestic spending was supported by the continued growth in OFW remittances, which has already reached USD6.5Bn year-to-date. Furthermore, the government continued to exhibit strong fiscal management as the budget balance registered a PHP19.9Bn deficit in May, a turnaround from the PHP31.0Bn surplus in April. The five month budget deficit is now at PHP22.8Bn, well below the full-year target of PHP279Bn or 2.6% of GDP.

The international community has taken notice of the Philippines anew as Standard and Poor's (S&P) upgraded the credit rating of the country to BB+ from BB, just weeks after Moody's Investor Service raised its outlook on the country to Positive. The Philippines is now rated one notch below investment grade by two of the three major credit ratings agencies (S&P and Fitch Ratings).

In contrast, US Treasuries underperformed, with yields increasing by 4 basis points on average, on the back of risk-on sentiment stemming from optimism over the European Union leaders' conformity to have the European Central Bank as a supervisory institution for EU banks, and the agreement on principally less restrictive austerity measures.

Fund Performance. The Fund's return for the month was 2.66%, bringing its year-to-date return to 6.46%. The Fund continues to track the JPMorgan Asia Credit Total Return Index.

