

COVER SHEET

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SEC Registration Number

F I R S T M E T R O P H I L I P P I N E E Q U I T Y -
 E X C H A N G E T R A D E D F U N D , I N C .
 (A n O p e n - E n d M u t u a l F u n d C o m p a n y)

(Company's Full Name)

1 8 t h F l o o r , P S B a n k C e n t e r , 7 7 7 P a
 s e o d e R o x a s c o r n e r S e d e ñ o S t r e e t
 M a k a t i C i t y

(Business Address: No. Street City/Town/Province)

Ms. Marie Arabella D. Veron

(Contact Person)

891-2860

(Company Telephone Number)

1 2

Month *Day*
(Fiscal Year)

3 1

SEC Form-17A

(Form Type)

2nd Wednesday of May

(Annual Meeting)

Investment Company

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

- 1. For the fiscal year ended: **December 31, 2018**
- 2. SEC Identification Number: **CS201300728**
- 3. BIR Tax Identification No.: **008-447-745**
- 4. Exact name of issuer as specified in its charter:
FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.
- 5. Province, Country or other jurisdiction of incorporation or organization
Metro Manila, Philippines
- 6. Industry Classification Code (SEC Use Only)
- 7. Address of principal office Postal Code
18TH Flr., PSBank Center, Paseo de Roxas corner Sedeño St. , Makati City **1226**
- 8. Issuer's telephone number, including area code: **(632) 891-2860**
- 9. Former name, former address, and formal fiscal year, if changed since last report: **Not Applicable**
- 10. Securities registered pursuant to Section 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding (Par Value P100.00)
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Common Stock	13,851,260 shares
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- 11. Are any or all of these securities listed on a Stock Exchange?

Yes No

Stock Exchange :		Philippine Stock Exchange
Class of Securities :		Common Shares

- 12. Check whether the issuer:

(a) has filed all reports required to be filed by section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Section 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes No

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes No

- 13. State the aggregate market value of the voting stock held by non-affiliates of the registrant.

Not Applicable

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

Description of Business

The First Metro Philippine Equity Exchange Traded Fund, Inc. (the Fund) was registered with the Securities and Exchange Commission (“SEC”) on January 15, 2013 as an open-end investment company under Republic Act No. 2629, otherwise known as the Investment Company Act and as an “Exchange Traded Fund” (“ETF”) under SEC Memorandum Circular No. 10, Series of 2012 otherwise known as the SEC Rules and Regulations on Exchange Traded Funds (the “SEC ETF Rules”). The Fund is engaged primarily in the business of investing, reinvesting, and trading in, and issuing and redeeming its shares of stock in creation units in exchange for a basket of securities representing an index.

As a licensed ETF, it offers to and through qualified trading participants (the “Authorized Participants”), on a continuous basis, shares in the Fund which are issuable and redeemable in creation units. The Board approved during its meeting on December 11, 2015, the reduction of the number of shares comprising one creation unit from 200,000 to 50,000 shares. Shares of the Fund may be directly redeemed in exceptional circumstances as approved by the SEC. In December 13, 2016, the Board approved to reduce further the number of shares per creation unit from 50,000 to 10,000 shares. Shares of the Fund may be directly redeemed in exceptional circumstances as approved by the SEC.

The Fund aims to provide returns which would reflect the performance of the Philippine equities market by investing in a basket of securities which are included in the PSEi of the PSE (the “Underlying Index”). The portfolio of the Fund is to be rebalanced and reconstituted every six (6) months in order to adjust to the current composition of the PSEi. Price volatility of the constituent shares of stock can affect the market value of the assets of the Fund and cause the Fund’s Net Asset Value (“NAV”) to vary.

The Fund is the only mutual fund traded on the Philippine Stock Exchange (PSE) and the shares of the Fund is listed on the ETF Board of the PSE. The shares of the Fund may be bought and sold on the secondary market at the quoted market price in the PSE through the Trading Participants of the PSE which may require payment of brokerage commissions, stock transaction tax and/or other fees and charges (e.g. clearing house fees). However, shares of the Fund may be issued and redeemed only through Authorized Participants in creation units. Investors who are interested in creating or redeeming shares in creation units may contact any one of the Authorized Participants or request his or her existing registered broker/Trading Participant to place such an order with any of the Authorized Participants. Interested investors should be aware that the Authorized Participants and the Trading Participants are required to comply with Philippine general laws, rules and regulations including any “know-your-customer” requirements under existing regulations.

First Metro Investment Corporation (First Metro) is the Fund Sponsor. As Fund Sponsor, First Metro organized the Fund and has provided the initial capital of the Fund totaling ₱750 million.

The product being sold by the Fund is its shares of stock, being a mutual fund company. As of December 31, 2018, the registrant’s total sales were ₱435.48 million.

Contributions to Sales/Revenues

The Fund generates its revenue from trading activities, disposal of investment securities and changes in the fair values of financial instruments at FVTPL, dividend income from equity securities and interest income from cash and cash equivalent.

The following are the details of the Fund's revenue generating activities:

	2018	%	2017	%	2016	%
INVESTMENT INCOME / (LOSS)						
Trading gains / (losses) – net	(₱199,798,080)	113.28%	₱257,270,680	93.22%	₱10,265,605	35.92%
Dividend income	23,375,876	(13.25%)	18,709,748	6.78%	18,315,092	64.08%
Interest income	41,104	(0.02%)	554	0.00%	509	0.00%
TOTAL REVENUE / (LOSS)	(₱176,381,100)	100.00%	₱275,980,982	100.00%	₱28,581,206	100.00%

Revenue / (loss) of the fund mainly came from the trading gains / (losses) which represents 113.28%, 93.22% and 35.92% of the total revenue for 2018, 2017 and 2016, respectively. Dividend income contributed (13.25%), 6.78% and 64.08% to the revenue of the Fund in 2018, 2017 and 2016, respectively. Interest and miscellaneous income have minimal contribution to the fund.

Distribution Methods of Products and Services

First Metro Asset Management, Inc. (“FAMI”) acts as the Fund Manager and Principal Distributor. FAMI aims to initially market the Fund and list the same in the PSE. FAMI will continue to perform all the functions of a Fund Manager with regard to the Fund as described under the SEC ETF Rules and in its Prospectus. As Principal Distributor, FAMI will market to and accept orders of the shares of the Fund in creation units from the Authorized Participants as described in the body of the Prospectus.

The Fund's Authorized Participants are First Metro Securities Brokerage Corporation (“FMSBC”) and IGC Securities, Inc. (“IGC”). A creation fee, inclusive of documentary stamp tax and other charges, of approximately eighty basis points (0.80%) of the total value of the Creation Order or a redemption fee, inclusive of other charges, of approximately eighty basis points (0.80%) of the total value of the Redemption Order is charged by an Authorized Participant to each investor who places a Creation or Redemption Order. FMSBC is also the appointed Market Maker of the Fund. There are no fees charged by and payable to the Market Maker.

The Fund appointed HSBC Securities Services (“HSBC”) as Custodian. As Custodian, HSBC shall hold in safe custody the assets of the Fund in accordance with the terms and conditions contained in the Custodian Agreement. HSBC shall charge an annual safe custody fee as per the agreed Tariff Schedule between FAMI and HSBC.

The Fund designated Interactive Data Corporation as Indicative Net Asset Value (“INAV”) Calculator. The INAV Calculator shall provide INAV calculations every one (1) minute during the Trading Day, which shall be disclosed in the websites of the Fund and the PSE as well as the PSE's ETF Board.

The total fee payable by the Fund to FAMI is a monthly fee equivalent to fifty basis points (0.50%) per annum of the average NAV of the Fund, computed on a daily basis. The NAV of the Fund is the aggregate value of the Fund's assets as determined by the market value of its underlying securities holdings, including any cash in the portfolio, interest receivables, dividend receivables, less liabilities such as taxes, accrued fees and expenses computed after the close of trading hours of the PSE.

Up to 30,000,000 shares of the Fund shall be continuously offered to the public through the Authorized Participants who directly transact with the Fund for Creation Orders. The shares of the Fund may also be bought and sold in the secondary market, in board lots, through the PSE, and investors who wish to trade the shares of the Fund may contact his or her Trading Participant. The Fund's investments shall be guided by investment guidelines and restrictions, which are set out in detail in the body of its Prospectus.

An application for listing of the shares of the Fund (comprising of all issued and outstanding, and unissued shares of the Fund) was approved on October 9, 2013 by the Board of Directors of the PSE,

subject to the fulfillment of certain listing conditions. All issued and outstanding shares of the Fund shall be listed on the ETF Board of the PSE, while unissued shares of the Fund shall be subject to shelf listing in accordance with the PSE ETF Rules.

An application has been made to the SEC to register the shares under the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799) (the "SRC").

Competition

The competitive environment for the Fund's products includes not only the products and services offered by the other Mutual Fund players, but all other investment instruments that the target market has access to. The Philippine mutual fund industry is still a relatively young industry compared to those of other countries. However, it is growing at a fast rate.

As of December 31, 2018, First Metro Philippine Equity Exchange Traded Fund, Inc. is the only Fund in exchange traded fund category.

Principal Suppliers and Major Clients

The Fund has no raw materials for its business nor has any major existing supply contracts.

Dependence to a Single Customer or Few Customers

First Metro Securities Brokerage Corporation (FMSBC) and IGC Securities (IGC) are the Authorized Participants (AP) of the Fund. The Authorized Participant is a registered broker-dealer and Trading Participant that entered into an Authorized Participant Agreement and participates in the creation and redemption of Shares of the Fund. As of December 31, 2018, FMSBC and IGC own 61.83% and 0.01% of the Fund's outstanding shares of stock at broker level, respectively.

Transactions with and/or Dependence on Related Parties

Parties are related if one party has the ability, directly or indirectly, to control the other parties or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence.

The Fund's related parties also include key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members.

As fund manager of the Fund, FAMI is entitled to the following, pursuant to the Management and Distribution Agreement (the Agreement) dated April 1, 2015. The Agreement shall take effect for a period of two years and shall continue in effect from year to year, unless otherwise terminated or amended by the parties in accordance with specified terms and conditions.

The Fund shall pay an annual management fee of 0.50% of the average NAV of the Fund. The NAV shall be determined by computing the total value of the Fund's assets less its liabilities.

The above fees accruing during each calendar month shall be paid to FAMI during the first week of the succeeding month. The Fund started to accrue management fees expense when it was listed with the PSE on December 2, 2013.

On September 5, 2013, the Fund entered into a stock transfer agency agreement with MBTC-TBG for a monthly fee amounting to ₱0.02 million. Transfer Agency fee as of December 31, 2018 and 2017 amounted to ₱0.15 million and ₱0.11 million, respectively.

The following table shows related party transactions included in the financial statement

31-Dec-18			
	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Ultimate parent company			
Cash in banks		16,371,132	Savings account with 0.25% interest rate
Financial assets at FVTPL		66,783,750	Investments in equity securities
Purchases	30,549,302		
Sales	6,442,193		
Dividend income	588,510		Dividend income from investment
Interest income	41,104		Income from cash in banks
Stock transfer agency fee****	147,900	35,815	Fee paid to stock transfer agent every month
Other related parties			
Financial assets at FVTPL*		40,209,975	Investments in equity securities
Purchases	17,126,235		
Sales	3,541,120		
Dividend income*	94,725		Dividend income from investment
Management fee**	8,486,866	633,158	0.50%; Monthly fee based on average NAV
Accts Payable – others**		116,504	Fund expenses paid by FAMI
Brokers' commission***	491,297		Incurred for purchases and sales of equity securities
Due to brokers***			– Cash component on stock redemption or subscriptions, settled at T+3
Directors' and officers' fees	267,500		– Per diems given to directors and officers during board meetings

* *GT Capital*

** *FAMI*

*** *FMSBC*

**** *MBTC-TBG*

Terms and conditions of transactions with related parties

Outstanding balances at year-end are unsecured and settlement occurs in cash. There are no provisions for amounts due from related parties. There have been no guaranties provided or received for any related party receivables and payables.

Details of investments in the Fund by related parties are set out below:

	Number of shares held at January 1	% interest held at January 1	Number of shares acquired during the year*	Number of shares disposed during the year	Number of shares held at December 31	% interest held at December 31
2018						
First Metro	3,372,846	30.82	2,452,057	-	5,824,903	42.05
FMSBC	116,408	1.06	2,247,057	2,321,070	42,395	0.31
FMSALEF	881,800	8.06	1,077,686	1,959,486	-	-
FMSALBF	712,030	6.51	64,710	776,740	-	-
OWN	46,380	0.42	35,000	81,380	-	-
Directors and officers	557	0.01	171	-	728	0.01

Effective or Existing or Probable Governmental Regulation

The Fund is governed by the provisions in its prospectus that incorporated relevant investment rules and regulations by regulators such as the Investment Company Act, SEC ETF Rules, and the SEC, among others.

The Fund's investment activities are guided by the following limits/conditions:

- investments in margin purchases of securities, commodity futures contracts, precious metals, unlimited liability investments, short-selling of currencies and securities are not allowed.

- it shall not incur any further debt or borrowing.
- it shall not participate in underwriting or selling activities in connection with the public distribution of securities except for its own capital stock.
- investment in any company for the purpose of exercising control or management or to invest in the securities of other investment companies and real estate companies is prohibited.
- purchasing or selling of securities other than capital stocks of the Fund from or to any of its officers or directors or the officers and directors of its investment adviser/s, manager or distributor/s or firm/s of which any of them are members is prohibited.
- it shall not invest in lending operations.

Compliance with US Foreign Account Tax Compliance Act (FATCA) Regulations

Pursuant to SEC Memorandum Circular No. 8, series of 2014, the following actions were undertaken to comply with the US Foreign Account Tax Compliance Act (FATCA) requirements, as follows:

- 1) Metrobank, being the Lead FFI of an Expanded Affiliate Group (EAG), has identified First Metro and its subsidiaries that are qualified as Foreign Financial Institutions (FFI);
- 2) Metrobank, being the Lead FFI, has created FATCA accounts for First Metro and the covered subsidiaries;
- 3) First Metro has created a FATCA Compliance Ad Hoc Committee last December 27, 2013 to oversee the FATCA implementation requirements for First Metro and its subsidiaries;
- 4) First Metro, through its Compliance Division, has registered last January 6, 2014 with the US IRS for FATCA purposes, including the covered subsidiaries. The IRS issued a Global Intermediary Identification Number (GIIN) for each of the following FFI:
 - a. First Metro Investment Corporation
 - b. First Metro Securities Brokerage Corporation
 - c. PBC Capital Investment Corporation
 - d. FMIC Equities, Inc.
 - e. Resiliency (SPC), Inc.
 - f. First Metro Asset Management, Inc.
 - g. First Metro Save and Learn Dollar Bond Fund, Inc.
 - h. First Metro Asia Focus Equity Fund, Inc.
 - i. First Metro Philippine Equity Exchange Traded Fund, Inc.
 - j. First Metro Save and Learn Equity Fund, Inc.
 - k. First Metro Save & Fixed-Income Fund, Inc.
 - l. First Metro Save and Learn Balanced Fund, Inc.
 - m. First Metro Consumer Fund on MSCI Philippines, IMI, Inc.
 - n. First Metro Save and Learn Money Market Fund, Inc.
 - o. First Metro Save and Learn F.O.C.C.U.S. Dynamic Fund, Inc.
- 5) First Metro and its subsidiaries has conducted initial runs for search of US Indicia in their databases;
- 6) First Metro has adopted the Metrobank template for Letters to Depositors and the Certification, Consent and Waiver Form for identified US Indicia accounts;
- 7) First Metro is finalizing the establishment of the policies and procedures to identify US Indicia and tag the same in the company's systems for the pre-existing accounts and on-boarding procedures for new accounts;
- 8) First Metro is rolling out training awareness on FATCA for all its employees, including the covered subsidiaries; and

- 9) First Metro, through its Compliance Division, has continuously coordinated with its parent bank Metrobank and the Association of Bank Compliance Officers or ABCOMP to raise issues and queries on FATCA implementation.

Research and Development Costs

The Fund has not undergone, and therefore has not incurred costs, into any research and development activities during the last five years.

Compliance with Environmental Laws

The Fund is not required to comply with any environmental laws.

Employees

The Fund has no employees because all aspects of its operations and administration are subcontracted with third parties; hence, it has no risks as far as labor problems are concerned.

Major Risks Involved

Various risk factors can affect the market value of the assets of the Fund and cause the Fund's net asset value to vary. Consequently, there are instances when redemption prices of redeemed shares may be less than the prices at which the shares were originally purchased. Investors who redeem their shares during this time may not recover the full cost of their investment.

The Fund has identified the following major risks involving each of its businesses and other operations:

Market Risk. The Fund's investments in equity securities may decline in value due to factors affecting securities markets generally, or particular countries, segments, economic sectors, industries or companies within those markets. The value of a security may decline due to general economic and market conditions which are not specifically related to a particular issuer, such as real or perceived adverse economic conditions or changes in interest or currency rates. Fluctuations in the value of securities in which the Fund invests will cause the NAV of the Fund to fluctuate. Historically, the markets have moved in cycles, and the value of the Fund's securities and other financial instruments may fluctuate drastically from day to day.

Stock Market Risk. Investing in shares of stock is generally riskier than investing in fixed-income securities, hence investors' money or principal may even be lost. The risks inherent to equity ETFs are related to the volatility of the stock market. Changes in prices of equity securities that compose the Fund's investment portfolio may substantially vary in a short span of time. The performance of the companies whose shares are included in the portfolio of the Fund is very much dependent on the people behind those companies. Added to that, stock prices are sensitive to political and economic conditions that normally change from time to time.

Index Risk. The Fund is subject to the risk that the Underlying Index may underperform other segments of the equity market or the equity market as a whole.

The Fund aims to track the PSEi, which is rebalanced every six (6) months. The returns of the Fund may be affected by such rebalancing, and the Fund is subject to the risk that it may not accurately track the returns of the PSEi.

Liquidity Risk. Although the Underlying Index shall be comprised of securities included in the main index of the PSE, in certain circumstances, it may be difficult for the Fund to purchase and sell particular investments within a reasonable time at a fair price. In addition, the ability to assign

an accurate daily value to certain investments may be difficult, and the Fund Manager may be required to fair value the investments.

Tracking Error Risk. The tracking error is the divergence of the Fund's performance from that of the index it tracks. Tracking error may occur because of differences between the securities held in the Fund's portfolio and those included in the index, pricing differences, transaction costs, the Fund's holding of cash, differences in timing of the accrual of dividends, changes to the Underlying Index or the need to meet various new or existing regulatory requirements. This risk may be heightened during times of increased market volatility or other unusual market conditions. Tracking error also may result because the Fund incurs fees and expenses, while the index it tracks does not.

Early Closing Risk. An unanticipated early closing of the PSE may result in a shareholder's inability to buy or sell shares of the Fund on that day.

Trading Halt Risk. Secondary market trading in the shares of the Fund may be halted or suspended by the PSE because of market conditions or other reasons. If a trading halt or suspension occurs, a shareholder may temporarily be unable to purchase or sell shares of the Fund.

Trading Risk. Shares may trade below their NAV. The NAV of the shares of the Fund will fluctuate with changes in the market value of the Fund's holdings. In addition, although the shares of the Fund are listed on the PSE, there can be no assurance that an active trading market for shares of the Fund will develop or be maintained.

The Philippine securities markets are substantially smaller, less liquid, and more volatile relative to major securities markets in the U.S. and other jurisdictions, and may not be as highly regulated or supervised as some of these other markets. The NAVPS of the shares when issued, may differ significantly from the price at which the shares will trade on the PSE.

Interest Rate Risk. Interest rate movements may have direct impact on the prices of assets of the Fund. Some assets are more sensitive to changes in interest rates while other assets may not. It is expected that interest rate movements may have negative influence of the Fund's assets.

Inflation Risk. Inflation risk is the risk that inflation may erode the real value of an investment by the Fund.

Non-Diversification Risk. The Fund is considered non-diversified and can invest a greater portion of its assets in securities of individual issuers than a diversified fund. As a result, changes in the market value of a single security could cause greater fluctuations in the value of the shares of the Fund than would occur in a diversified fund.

Passive Investment Risk. The Fund is not actively managed and the Fund Manager does not attempt to take defensive positions in declining markets. Therefore, the Fund may be subject to greater losses in a declining market compared to a fund that is actively managed.

Absence of Operating History. The Fund is a start-up company and may also be affected by risks associated with companies that do not have operating histories. However, people and companies behind the Fund have actual experience and a track record in mutual funds and other financial institutions.

The investors should be aware that their investment in exchange traded funds is not guaranteed by the Philippine Deposit Insurance Corporation. The Fund Manager is also not permitted by law to guarantee any yield to the investors of the Fund.

Risk of Dilution. Because the Fund is an Open-end Investment Company, investors may effectively subscribe to any amount of Shares of the Fund. As such, investors face the risk of the percentage of their stockholding in the Fund being diluted as more investors subscribe to the Shares. The influence that the investors can exert over the control and management of the Fund decreases proportionally.

Geographic Concentration Risk. The Fund's investments are primarily in shares of stock of publicly listed domestic corporations. Funds that are less diversified across countries or geographic regions are generally riskier than more geographically diversified funds. A fund that focuses on a single country or a specific region is more exposed to that country's or region's economic cycles, currency exchange rates, stock market valuations and political risks, among others, compared with a more geographically diversified fund.

Delay in Issuance of ETF Shares Risk. In the event that the authorized capital stock of the Fund has been fully subscribed, the Fund will have to apply for an increase in its authorized capital stock with the SEC in order to accommodate additional creation orders. Due to the corporate actions and regulatory approvals that have to be complied with to increase the authorized capital stock of the Fund, there may be a delay in delivery of the Shares of the Fund to Authorized Participants which made such creation orders.

Securities Lending Risk. The Fund bears the risk of loss of investing cash collateral and may be required to make payments to a borrower upon return of loaned securities if invested collateral has declined in value. Furthermore, because of the risks in delay of recovery, the Fund may lose the opportunity to sell the securities at a desirable price, and it may not have the right to vote securities while they are being loaned.

Regulation and Taxation Risk. The Fund is subject to a number of national and local laws and regulations. These include industry laws and regulations relating to investment and publicly-owned companies, the PSE and applicable taxes. The Fund cannot assure prospective investors that changes in laws or regulations, including those related to investment and publicly-owned companies, the PSE and applicable taxes, will not result in the Fund or the investors in the Fund having to incur substantial additional expenditures in relation to the Fund's investments or investments in the Fund.

Risks Relating to the Philippines. Substantially all of the Fund's Component Securities are shares of companies based in the Philippines, which exposes the Fund to the risks associated with the country, including the performance of the Philippine economy. Factors that may adversely affect the Philippine economy include: (1) decreases in business, industrial, manufacturing or financial activities in the Philippines, the Southeast Asian region or globally; (2) scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines, the Southeast Asian region or globally; (3) exchange rate fluctuations; (4) inflation or increases in interest rates; (5) levels of employment, consumer confidence and income; (6) changes in the Philippine government's fiscal and regulatory policies; (7) re-emergence of SARS, avian influenza (commonly known as bird flu), or H1N1, or the emergence of another similar disease in the Philippines or in other countries in Southeast Asia; (8) natural disasters, including but not limited to tsunamis, typhoons, earthquakes, floods, fires and similar events; (9) political instability, terrorism or military conflict in the Philippines, other countries in the region or globally; and (10) other social, political or economic developments in or affecting the Philippines. There can be no assurance that the Philippines will achieve strong economic fundamentals in the future. Changes in the conditions of the Philippine economy could materially and adversely affect the performance of the Fund.

Dependence on the Services of Third Parties. The Fund relies on the services of third parties such as the Authorized Participants, Principal Distributor, Fund Manager, Custodian, Stock and Transfer Agent, and INAV Calculator, among others, to run its operations. The loss of services of any of these third parties could materially impair the Fund's operations and performance, and the

Fund may not immediately be able to replace such third party within a reasonable period of time, which could materially and adversely affect the Fund's operations and performance.

The Fund also relies on the PDTC as the securities depository of its shares. The PDTC may determine to discontinue providing its service with respect to the shares at any time by giving notice to the Fund, the Fund Manager, the Custodian and the Fund Sponsor and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, the Fund, the Fund Manager and Principal Distributor, the Custodian and/or the Fund Sponsor shall take action either to find a replacement for the PDTC to perform its functions at a comparable cost or, if such a replacement is unavailable, to terminate the Fund.

Item 2. DESCRIPTION OF PROPERTIES

The Fund does not own any properties (such as real estate, plant and equipment, mines, patents, etc.).

Item 3. LEGAL PROCEEDINGS

There are no pending material legal proceedings to which First Metro Philippine Equity Exchange Traded Fund is a party since its inception in 2013.

Item 4. SUBMISSION OF MATTER TO A VOTE OF SECURITY HOLDERS

There are no matters submitted during the calendar year covered by this report to a vote of security holders, through the solicitation of proxies or otherwise.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. MARKET PRICE OF AND DIVIDENDS ON ISSUER’S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

The Fund shares were traded in the Philippine Stock Exchange (PSE). Below is the history of NAVPS of the Fund for the first quarter of 2019 and the years 2018, 2017 and 2016.

Year		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2019	High	120.7381	-	-	-
	Low	110.7453	-	-	-
2018	High	137.1606	122.3314	116.8885	114.2078
	Low	120.0840	103.5045	106.0009	101.5321
2017	High	121.6214	132.2690	125.5525	129.7393
	Low	112.8597	117.5979	118.3453	122.5688
2016	High	120.9464	128.1615	133.0333	127.3776
	Low	99.4088	115.0240	124.4970	108.3009

Holdings

As of December 31, 2018 there are 1,152* account holders of the Fund’s outstanding common stock. Shown below are the top twenty (20) shareholders, including the number of shares and percentage of ownership held by each as of the same date.

No	Name of Owner	No. of Shares Held	Percent to Outstanding Shares
1	First Metro Securities Brokerage Corp.	8,564,385	61.83%
2	COL Financial Group, Inc.	1,606,937	11.60%
3	MBTC - Trust Banking Group	1,430,226	10.33%
4	BPI Securities Corporation	636,314	4.59%
5	RCBC Securities, Inc.	324,167	2.34%
6	The First Resources Management & Securities Corp.	252,714	1.82%
7	BDO Securities Corporation	146,454	1.06%
8	Citibank N.A.	98,890	0.71%
9	BDO Nomura Securities, Inc.	79,977	0.58%
10	Maybank ATR Kim Eng Securities, Inc.	72,719	0.52%
11	R. Nubla Securities, Inc.	55,485	0.40%
12	Ab Capital Securities, Inc.	50,008	0.36%
13	Investors Securities, Inc.,	44,707	0.32%
14	PNB Securities, Inc.	43,947	0.32%
15	Solar Securities, Inc.	31,971	0.23%
16	Abacus Securities Corporation	27,141	0.20%
17	Eastern Securities Development Corporation	26,709	0.19%
18	First Integrated Capital Securities, Inc.	26,300	0.19%
19	Papa Securities Corporation	20,130	0.15%
20	Philstocks Financial, Inc.	16,979	0.12%

**Total number of shareholders is derived from Authorized Participants’ records as well as PDTC’s PCD Nominee report.*

Dividends

The Board of Directors of the Fund may decide to declare dividends from the unrestricted retained earnings of the Fund at a time and percentage as the same Board may deem proper and in accordance with law.

The Fund may declare or pay dividends but limit those dividends to come from the Fund's accumulated undistributed net income, determined in accordance with PFRS and including profits or losses realized upon the sale of securities; or from the Fund's earned surplus so determined for the current or preceding fiscal year.

As provided for in the Fund's By-Laws, the Board of Directors may make arrangements with its stockholders whereby the amount of unrestricted retained earnings not declared as cash dividends and/or other distributions may be reinvested in the Fund's basket of securities in lieu of cash dividends to be paid to the stockholders. The arrangement with shareholders shall be such that the aforementioned amount of unrestricted retained earnings dividends to be reinvested in the Fund's basket of securities shall be declared as stock dividends in accordance with law and valued at the NAVPS of the Fund at the time said stock dividends are paid.

The Board of Directors of the Fund intends to declare, as cash dividends, a minimum of ten percent (10%) of the amount of the unrestricted retained earnings derived from the cash dividend income of the portfolio of the Fund based on the latest audited financial statements of the Fund; Provided, that the Board shall pass the appropriate Board resolution covering any dividend declaration, and such dividend declaration shall be disclosed to the SEC, the PSE and the Fund's website.

Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The Fund's Statement of Financial Position and Statement of Comprehensive Income as of and for the years ended December 31, 2018, 2017 and 2016 are presented below.

Statements of Financial Position

	As of December 31			Increase (Decrease)			
	2018	2017	2016	2018 vs. 2017		2017 vs. 2016	
				Amount	%	Amount	%
ASSETS							
Cash in banks	₱16,371,132	₱12,064,174	₱4,161,350	₱4,306,958	35.70%	₱7,902,834	189.91%
Financial assets at fair value through profit or loss (FVTPL)	1,518,497,746	1,407,701,912	859,772,130	110,795,834	7.87%	547,929,782	63.73%
Receivables	433,261	1,059,715	680,484	(626,454)	(59.12%)	379,231	55.73%
	₱1,535,302,139	₱1,420,825,801	₱864,613,964	114,476,338	8.06%	556,211,837	64.33%
LIABILITIES AND EQUITY							
Liabilities							
Accounts payable and accrued expense	₱1,302,908	₱1,271,854	₱1,159,692	₱31,054	2.44%	₱112,162	9.67%
Equity							
Capital stock	1,385,126,000	1,094,200,000	765,000,000	290,926,000	26.59%	329,200,000	43.03%
Additional paid-in capital	152,213,370	92,152,483	8,502,216	60,060,887	65.18%	83,650,267	983.86%
Retained earnings (deficit)	(3,340,139)	233,201,464	89,952,056	(236,541,603)	(101.43%)	143,249,408	159.25%
	1,533,999,231	1,419,553,947	863,454,272	114,445,284	8.06%	556,099,675	64.40%
	₱1,535,302,139	₱1,420,825,801	₱864,613,964	₱114,476,338	8.06%	₱556,211,837	64.33%

Statements of Comprehensive Income

	Years Ended December 31			Increase (Decrease)			
	2018	2017	2016	2018 vs 2017		2017 vs 2016	
				Amount	%	Amount	%
INVESTMENT INCOME (LOSS)							
Trading gains (losses)	(P199,798,080)	P257,270,680	P10,265,605	(P457,068,760)	(177.66%)	P247,005,075	2,406.14%
Dividend income	23,375,876	18,709,748	18,315,092	4,666,128	24.94%	394,656	2.15%
Interest income	41,104	554	509	40,550	7319.49%	45	8.84%
	(176,381,100)	275,980,982	28,581,206	(452,362,082)	(163.91%)	247,399,776	865.60%
EXPENSES							
Management fees	8,486,866	6,672,251	5,586,013	1,814,615	27.20%	1,086,238	19.45%
Custodian and transfer agency fees	1,012,546	933,074	1,051,710	79,472	8.52%	(118,636)	(11.28%)
Information technology expenses	693,064	342,970	762,082	350,094	102.08%	(419,112)	(55.00%)
Regulatory and filing fees	600,474	489,306	347,216	111,168	22.72%	142,090	40.92%
Taxes and licenses	498,482	536,165	35,159	(37,683)	(7.03%)	501,006	1,424.97%
Brokers' commissions	491,297	396,558	166,167	94,739	23.89%	230,391	138.65%
Directors' and officers' fees	256,500	301,500	373,000	(45,000)	(14.93%)	(71,500)	(19.17%)
Miscellaneous	288,371	228,993	208,201	59,378	25.93%	20,792	9.99%
	12,327,600	9,900,817	8,529,548	2,426,783	24.51%	1,371,269	16.08%
NET INVESTMENT INCOME (LOSS) BEFORE FINAL TAX	(188,708,700)	266,080,165	20,051,658	(454,788,865)	(170.92%)	246,028,507	1,226.97%
PROVISION FOR FINAL TAX	534,070	322,433	127,447	211,637	65.64%	194,986	152.99%
NET INVESTMENT INCOME (LOSS)	(P189,242,770)	P265,757,732	P19,924,211	(P455,000,502)	(171.21%)	P245,833,521	1,233.84%

2018

Financial Position (December 31, 2018 vs. December 31, 2017)

The total resources of the Fund soared by 8.06% or P0.11 billion from P1.42 billion at the beginning of the year to P1.54 billion as of December 31, 2018. Liabilities increased as well by P0.03 million or 2.44% during the year.

The changes in total assets and liabilities were primarily due to the movements in the following accounts:

a) Cash in banks

Cash in banks went up significantly by P4.31 million or 35.70% from P12.06 million in December 31, 2017 to P16.37 million in December 31, 2018. This account represents the Fund's savings and checking accounts in local banks and earns interest up to 0.25% in 2018 and 2017.

b) Financial assets at fair value through profit or loss

Financial assets at FVTPL consist of quoted equity securities held for trading amounting to P1.52 billion and P1.41 billion as of December 31, 2018 and 2017, respectively. This account went up by P0.11 billion or 7.87% due to additional investment in equity securities relative to subscription of shares made during the year.

c) Receivables

Loans and receivables consist of dividends and other receivables. This account went down by P0.63 million or 59.12% from last year's balance of P1.06 million mainly due to the lower dividend declaration made by Investee Companies as of December 31, 2018.

d) Accounts payable and accrued expenses

This account is composed of payable to FAMI, custodian fee payable, accounts payable, accrued expenses and withholding taxes payable. Accounts payable and accrued expenses rose by P0.03

million or 2.44% from ₱1.27 million at the beginning of the year to ₱1.3 million as of December 31, 2018.

Payable to FAMI consists of accrued management fees, which went up by ₱0.07 million or 12.88% relative to the growth of Fund's net assets.

Custodian fee payable represents unpaid fees to the Fund's custodian for daily fees charged based on transactions made and for safekeeping services of the Fund's cash and equity securities.

Accrued expenses include professional fee and transfer agency fee.

Accounts payable includes cash component for redemption, unpaid retainer fees, information technology fees and listing fees.

e) Equity

Capital Stock

The Fund's authorized and issued capital stock are as follows:

	2018	2017
Authorized	30,000,000 shares	30,000,000 shares
Issued	13,851,260 shares	10,942,000 shares

The BOD approved and the stockholders ratified on April 16, 2013 the increase in authorized capital stock of the Fund from ₱1.00 billion (10.00 million redeemable common shares) to ₱3.00 billion (30.00 million redeemable common shares) with a par value of ₱100.00 per share. The increase in authorized capital stock and the registration statement was approved by the SEC on August 29, 2013 and November 27, 2013, respectively.

Additional paid-in capital amounted to ₱152.21 million and ₱92.15 million in 2018 and 2017, respectively. The rise of ₱60.06 million was affected by the net subscription position of the fund as of December 31, 2018.

As of December 31, 2018, the Fund registered a *deficit* amounting to ₱3.34 million from ₱233.20 million *retained earnings* in 2017. The ₱236.54 million or 101.43% decline was primarily due to the Fund's net loss for the year.

Results of Operations (January 1– December 31, 2018 vs. January 1– December 31, 2017)

For the year ended December 31, 2018, the Fund posted a net loss of ₱189.24 million as compared to ₱265.76 million net income in 2017.

The highlights of the results of operations for the year ended December 31, 2018 are as follows:

a) Trading and securities gains (losses)

This account, amounting to ₱199.8 million losses, consists of realized loss of ₱18.59 million from sale of financial assets at FVTPL securities and unrealized loss on marking-to-market of ₱181.21 million. The significant decrease of ₱457.07 million was primarily due to the lower fair market value of equity securities during the current year.

b) Dividend income

Dividend income earned from financial assets at FVTPL amounted to ₱23.38 million and ₱18.71 million in 2018 and 2017, respectively. The ₱4.67 million increase was caused by higher inventory of shares held by the fund for the year ended December 31, 2018.