

## 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 09/28/2012

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

	1 mo	1YR	3YRS	5 YRS	S.I. <sup>3</sup>
Fund	1.62	19.05	43.92	70.42	76.88
JACI Phil <sup>2</sup>	1.52	19.69	45.49	73.56	80.13

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

	1YR	2YRS	3YRS	4YRS	5YRS	S.I. <sup>3</sup>
Fund	19.05	9.60	12.90	13.34	11.25	10.43
JACI Phil <sup>2</sup>	19.69	10.12	13.31	14.06	11.66	10.78

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

	YTD	2011	2010	2009	2008	2007
Fund	13.04	9.91	13.40	20.71	-2.95	7.23
JACI Phil <sup>2</sup>	13.30	10.44	13.78	26.07	-6.71	7.57

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

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

<sup>3</sup>Since inception.

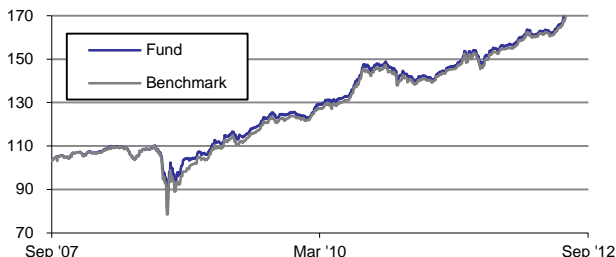
### Key Figures and Statistics

Net Asset Value per Unit (NAVPU)	USD	176.88
Total Fund NAV (Min)	USD	25.28
Portfolio Weighted Yield to Maturity	%, net	3.24
Current Number of Holdings		36
Tracking Error (1-Yr) <sup>4</sup>		1.89%
<b>Statistics (Past 5 Years)</b>	<b>Fund</b>	<b>Benchmark</b>
Annualized Return (net)	11.25	11.66
Annualized Volatility (%)	7.40	7.86
Duration (years)	8.15	8.29

#### 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 <sup>6</sup>
Custodianship Fees <sup>5</sup>	0.001%
External Audit Fees <sup>6</sup>	0.017%
Special Expense <sup>7</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



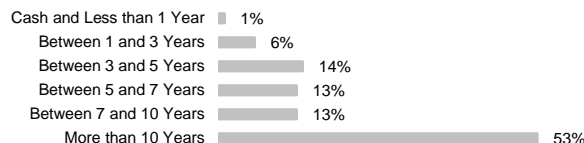
### Allocation

Portfolio Composition Government 76.2%, Corporates 22.5%, Deposits and Other Receivables 1.3%

### Top Ten Holdings

Name	Yield	Maturity	% of Fund
Republic of the Philippines Bonds 6.375%	3.83	10/23/2034	9.20%
Republic of the Philippines Bonds 7.750%	3.74	1/14/2031	8.56%
Republic of the Philippines Bonds 9.500%	3.74	2/2/2030	7.97%
Republic of the Philippines Bonds 10.625%	3.25	3/16/2025	6.55%
Republic of the Philippines Bonds 4.000%	2.44	1/15/2021	5.54%
Republic of the Philippines Bonds 6.375%	3.77	1/15/2032	4.63%
Republic of the Philippines Bonds 5.500%	3.18	3/30/2026	4.51%
Republic of the Philippines Bonds 5.000%	3.82	1/13/2037	4.27%
Power Sector Assets and Liabilities Mgmt 7.39%	3.51	12/2/2024	3.91%
Republic of the Philippines Bonds 8.375%	2.28	6/17/2019	3.90%

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

<sup>6</sup> External Audit fees as a percentage of end-year NAV.

<sup>7</sup> For publication expense.

### Manager's Report

**Market Review.** For the month of September, Philippine dollar denominated bond prices increased by an average of 1.04%. The resilient local demand and attractive domestic fundamentals relative to the other countries in the emerging market region tempered the effect of the upward movement of US treasury yields on ROP yields.

The Philippines continues to exhibit prudent fiscal management as the budget balance registered a Php2.5 billion surplus in August. The 8-month budget deficit now stands at Php71.2 billion, well below the full year government target deficit of Php279 billion. Furthermore, the external payments position of the country advanced due to improvements in exports and moderation in imports. The 7-month trade deficit improved to US\$4.7 billion compared to US\$6.2 billion in the same period a year ago.

In global markets, US treasuries and Euro benchmark bonds underperformed in September, as yields increased by an average of 2.6 basis points and 12.7 basis points, respectively. Demand for safe-haven assets dwindled as the Federal Reserve announced another round of open-ended bond purchases to bolster the US economy. Weak manufacturing data and prolonged unemployment worries, however, subdued the uptick in US treasury yields. Over in Europe, optimism ensued as the German courts upheld the legality of the permanent European rescue fund (ESM) paving the way for the Euro-zone's bailout fund. A bond-buying program aimed at lowering yields to help distressed sovereign borrowers will be conducted through the ESM.

**Fund Performance.** The Fund's return for the month was 1.62%, bringing its year-to-date return to 13.04%.

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

