

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 12/27/2013

Cumulative Performance (%)¹

	1 mo	1YR	3YRS	5 YRS	S.I. ³
Fund	0.08	-5.23	19.88	64.10	70.68
JACI Phil ²	0.16	-5.10	21.35	74.08	74.70

Annualized Performance (%)¹

	1YR	2YRS	3YRS	4YRS	5YRS	S.I. ³
Fund	-5.23	4.44	6.23	7.98	10.41	7.94
JACI Phil ²	-5.10	4.83	6.66	8.40	11.72	8.30

Calendar Year Performance (%)¹

	YTD	2012	2011	2010	2009	2008
Fund	-5.23	15.09	9.91	13.40	20.71	-2.95
JACI Phil ²	-5.10	15.79	10.44	13.78	26.07	-6.71

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	170.68
Total Fund NAV (Mn)	USD	23.94
Average Daily NAV for the Quarter (Mn) ⁴	USD	24.19
Portfolio Weighted Yield to Maturity	% net	4.40
Current Number of Holdings		43
Tracking Error (3-Yr) ⁵		1.94%

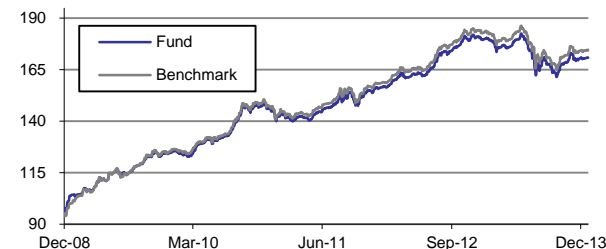
Statistics (Past 5 Years)

	Fund	Benchmark
Annualized Return (net)	10.41	11.72
Annualized Volatility (%)	4.54	4.74
Duration (years)	7.13	7.43

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
Days to Settlement (Contribution)	Day 1 End-of-Day
Days to Settlement (Redemption)	Day 1 End-of-Day
Trust Fee ⁶	0.25% per annum / 0.06% per quarter
Custodianship Fees ⁶	0.002%
External Audit Fees ⁷	0.013%
Valuation Methodology	Marked-to-Market
Trustee	Bank of the Philippine Islands
External Auditor	Isla Lipana & Co.
Available Through	BPI Branches and www.bpiexpressonline.com
Third-Party Custodian	HSBC, Ltd. (Philippines)
Dealing Cut-Off	12:00 PM

NAVPU Graph



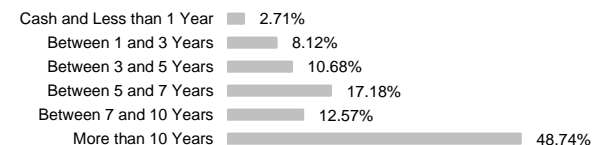
Allocation

Portfolio Composition Government 64.58%, Corporates 33.60%, Cash and Receivables 1.82%

Top Holdings

Name	Yield (%)	Maturity	% of Fund
Republic of the Philippines Bonds 6.3750%	4.88	10/23/2034	8.90%
Republic of the Philippines Bonds 7.7500%	4.92	1/14/2031	7.90%
Republic of the Philippines Bonds 9.5000%	4.94	2/2/2030	7.43%
Republic of the Philippines Bonds 10.6250%	4.44	3/16/2025	6.11%
Republic of the Philippines Bonds 4.0000%	3.37	1/15/2021	5.32%
Republic of the Philippines Bonds 6.3750%	4.89	1/15/2032	4.15%
Republic of the Philippines Bonds 5.5000%	4.36	3/30/2026	4.00%
Republic of the Philippines Bonds 5.0000%	4.68	1/13/2037	3.93%
Republic of the Philippines Bonds 8.3750%	2.85	6/17/2019	3.79%
Power Sector Assets and Liabilities Mgt. 7.3900%	4.71	12/2/2024	3.59%

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: Baa3 (Moody's) / BBB- (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 fluctuate as a result of interest rate and currency movements and the changes in the 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 Average Daily NAV for the past 3 months.

⁵ 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.

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

⁷ External Audit fees as a percentage of 2012 end-year NAV.

*Plan rules are available upon request.

Manager's Report

Market Review. Interest rates in the US increased in December after Federal Reserve Chairman Ben Bernanke announced that the central bank would begin tapering its bond purchases by January 2014. According to Bernanke, the Fed would be reducing the pace of its asset purchase program from US\$85 billion a month to US\$75 billion. He further detailed the breakdown as US\$5 billion in reductions each, for US Treasuries and agency Mortgage Backed Securities. As a result, US Treasury yields went up by 21 basis points month-on-month. For the year, US Treasury yields rose by an average of 72 basis points with the most noticeable increase occurring in the 10-year US Treasury bond. The 10-year benchmark yield spiked from 1.75% at the end of 2012 to the 3% level by December 2013.

However, ROP bonds were mixed. Yields declined in the short end of the curve, while those with tenors of 5 years and longer increased by 3 basis points on the average. On a year-on-year basis, ROP bonds continued to track the movement of US Treasuries as ROP bond yields increased by an average of 94 basis points.

2013 was a challenging year for Philippine dollar-denominated bonds as these were sold down following hints from the Federal Reserve that tapering could begin earlier than expected, way back in May. The 5-year CDS spreads spiked from a low of 78 basis points before Bernanke's speech on May 21, to almost double at 150 basis points by June. This caused a sudden drop in the price of emerging market bonds including ROPs.

Fund Performance. Against this backdrop, the Fund returned -5.23% for the year.

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

