

## 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 05/31/2012

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

	1 mo	1YR	3YRS	5 YRS	S.I. <sup>3</sup>
Fund	-0.17	12.19	40.52	58.14	62.33
Benchmark <sup>2</sup>	-0.11	12.33	42.75	60.76	65.46

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

	1YR	2YRS	3YRS	4YRS	5YRS	S.I. <sup>3</sup>
Fund	12.19	11.01	12.01	10.54	9.60	9.35
Benchmark <sup>2</sup>	12.33	11.60	12.60	10.97	9.96	9.74

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

	YTD	2011	2010	2009	2008	2007
Fund	3.70	9.97	13.34	20.41	-2.70	7.20
Benchmark <sup>2</sup>	4.03	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.

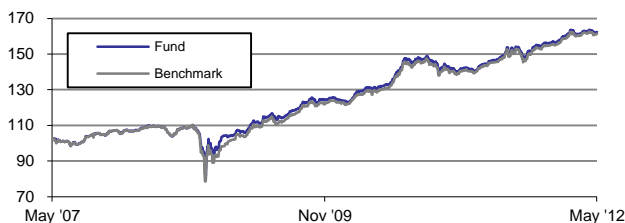
### Key Figures and Statistics

Net Asset Value per Unit (NAVPU)	USD	162.33
Total Fund NAV (Min)	USD	17.70
Portfolio Weighted Yield to Maturity	%, net	4.06
Current Number of Holdings		32
Tracking Error (1-Yr) <sup>4</sup>		2.16%
<b>Statistics (Past 5 Years)</b>	<b>Fund</b>	<b>Benchmark</b>
Annualized Return (net)	9.60	9.96
Annualized Volatility (%)	7.46	7.94
Duration (years)	8.12	8.02

#### 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
Minimum Holding Period	90 calendar days
Early Redemption Fee	0.25%
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



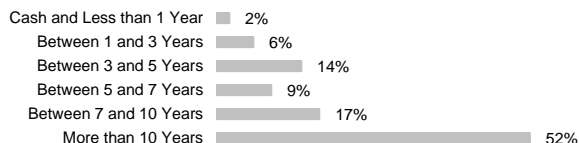
### Allocation

Portfolio Composition Government 79.2%, Corporates 19.2%, Deposits and Other Receivables 1.6%

### Top Ten Holdings

Name	Yield (%)	Maturity	% of Fund
Republic of the Philippines Bonds 6.375%	4.72	10/23/2034	9.01%
Republic of the Philippines Bonds 7.750%	4.71	1/14/2031	8.34%
Republic of the Philippines Bonds 9.500%	4.70	2/2/2030	7.99%
Republic of the Philippines Bonds 10.625%	4.34	3/16/2025	6.60%
Republic of the Philippines Bonds 4.000%	3.32	1/15/2021	5.63%
Republic of the Philippines Bonds 6.500%	3.33	1/20/2020	4.62%
Republic of the Philippines Bonds 5.500%	4.08	3/30/2026	4.54%
Republic of the Philippines Bonds 6.375%	4.67	1/15/2032	4.47%
Republic of the Philippines Bonds 9.375%	2.64	1/18/2017	4.38%
Republic of the Philippines Bonds 5.000%	4.67	1/13/2037	4.14%

### 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.** Prices of Philippine dollar-denominated bonds declined by 0.64% on average as positive news on the domestic front were overshadowed by negative developments from abroad. Investor sentiment deteriorated once again after JPMorgan, the biggest bank in the United States, was reported to have incurred a USD2Bn trading loss; Moody's Investor Service downgraded several Spanish banks to A3; and Fitch Ratings downgraded Japan's sovereign credit rating by one notch to A+. In the meantime, political parties in Greece were at an impasse causing speculation of a possible Greek exit from the Euro zone, or what has now been dubbed as a "Grexit".

Against this backdrop, investors sought safe-haven debt causing US Treasuries to rally. As a result, yields declined to record lows especially after the US Labor Department reported that there were only 69,000 jobs created in May, way below the estimated job creation of 150,000.

In contrast, everything seems to be fine locally as the country's economy reported a GDP growth figure of 6.4% for 1Q12, much higher than the market consensus of 4.3%. This was also well above the 4.6% growth figure reported in the same period last year. Another positive surprise was that the Philippine government posted a year-to-date fiscal deficit of PHP2.88Bn as of April, well below its full year target of approximately PHP279Bn or 2.6% of GDP. Finally, Moody's raised its outlook on the Philippines from stable to positive, moving the country closer to getting a credit upgrade.

**Fund Performance.** Against this backdrop, the Fund returned -0.17% for the month and 3.70% year-to-date. The Fund continues to track the JPMorgan Asia Credit Total Return Index.

