

## 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 08/29/14

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

	1 mo	1YR	3YRS	5 YRS	S.I. <sup>3</sup>
<b>Fund</b>	1.23	12.93	20.65	55.00	84.77
JACI Phil <sup>2</sup>	1.28	12.98	21.80	58.59	89.80

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

	1YR	2YRS	3YRS	4YRS	5YRS	S.I. <sup>3</sup>
<b>Fund</b>	12.93	3.03	6.46	5.97	9.16	8.34
JACI Phil <sup>2</sup>	12.98	3.43	6.79	6.51	9.66	8.72

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

	YTD	2013	2012	2011	2010	2009
<b>Fund</b>	8.26	-5.23	15.09	9.91	13.40	20.71
JACI Phil <sup>2</sup>	8.64	-5.10	15.79	10.44	13.78	26.07

### Key Figures and Statistics

Net Asset Value per Unit (NAVPU)	USD	184.77
Total Fund NAV (Mn)	USD	23.95
Average Daily NAV for the Quarter (Mn) <sup>4</sup>	USD	23.56
Portfolio Weighted Yield to Maturity	%, net	3.67
Current Number of Holdings		45
<b>Statistics (Past 5 Years)</b>		
Annualized Return (% net)	Fund	9.16
	Index	9.66
Annualized Volatility (%)	Fund	5.01
	Index	5.15
Duration (years)	Fund	7.07
	Index	7.45
Tracking Error (3-Yr, %) <sup>5</sup>		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 <sup>6</sup>	0.25% per annum / 0.06% per quarter	
Custodianship Fee <sup>7</sup>	0.1447%	
External Audit Fee <sup>7</sup>	0.0342%	
Valuation Methodology	Marked-to-Market	
External Auditor	Isla Lipana & Co.	
Available Through	BPI Branches and <a href="http://www.bpiexpressonline.com">www.bpiexpressonline.com</a>	
Trustee	Bank of the Philippine Islands	
Third Party Custodian	HSBC, Ltd. (Philippines)	
Dealing Cut-Off	12:00 PM	

### Manager's Report

**Market Review.** August proved to be a good month for dollar-denominated ROPs as the JP Morgan Chase Asia Total Return Philippine Bond Index gained 1.28%. Prices of sovereign bonds tracked US Treasuries as investors adopted a flight-to-safety stance amid worsening conflicts in Iraq and Ukraine. The ten-year US Treasury benchmark yield ended the month lower by 21 basis points at 2.34%. ROP prices rallied by 0.92 during the month on the average, while the longer dated, liquid bonds due 2024 and 2037 went up by 1.083 and 3.696, respectively.

In the annual meeting of central bankers held in Jackson Hole, Wyoming, Fed Chair Janet Yellen said that a healthier US labor market warrants a more serious discussion on the timing of the interest rate increase. In last month's policy meeting, the Fed said that the target range for the Fed funds rate will remain low for a considerable time after the quantitative easing program ends.

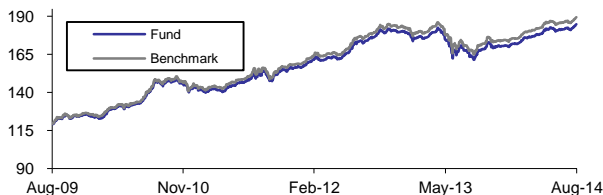
The European Central Bank's stance was the opposite as ECB President Mario Draghi lowered its benchmark rates and assured member economies of continued accommodation in its monetary policies. Inflation in the Eurozone slowed to 0.4% year-on-year while the unemployment rate reached 11.5% in July.

On the local front, the Philippine economy grew by 6.4% in the second quarter. On the production side, agriculture rose by 3.6% compared to a 0.2% contraction last year. Industry and service growth slowed to 7.8% and 6% from 10.5% and 7.8%, respectively. Merchandise exports grew by 21.3% to \$5.444 billion in June. This brought year-to-date growth to 8.3%, above the 6% target for the year. Meanwhile, gross international reserves increased by \$217.1 million to \$80.950 billion in July.

**Fund Performance.** Against this backdrop, the Fund has returned 8.26% year-to-date.

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

### NAVPU Graph



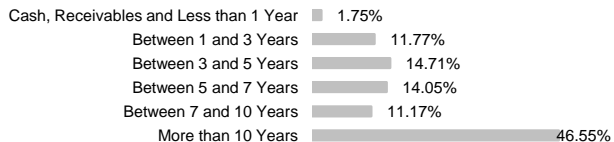
### Allocation

Portfolio Allocation: Government 65.03%, Corporates 33.22%, Cash and Receivables 1.75%

### Top Holdings

Name	Yield (%) <sup>8</sup>	Maturity	% of Fund
Republic of the Philippines Bonds	4.17	10/23/2034	8.37%
Republic of the Philippines Bonds	4.23	1/14/2031	7.31%
Republic of the Philippines Bonds	4.17	2/2/2030	7.12%
Republic of the Philippines Bonds	3.75	3/16/2025	5.86%
Republic of the Philippines Bonds	2.81	1/15/2021	5.02%
Republic of the Philippines Bonds	3.66	3/30/2026	4.41%
Republic of the Philippines Bonds	2.42	6/17/2019	4.18%
Republic of the Philippines Bonds	4.16	1/15/2032	4.06%
Republic of the Philippines Bonds	3.99	1/13/2037	4.00%
Power Sector Assets and Liabilities Mgt.	3.95	12/2/2024	3.76%

### 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.

<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

<sup>4</sup>Average Daily NAV for the past 3 months

<sup>5</sup>Tracking 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.

<sup>6</sup>Trust fee as a percentage of average daily NAV for the quarter

<sup>7</sup>Calculated based on the total billings received in 2013 divided by the average daily NAV in 2013

<sup>8</sup>Net of Tax

\*Plan rules are available upon request.