

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 07/31/14

Cumulative Performance (%)¹

	1 mo	1YR	3YRS	5 YRS	S.I. ³
Fund	0.72	8.02	20.75	56.94	82.52
JACI Phil ²	0.72	8.88	21.87	59.86	87.39

Annualized Performance (%)¹

	1YR	2YRS	3YRS	4YRS	5YRS	S.I. ³
Fund	8.02	2.61	6.49	6.91	9.43	8.25
JACI Phil ²	8.88	2.98	6.81	7.46	9.84	8.63

Calendar Year Performance (%)¹

	YTD	2013	2012	2011	2010	2009
Fund	6.94	-5.23	15.09	9.91	13.40	20.71
JACI Phil ²	7.27	-5.10	15.79	10.44	13.78	26.07

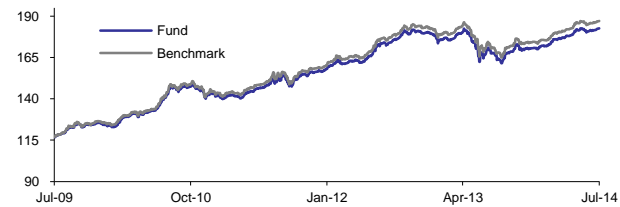
Key Figures and Statistics

Net Asset Value per Unit (NAVPU)	USD	182.52
Total Fund NAV (Mn)	USD	22.53
Average Daily NAV for the Quarter (Mn) ⁴	USD	24.00
Portfolio Weighted Yield to Maturity	%, net	3.81
Current Number of Holdings		45
Statistics (Past 5 Years)		
	Fund	Index
Annualized Return (% net)	9.43	9.84
Annualized Volatility (%)	5.02	5.16
Duration (years)	7.20	7.46
Tracking Error (3-Yr, %) ⁵		1.06

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 Fee ⁶	0.002%	
External Audit Fee ⁷	0.015%	
Valuation Methodology	Marked-to-Market	
External Auditor	Isla Lipana & Co.	
Available Through	BPI Branches and www.bpiexpressonline.com	
Trustee	Bank of the Philippine Islands	
Third Party Custodian	HSBC, Ltd. (Philippines)	
Dealing Cut-Off	12:00 PM	

NAVPU Graph



Allocation

Portfolio Allocation: Government 65.16%, Corporates 33.18%, Cash and Receivables 1.66%

Top Holdings

Name	Yield (%) ⁸	Maturity	% of Fund
Republic of the Philippines Bonds	4.39	10/23/2034	8.67%
Republic of the Philippines Bonds	4.37	1/14/2031	7.67%
Republic of the Philippines Bonds	4.39	2/2/2030	7.42%
Republic of the Philippines Bonds	3.90	3/16/2025	5.47%
Republic of the Philippines Bonds	2.90	1/15/2021	5.31%
Republic of the Philippines Bonds	3.84	3/30/2026	4.61%
Republic of the Philippines Bonds	4.32	1/15/2032	4.25%
Republic of the Philippines Bonds	4.22	1/13/2037	4.12%
Power Sector Assets and Liabilities Mgt.	4.00	12/2/2024	3.99%
Republic of the Philippines Bonds	2.50	6/17/2019	3.60%

Maturity Profile

Cash and Less than 1 Year	1.66%
Between 1 and 3 Years	10.66%
Between 3 and 5 Years	16.00%
Between 5 and 7 Years	11.89%
Between 7 and 10 Years	11.84%
More than 10 Years	47.96%

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.

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

⁴Average Daily NAV for the past 3 months

⁵Tracking error is the measure of deviation between the Fund's returns and the benchmark returns. It is computed as the annualized standard deviation of monthly returns as against the benchmark over three years. A lower number means the Fund's return is closely aligned with the benchmark.

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

⁷External Audit fee as a percentage of 2013 end-year NAV

⁸Net of Tax

*Plan rules are available upon request.

Manager's Report

Market Review. The JP Morgan Chase Asia Total Return Philippine Bond Index gained 0.72% in July to settle at the 231 level. Average prices of sovereign bonds were flat during the month, though liquid ROP bonds such as those due in 2024 and 2037 went up by 0.32 and 0.59 in price points, respectively. This came after the yield on 10-year US Treasury bonds inched up by three basis points to 2.56%.

During its last policy meeting, the US Federal Reserve remained committed to its accommodative policies even as the US economy exhibited some signs of recovery. The US economy expanded by 4% in the second quarter, helped by strong growth in consumer spending and business inventories. The strong GDP growth figure came as a surprise after first quarter growth was downwardly revised to negative 2.1%. As expected, the Fed Funds Rate was kept unchanged at 0-0.25%, and the Federal Reserve reduced its bond buying stimulus program by another US\$10 billion. The US central bank projected that its Fed Funds Rate would remain low for an extended period even after the end of its bond purchase program.

On the other hand, the Philippine central bank met last month at around the same time as the Federal Reserve and raised policy rates by 25 basis points to 3.75% for the borrowing rate, and to 5.75% for the lending rate. The Bangko Sentral ng Pilipinas said that the policy rate adjustments, the first since October 2012, were measured moves against higher inflation expectations. The decision to hike policy rates followed the previous meetings' hikes in reserve requirement and Special Deposit Account rates.

Fund Performance. Against this backdrop, the Fund has returned 6.94% year-to-date.

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

