

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 10/31/2012

Cumulative Performance (%)¹

| | 1 mo | 1YR | 3YRS | 5 YRS | S.I. ³ |
|------------------------|------|-------|-------|-------|-------------------|
| Fund | 1.25 | 16.44 | 45.80 | 69.37 | 79.09 |
| JACI Phil ² | 1.32 | 16.91 | 46.97 | 72.17 | 82.51 |

Annualized Performance (%)¹

| | 1YR | 2YRS | 3YRS | 4YRS | 5YRS | S.I. ³ |
|------------------------|-------|-------|-------|-------|-------|-------------------|
| Fund | 16.44 | 10.27 | 13.39 | 17.48 | 11.11 | 10.50 |
| JACI Phil ² | 16.91 | 10.70 | 13.69 | 17.44 | 11.48 | 10.85 |

Calendar Year Performance (%)¹

| | YTD | 2011 | 2010 | 2009 | 2008 | 2007 |
|------------------------|-------|-------|-------|-------|-------|------|
| Fund | 14.45 | 9.91 | 13.40 | 20.71 | -2.95 | 7.23 |
| JACI Phil ² | 14.80 | 10.44 | 13.78 | 26.07 | -6.71 | 7.57 |

¹Returns are net of fees. Past performance is not an indication of future returns.

²The Fund tracks the JP Morgan Asia Credit Philippines Total Return Index.

³Since inception.

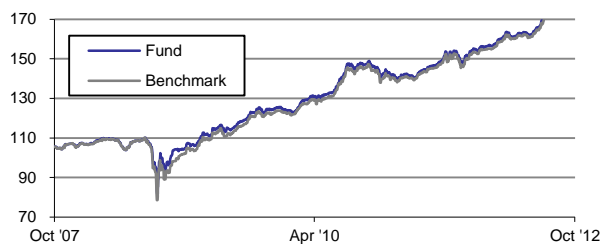
Key Figures and Statistics

| | | |
|--------------------------------------|-------------|------------------|
| Net Asset Value per Unit (NAVPU) | USD | 179.09 |
| Total Fund NAV (Min) | USD | 27.81 |
| Portfolio Weighted Yield to Maturity | %, net | 3.09 |
| Current Number of Holdings | | 36 |
| Tracking Error (1-Yr) ⁴ | | 1.86% |
| Statistics (Past 5 Years) | Fund | Benchmark |
| Annualized Return (net) | 11.11 | 11.48 |
| Annualized Volatility (%) | 7.41 | 7.81 |
| Duration (years) | 8.13 | 8.27 |

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 | USD 500.00 |
| Minimum Transaction | USD 200.00 |
| Minimum Holding Period | None |
| Trust Fee | 0.25% per annum / 0.06% per quarter ⁶ |
| Custodianship Fees ⁵ | 0.001% |
| External Audit Fees ⁶ | 0.017% |
| Special Expense ⁷ | 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



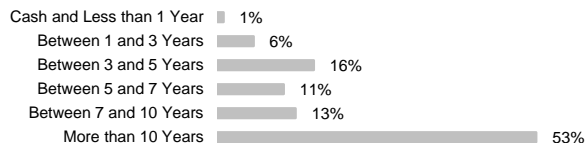
Allocation

Portfolio Composition Government and Supranational 76.1%, Corporates 22.6%, Deposits and Other Receivables 1.3%

Top Ten Holdings

| Name | Yield | Maturity | % of Fund |
|--|-------|------------|-----------|
| Republic of the Philippines Bonds 6.375% | 3.73 | 10/23/2034 | 9.27% |
| Republic of the Philippines Bonds 7.750% | 3.63 | 1/14/2031 | 8.58% |
| Republic of the Philippines Bonds 9.500% | 3.64 | 2/2/2030 | 7.97% |
| Republic of the Philippines Bonds 10.625% | 3.15 | 3/16/2025 | 6.49% |
| Republic of the Philippines Bonds 4.000% | 2.35 | 1/15/2021 | 5.55% |
| Republic of the Philippines Bonds 6.375% | 3.68 | 1/15/2032 | 4.58% |
| Republic of the Philippines Bonds 5.500% | 3.07 | 3/30/2026 | 4.50% |
| Republic of the Philippines Bonds 5.000% | 3.77 | 1/13/2037 | 4.25% |
| Power Sector Assets and Liabilities Mgt. 7.39% | 2.20 | 6/17/2019 | 4.02% |
| Republic of the Philippines Bonds 8.375% | 3.35 | 12/2/2024 | 3.95% |

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: Ba1 (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.

⁴Tracking 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.

⁵Trust fees/management fees/custodianship fees as a percentage of average daily NAV for the quarter.

⁶External Audit fees as a percentage of end-year NAV.

⁷For publication expense.

Manager's Report

Market Review. For the month of October, Philippine dollar denominated bond prices increased by an average of 0.49%. The solid macroeconomic fundamentals and positive action on the country's credit rating by Moody's contributed to the attractiveness of ROPs.

Moody's upgraded the Philippine credit rating by one notch to Ba1 from Ba2, citing the country's continued economic strength and fiscal resilience. All three major credit ratings agencies now rate the Philippines at one notch below investment grade. Moreover, S&P raised the 2012 growth forecast of the Philippines to 4.9% from 4.3%.

The Philippines continues to exhibit prudent fiscal management as the 9-month budget balance accumulated to a deficit of Php106 billion, well below the full year government target deficit of Php279 billion. The government registered a Php34.9 billion deficit in September.

In contrast, US treasuries and Euro benchmark bonds underperformed in October, as yields increased by an average of 5 basis points and 2.8 basis points, respectively.

Demand for safe haven assets dwindled as economic data coming from the world's largest economy came out better than expected. Signs of a recovering US economy brought about by positive housing and retail sales data were confirmed with the US 3Q GDP coming out at 2%, higher than the previous quarter's 1.3%. However, risk-off sentiment towards the end of the month tempered the rise in yields as Moody's downgraded Spain's sovereign credit rating by two notches to Baa3, and five of the country's autonomous regions to below investment grade.

Fund Performance. The Fund's return for the month was 1.25%, bringing its year-to-date return to 14.45%.

Strategy. The Fund will continue to track the JPMorgan Asia Credit Total Return Index.

