COVER SHEET

CS2013-00728

SEC Registration Number

FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC. (An Open-End Mutual Fund Company)

(Company's Full Name)

18th Floor, PSBank Center, 777 Paseo de Roxas corner Sedeño Street, Makati City

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

Mr. Edwin B. Valeroso

(Contact Person)

891-2860

(Company Telephone Number)

12 31

Month Day

(Fiscal Year)

SEC Form-17Q

(Form Type)

2nd Wed. of May

(Annual Meeting)

Investment Company

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

I.C.T.D. SEC AUG 14 2014

1. For the quarterly period ended: **June 30, 2014**

2. Commission identification number: **CS201300728**

3. BIR Tax Identification No.: **008-447-745-000**

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 issuer's principal office Postal Code
18th Floor, PSBank Center, Paseo de Roxas corner Sedeño St., Makati City 1200

8. Issuer's telephone number, including area code: **(632) 891-2860**

9. Former name, former address and former fiscal year, if changed since last report: **N/A**

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

    (a) Authorized capital stock: **30,000,000 shares** **₱3,000,000,000.00**

    (b.) Number of shares outstanding as of: June 30, 2014

    Common shares **8,100,000**

    (c.) Amount of debt outstanding (unpaid subscriptions): **None**

11. Are any or all of the securities listed in the Philippine Stock Exchange?

    Yes [/] No [ ]

12. Indicate by check mark whether the registrant:

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

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.

(An Open-End Mutual Fund Company)

STATEMENTS OF FINANCIAL POSITION

	As of	
	June 30,2014 (Unaudited)	December 31,2013 (Audited)
ASSETS		
Cash in bank	**₱11,484,997**	₱15,991,481
Financial assets at fair value through profit or loss	**882,691,971**	726,135,927
Loans and receivables	**1,239,590**	603,720
Other asset	**80,220**	–
	₱895,496,778	₱742,731,128
LIABILITIES		
Accounts payable and accrued expenses	**₱1,150,725**	₱457,058
Documentary stamp tax payable	**200,000**	200,000
Withholding tax payable	**69,909**	57,055
	₱1,420,634	₱714,113
EQUITY		
Capital stock	**₱809,280,200**	₱788,241,680
Additional paid-in capital	**3,590,440**	–
Retained earnings (Deficit)	**81,205,504**	(46,224,665)
	894,076,144	742,017,015
TOTAL LIABILITIES AND EQUITY	**₱895,496,778**	₱742,731,128
NET ASSET VALUE PER SHARE	**₱110.3798**	₱94.2276

FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.
(An Open-End Mutual Fund Company)

STATEMENTS OF COMPREHENSIVE INCOME*

	For the Period Ended June 30		For the Quarter Ended June 30	
	2014	2013**	2014	2013**
INVESTMENT INCOME				
Trading and securities gain	₱ 122,021,773	₱ –	₱ 51,347,724	₱ –
Dividend income	12,470,759	–	4,487,367	–
Interest income	87,985	387,305	87,985	158,102
	134,580,517	387,305	55,923,076	158,102
OPERATING EXPENSES				
Management fee	2,224,113	–	1,176,714	–
Information technology expenses	432,975	–	214,952	–
Taxes and licenses	381,588	1,250,000	87,693	1,250,000
Broker's commission	340,197	–	126,979	–
Custodian and transfer agency fees	272,787	–	135,136	–
Directors and officers fees	188,273	111,500	94,712	111,500
Regulatory and filing fees	137,505	2,022,580	132,455	–
Professional fees	27,273	246,400	13,712	246,400
Miscellaneous	39,820	2,062	8,563	2,062
	4,044,531	3,632,542	1,990,916	1,609,962
INVESTMENT INCOME (LOSS) BEFORE FINAL TAX	130,535,986	(3,245,237)	53,932,160	(1,451,860)
PROVISION FOR FINAL TAX	17,597	77,461	17,597	31,620
NET INVESTMENT INCOME (LOSS)	₱ 130,518,389	(₱ 3,322,698)	₱ 53,914,563	(₱ 1,483,480)
EARNINGS (LOSS) PER SHARE	₱ 16.4699	(₱ 1.3291)	₱ 6.8034	(₱ 0.5934)

*There are no other comprehensive income items for the period June 30, 2014 and 2013.
** First Metro Philippine Equity Exchange Traded Fund, Inc. was registered in the Securities and Exchange Commission on January 15, 2013.

FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.
(An Open-End Mutual Fund Company)

STATEMENTS OF CHANGES IN EQUITY

	Number of shares Outstanding	Capital Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Total Equity
Balance at January 1, 2014	7,900,000	₱ 788,241,680	₱–	(₱46,224,665)	₱ 742,017,015
Total comprehensive income for the quarter	–	–	–	130,518,389	130,518,389
Shares issued during the quarter	600,000	59,435,860	3,590,440	–	63,026,300
Shares redeemed during the quarter	(400,000)	(38,397,340)	–	(3,088,220)	(41,485,560)
Balance at June 30, 2014	8,100,000	₱ 809,280,200	₱ 3,590,440	₱ 81,205,504	₱ 894,076,144
Balance at January 1, 2013	–	₱–	₱–	₱–	₱–
Total comprehensive loss for the quarter	–	–	–	(3,322,698)	(3,322,698)
Shares issued during the quarter	2,500,000	250,000,000	–	–	250,000,000
Balance at June 30, 2013	2,500,000	₱ 250,000,000	₱–	(₱ 3,322,698)	₱ 246,677,302

FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.
(An Open-End Mutual Fund Company)

STATEMENTS OF CASH FLOWS

	For the Period Ended June 30	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Investment income before tax	₱ 130,535,986	(₱3,245,237)
Adjustments for:		
Unrealized gain on equity securities	(115,771,808)	–
Changes in operating assets and liabilities:		
Increase in the amounts of:		
Financial assets at fair value through profit and loss	(40,784,236)	–
Loans and receivables	(635,870)	–
Other asset	(80,220)	–
Increase in accounts payable and accrued expenses	706,521	3,632,542
Net cash provided by (used in) operations	(26,029,627)	387,305
Income taxes paid	(17,597)	(77,461)
Net cash provided by (used in) operating activities	(26,047,224)	309,844
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	63,026,300	250,000,000
Proceeds from redemption of shares	(41,485,560)	–
Net cash provided by financing activities	21,540,740	250,000,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,506,484)	250,309,844
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	15,991,481	–
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	₱ 11,484,997	₱ 250,309,844
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS		
Dividend Received	₱ 12,486,934	₱ –
Interest Received	87,985	387,305
	₱ 12,574,919	₱ 387,305

1. Corporate Information

First Metro Philippine Equity Exchange Traded Fund, Inc. (the Fund) was incorporated on January 15, 2013. The Fund's registration under Republic Act (RA) No. 2629, the *Philippine Investment Company Act*, Securities and Exchange Commission (SEC) Exchange Traded Fund Rules, and the Securities Regulation Code as an open-end investment company engaged in the business of investing, reinvesting and trading in and issuing and redeeming its shares of stock in creation unit in exchange for basket of securities representing an index. The Fund's shares were listed with the Philippine Stock Exchange (PSE) on December 2, 2013.

As a licensed ETF, the Fund offers to qualified trading participants, on a continuous basis, the shares of the Fund which are issuable and redeemable in predetermined creation units. Shares of the Fund maybe directly redeemed in exceptional circumstances as approved by the SEC.

The Fund is majority-owned by First Metro Investment Corporation (First Metro or the Parent Company) and its ultimate parent company is Metropolitan Bank & Trust Company (MBTC). First Metro Asset Management, Inc. (FAMI) a majority-owned subsidiary of First Metro, serves as the fund manager and principal distributor of the Fund. Metropolitan Bank & Trust Company - Trust Banking Group (MBTC-TBG) serves as the Fund's stock and transfer agent. First Metro Securities Brokerage Corporation (FMSBC) serves as the Fund's market maker. The Fund's authorized participants are FMSBC and IGC Securities, Inc. (IGC).

The registered office address of the Fund is at 18th Floor, PSBank Center, 777 Paseo de Roxas, Makati City.

2. Accounting Policies

Basis of Financial Statement Preparation
The accompanying financial statements have been prepared in accordance with Philippine Accounting Standards (PAS 34), *Interim Financial Reporting*. Accordingly, the financial statements do not include all the information and disclosure required in the annual audited financial statements and should be read in conjunction with the Fund's annual audited financial statements as at December 31, 2013.

The financial statements have been prepared under the historical cost convention except for financial instruments at fair value through profit or loss (FVPL) investments that have been measured at fair value. The financial statements are presented in Philippine peso, which is the Fund's functional currency. All amounts in the financial statements are rounded to the nearest peso unless otherwise indicated.

Statement of Compliance
The financial statements of the Fund have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

New and Amended Accounting Standards Effective January 1, 2013

- PFRS 1, *First Time Adoption of PFRS-Government Loans* (Amendments)
- PFRS 7, *Financial Instruments: Disclosures- Offsetting Financial Assets and Financial Liabilities* (Amendments)
- PFRS 10, *Consolidated Financial Statements*

Cash in bank

Cash in bank represents savings deposit in a local bank.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

The Fund recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date, except for transactions involving equity securities which are recognized on the trade date. Deposits and receivables are recognized when cash is advanced or when the earning process is completed.

Initial recognition of financial instruments

All financial instruments are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of financial instruments includes transaction costs. The Fund classifies its financial assets in to the following categories: financial assets at FVPL available-for-sale (AFS) investments, held-to-maturity (HTM) investments and loans and receivables. Financial liabilities are classified as financial liabilities at FVPL and other liabilities carried at cost. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

'Day 1' difference

Where a transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from an observable market, the Fund recognizes the difference between the transaction price and fair value (a 'Day 1' profit or loss) in the profit or loss unless it qualifies for recognition as some other type of asset. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Fund determines the appropriate method of recognizing the 'Day 1 difference' amount.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets at FVPL or designated as AFS investments.

After initial measurement, loans and receivables are subsequently measured at cost or amortized cost using the effective interest method, less any allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate (EIR). The amortization, if any, is included in 'Interest income' in the statement of comprehensive income. The losses arising from impairment are recognized in 'Provision for credit losses' in the profit or loss.

Financial liabilities at amortized cost

Issued financial instruments or their components, are classified as liabilities under the appropriate financial liability accounts, where the substance of the contractual arrangements result in the Fund having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Derecognition of Financial Assets and Liabilities
Financial assets
A financial asset (or where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:
- the rights to receive cash flows from the asset have expired; or
- the Fund retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Fund has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred the control of the asset.

Where the Fund has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Fund's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets
The Fund assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables, the Fund first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financial assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the financial asset is reduced through use of an allowance account and the amount of loss is charged against profit or loss. Interest income continues to be recognized based on the original EIR of the asset. Loans and receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to 'Provision for impairment and credit losses' in profit or loss.

If the Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment. Assets individually assessed for impairment for which no impairment loss was recognized are also collectively assessed for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period in which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Revenue Recognition
Revenue is recognized to the extent that it is probable that economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and other sales taxes or duties. The Fund assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or as an agent. The Fund has concluded that it is acting as a principal in all of its revenue arrangements

The following specific recognition criteria must also be met before income is recognized:

Fair Value changes on financial assets at Fair Value through Profit and Loss.
Fair Value changes on financial assets at FVPL represents results arising from all gains and losses from changes in the fair values of financial assets at FVPL.

Interest income
Interest income is recognized in profit or loss as it accrues, taking into account the effective yield of the asset. Interest income includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an EIR basis.

Dividend Income
Dividend income is recognized when the Fund's right to receive payment is established.

<u>Expense Recognition</u>
Expenses are recognized when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized as incurred.

<u>Income Taxes</u>
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantially enacted at the reporting date.

Deferred tax
Deferred tax is provided, using the balance sheet method, on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences, carryforward of unused tax credits and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the defered taxes relate to the same taxable entity and the same taxation authority.

Current tax and deferred tax relating to items recognized directly in equity is also recognized in equity and not in profit or loss.

<u>Net Asset Value (NAV) Per Share</u>
NAV per share is computed by dividing the Fund's net assets (total assets less total liabilities) by the total number of redeemable shares outstanding as of the reporting date.

<u>Share Capital Transactions</u>
The Fund issues redeemable shares in creations units, which are redeemable at the holder's option. Redeemable shares can be put back to the Fund at any time in creation units for a basket of stocks and cash equal to a proportionate share of the Fund's NAV.

Shares of stock of an ETF may be issued only upon delivery by an Authorized Participant of the basket of securities underlying an index, or redeemed by delivering to the Authorized Participant the basket of securities after surrender of the shares. In limited circumstances, the Fund may allow:
- the issuance of shares in exchange for cash; or
- the direct redemption of shares.

The Fund's redeemable shares have all of the following features which qualify them as puttable instruments classified as equity instruments:
- The shares entitle the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation.
- The shares are in the class of instruments that is subordinate to all other classes of instruments.
- All shares in the class of instruments that is subordinate to all other classes of instruments have identical features.
- The shares do not include any contractual obligation to deliver cash or another financial asset other than the holder's right to a pro rata share of the Fund's net assets.

- The total expected cash flows attributable to the shares over their life are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the shares.

In addition, the Fund does not have other financial instruments or contract that have:

- Total cash flows based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund; and
- The effect of substantially restricting or fixing the residual return to the puttable instruments holders.

The Fund continuously assesses the classification of its redeemable shares. If the redeemable shares cease to have all the features or meet the conditions stated above, the Fund will reclassify the shares as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognized in equity. If the redeemable shares subsequently have all the features and meet the above conditions, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of reclassification.

The issuance, acquisition and resale of redeemable shares are accounted for as equity transactions. Upon issuance of shares (or sale of treasury shares), the consideration received is included in equity. Own equity instruments which are acquired (treasury shares) are deducted from equity and accounted for at amounts equal to the consideration paid, including any directly attributable incremental costs.

Transaction costs incurred by the Fund in issuing, acquiring or selling its own equity instruments are deducted against 'Additional paid-in capital. If the additional paid-in capital is not sufficient to absorb these transaction costs, any excess is charged against 'Retained earnings'.

Retained Earnings
The amounts in retained earnings include accumulated investment income of previous periods reduced by excess of redemption costs over the original selling price of redeemed shares.

Dividend Distribution
Dividend distributions are at the discretion of the Fund. A dividend distribution to the Fund's shareholders is accounted for as a deduction from retained earnings. A proposed cash dividend is recognized as a liability in the period in which it is approved by the BOD. A proposed stock dividend is recognized as a reduction in equity in the period in which it is approved by the BOD and shareholders representing at least two-thirds (2/3) of the outstanding capital stock.

Provisions
Provisions are recognized when the Fund has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Fund expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss, net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to time value of money is recognized as 'Interest expense'.

Contingent Liabilities and Contingent Assets
Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

Events After the Reporting Date
Post-year-end events up to the date of the approval of BOD of the financial statements that provide

additional information about the Fund's position at the reporting date (adjusting events) are reflected in the financial statements. Post-year-end events that are non-adjusting events are disclosed in notes to the financial statements when material.

Future Changes in Accounting Policies

Standards issued but not yet effective as of December 31, 2013 are listed below. The listing of standards and interpretations issued are those that the Fund reasonably expects to be applicable at a future date. The Fund intends to adopt these standards and interpretations when they become effective.

PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendments)*
The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The standard has no potential impact on the Fund's financial position or performance.

PAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)
The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Fund's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments) *Effective 2013*
These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Fund's financial position or performance.

PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Fund does not expect that these amendments will have material financial impact in future financial statements.

Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments are not relevant to the Fund since it does not have investment entities.

PFRS 9, *Financial Instruments*
PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model hedge accounting is still ongoing , with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt

financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within the business model that has the objective to hold assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments to principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value either through other comprehensive income (OCI) or profit or loss. For FVO liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder in the change of fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation separation rules and the criteria for using FVO.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract, and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

The mandatory effective date of PFRS 9 will be on January 1, 2018. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Fund will not adopt the standard before the completion of the limited amendments and the second phase of the project. The Fund has started the process of evaluating the potential effects of this standard but is awaiting finalization of the limited amendments before the evaluation can be completed. The Fund anticipates that the standard will have an impact on the Fund's financial statements, in particular on the measurement and classification of financial assets.

Philippine Interpretation 21, *Levies*
Philippine Interpretation 21clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Philippine Interpretation 21 is effective for annual periods beginning on or after January 1, 2014. The Fund does not expect that Philippine Interpretation 21will have material financial impact in future financial statements.

Philippine Interpretation 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and rewards of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Fund.

Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

PFRS 2, *Share-based Payment – Definition of Vesting Condition*
The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Fund as it has no share-based payments.

PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*
The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Fund does not expect that PFRS 3 will have material financial impact in future financial statements.

PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the financial position or performance. The Fund does not expect that PFRS 8 will have material financial impact in future financial statements.

PFRS 13, *Fair Value Measurement – Short-term Receivables and Payables*
The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

PAS 16, *Property, Plant and Equipment – Revaluation Method – Proportionate Restatement of Accumulated Depreciation*
The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.
   The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Fund's financial position or performance.

PAS 24, *Related Party Disclosures – Key Management Personnel*
The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity

that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Fund's financial position or performance.

PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Amortization*
The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
b. The accumulated amortization is eliminated against the gross carrying amount of the asset.
   The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Fund's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

PFRS 1, First-time Adoption of Philippine Financial Reporting Standards – Meaning of 'Effective PFRSs'
The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Fund as it is not a first-time adopter of PFRS.

PFRS 3, Business Combinations – Scope Exceptions for Joint Arrangements
The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

PFRS 13, Fair Value Measurement – Portfolio Exception
The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Fund's financial position or performance.

PAS 40, Investment Property
The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no impact on the Fund's financial position or performance.

3. Significant Estimates and Judgments

The preparation of the financial statement in compliance with PFRS requires the Fund to use of estimates, assumptions and judgments. These estimates and assumptions affect the reported amounts of assets and liabilities and contingent assets and liabilities, if any, at the reporting date, as well as the reported income and expenses for the period. Although the estimates are based on management's best knowledge and judgment of current facts at the reporting date, the actual outcome may differ from these estimates, which may possibly be significant.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgment

Going concern

The management has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the financial statement is prepared on a going concern basis.

Estimate

Recognition of deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4. Financial Risk Management Objectives and Policies

The Fund has exposures to the following risks from the use of financial instruments:

a. Credit risk
b. Liquidity risk
c. Market risk

Risk Management Framework

The BOD has overall responsibility for the oversight of the Fund's risk management process. Supporting the BOD in this function is the Audit Committee (AC).

The AC is responsible for monitoring compliance with the Fund's risk management policies and procedures, and for reviewing the adequacy of risk management practices in relation to the risks faced by the Fund. The AC is assisted in these functions by the Internal Audit Group of Metrobank. The Internal Audit Group undertakes both the Fund's regular and ad-hoc reviews of risk management controls and procedures through FAMI being the Investment Manager, the results of which are reported to the AC.

Under the management and distribution agreement of the Fund with FAMI as its Investment Manager and Principal Distributor, FAMI handles the management and administration of the Fund and is authorized to setup marketing network and accredited sub-dealers and agents to sell the shares of the Fund. In addition, under the memorandum of agreement between FAMI and FMIC, the former engages the latter to provide research assistance and technical advice on the implementation and ongoing management of the Investment Guidelines outlined in the Fund's prospectus.

First Metro's BOD, through its board-level Risk Oversight Committee (ROC), has an oversight function in reviewing and assessing all risks associated with the Fund.

The Compliance Division (CD) of First Metro also collaborates with the ROC. The main task of the CD is to monitor and assess compliance of the Fund to the rules and regulations outlined in Fund's prospectus as well as their compliance with the rules of the relevant regulatory bodies. The CD is also tasked to properly disseminate these rules and regulations to the Fund.

First Metro's Chief Risk Officer (CRO) manages and oversees the day-to-day activities of the Risk Management Division (RMD). RMD is tasked with identifying, analyzing, measuring, controlling and evaluating risk exposures arising from fluctuations in the prices or market values of instruments, products and transactions of the Parent Company and certain subsidiaries. It is responsible for recommending trading risk and liquidity management policies, setting uniform standards of risk assessment and measurement, providing senior management with periodic evaluation and simulation and analyzing limit compliance exceptions. The RMD furnishes daily reports to FAMI and provides monthly reports to the ROC.

Nature of Risks and Risk Management Objectives and Policies

The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects of such unpredictability on the Fund's financial performance.

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.
- Shall not incur any further debt or borrowing.
- 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.
- Shall not invest in lending operations.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Fund manages its credit risks by setting limits for issuers/borrowers. As credit ratings can change and affect the Fund's returns, a credit analysis is adopted to standardize operational procedure that will support in assessing the credit quality and the credit worthiness of the counterparty. Transactions are structured to include collaterization or various credit enhancements when necessary. Credit exposures are closely monitored to ensure that payments are made on time.

Liquidity Risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with the financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or the counterparty failing on repayment of a contractual obligation; or the inability to generate cash inflows as anticipated.

The Fund anticipates a gradual turnover in portfolio with the aim of ensuring the preservation of capital and liquidity. As an ETF, the Fund is not subject to the maximum or minimum investment limitations or liquidity requirements provided under the Investment Company Rule.

Market Risk
Market risk is the risk of change in fair value of financial instruments from fluctuations in equity prices (price risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Fund's exposure to market risk relates to equity price risk.

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 basket of securities 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. Fluctuations in the value of securities in which the Fund invests will cause the NAV of the Fund to fluctuate.

Equity price risk
The Fund's price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Fund measures the sensitivity of its investment securities by using the Philippine Stock Exchange index (PSEi) fluctuations.

5. Other information

- **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
  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 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 & Learn Dollar Bond Fund
     h. First Metro Global Opportunity Fund
     i. First Metro Philippine Equity Exchange Traded Fund Inc.
     j. First Metro Save & Learn Equity Fund Inc.
     k. First Metro Save & Fixed Income Fund Inc.
     l. First Metro Save & Learn Balanced 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 onboarding 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.

- **Seasonality or Cyclicality of Interim Operations**

The Fund's operations is driven mainly by prevailing market and economic conditions; as well as, by the demands and or needs of the investors and borrowers and is not influenced by seasonal or cyclical pulls.

- **No Unusual Items**

There are no items affecting assets, liabilities, equity, net income or cash flows, which may be considered unusual by virtue of their nature, size or incidence.

- **Subscriptions and Redemptions of Securities**

There were 600,000 shares subscribed and 400,000 shares redeemed during the period.

- **Dividends**

No dividends declared and paid during the period.

- **Material Events**

No material events happened during the period.

- **Subsequent Events**

There were no material subsequent events that took place after the quarter ended June 30, 2014.

- **Commitments and Contingent Accounts**

Contingencies

In the normal course of business, the Fund is involved in various contingencies which, in the opinion of the management, will not have a material effect on the Fund's financial statements. The Fund does not recognize any provision for probable losses as of June 30, 2014.

- **Net Asset Value (NAV) Per Share**

The total expected cash outflow on redemption of all the shares equals the Fund's equity. For the purpose of calculating the NAV per share attributable to holders of redeemable shares, the Fund's investments in listed equity securities held for trading are valued on the basis of closing prices and Philippine Dealing System Transaction - R2 (PDST - R2), respectively.

As of June 30, 2014 and December 31, 2013, the reconciliation between the Fund's equity and the NAV per share calculated using closing prices follows:

	June 30, 2014	December 31, 2013
Total equity calculated under PFRS	**₱894,076,144**	₱742,017,015
Adjustment from bid prices to closing prices and PDST - R2	**–**	2,381,104
Net asset value attributable to holders of redeemable shares (a)	**894,076,144**	744,398,119
Number of redeemable shares (b)	**8,100,000**	7,900,000
NAV per share (a/b)	**₱110.3798**	₱94.2276

- **Earnings Per Share**

Earnings per share is determined by dividing the net income for the period by the weighted average number of common shares issued and outstanding during the period, computed as follows:

	January to June	
	2014	2013
a. Net Income	**₱ 130,518,389**	(₱ 3,322,698)
b. Weighted average number of common shares	**7,924,645**	2,500,000
c. Earnings per share (a/b)	**(₱ 16.4699)**	(₱ 1.3291)

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION (June 30, 2014 vs. December 31, 2013) AND RESULTS OF OPERATIONS (January 1-June 30, 2014 vs. January 15-June 30, 2013)

FINANCIAL POSITION

Total resources of the Fund increased by 20.57% from the ₱742.73 million to ₱895.50 million as of June 30, 2014, mainly due to the following:

➢ ***Cash in Bank***

Cash in banks represents the Fund's savings and checking accounts in local banks and bear annual interest rate of 0.25%. This account decreased by 28.18% due to settlement of purchases of shares of stocks.

➢ ***Financial Assets at Fair Value through Profit or Loss***

Financial Assets at FVPL consists of quoted equity securities held for trading amounting to ₱882.69 million and ₱726.14 million as of June 30, 2014 and December 31, 2013, respectively.

This account increased by 21.56% due to the increase in fair value of securities held by the Fund.

➢ ***Loans and Receivables***

This account consists of:

	June 30, 2014	December 31, 2013
Dividends receivable	₱ 587,545	₱ 603,720
Due from brokers	441,147	–
Other receivables	210,898	–
	₱ 1,239,590	₱ 603,720

Dividends receivable pertains to dividends earned from stock investments but are not yet collected as of June 30, 2014.

Due from brokers represent receivables for securities sold but not yet settled as of statement of financial position date. The increase is due to the sales of stocks as of the last three days from the statement of June 30, 2014, which will be collected three days after trade date.

Other receivables pertain to documentary stamp taxes and withholding taxes for the creation units made during the period.

➢ ***Other Asset***

Other asset refers to prepaid listing maintenance fee paid to Philippine Stock Exchange at the beginning of the year.

➢ ***Accounts Payable and Accrued Expenses***

These account consist of due to brokers, payable to FAMI and accrued expenses amounting to ₱1.15 million and ₱0.46 million as of June 30, 2014 and December 31, 2013, respectively.

The increase of 151.77% was mainly due to the booking of 'Due to brokers' which represents the outstanding payable to brokers for securities purchased but not yet settled as of reporting date.

➢ ***Withholding Tax Payable***

Withholding tax payable increased by 22.53% mainly due to the increase in management fees payable to the fund manager and the rise in the stock investments transactions.

➢ *Equity*
The total capital of the Fund reached to ₱894.08 million from ₱742.02 million as of December 31, 2013. The increase of 20.49% is mainly attributable to the results of operations recognized during the year.

The authorized capital of the Fund is ₱3.00 billion divided into 30 million redeemable shares of ₱100.00 par value with each share carrying one vote. This is far beyond the ₱250.00 million minimum required capital by SEC. As of June 30, 2014 and December 31, 2013, issued and fully paid shares amounted to ₱809.28 million and ₱788.24 million, respectively. The Fund's capital is represented by these redeemable shares. The shares are entitled to dividends when declared and to the payment of a proportionate share of the Fund's NAV on the redemption date or upon winding up of the Fund. The Fund's issued shares are redeemed at their NAV calculated in accordance with redemption requirements.

RESULTS OF OPERATIONS

For the period ended June 30, 2014, the Fund realized a net income of ₱130.52 million, ₱133.84 million higher than last year's result of ₱3.32 million net loss.

Detailed discussions of the changes in statement of income accounts are as follows:

➢ ***Marking-to-Market Gain on Stocks*** amounted to ₱115.77 million, as a result of the increase in the fair value of stocks during the period. This represents 86.02% of Fund's gross income and largely contributed to the increase in net income for the period.

➢ ***Realized Trading Gains*** totaled ₱6.25 million this year. This account pertains to the income recognized upon sale of stock investments of the Fund.

➢ ***Dividend Income*** earned during the year totaled ₱12.47 million. The increase is due to the higher number of investee companies that declared dividends during the period.

➢ ***Interest income*** resulted to ₱0.10 million which is 77.28% or ₱0.30 million lower than last year's result of ₱0.40 million. The decline was mainly due to the lesser balance of cash accounts this year.

➢ ***Operating Expenses*** includes management fees paid to FAMI, professional fees, transaction charges, directors' fees and taxes and licenses. The 10.19% increase was mainly due to the increase in fees of the fund manager.

DISCUSSION OF KEY PERFORMANCE INDICATORS

The Fund was incorporated on January 15, 2013 with the objective of providing returns which would reflect the performance of the Philippine equities market by investing in a basket of securities which is included in the PSEi of the PSE ("Underlying Index").

The Fund has appointed FAMI to serve as its Investment Company Adviser, Administrator and Distributor. With the SEC's approval of FAMI's license to act as such, active management of the Fund's assets was initiated in December 2013 with the objective of consistently outperforming its benchmark, which is the PSEi, and achieves a sizable net income.

From an initial paid-up capitalization of ₱750 million which translates to a minimal share in the mutual fund industry (under the equity fund category), the Fund's paid-up capital is now ₱809.28 million as of June 30, 2014.

The Fund has identified the following as its key performance indicators:

- *Net Asset Value Per Share* - Net Asset Value per share rose from ₱94.2276 as of December 31, 2013 to ₱110.3798 as of June 30, 2014, representing 17.14% return on investment over a six-month period.

- *Sales for the period ended* - The Fund had total sales of ₱63.03 million (three creation units) for the period ended June 30, 2014. No sales were made for the same period last year.

- *Redemptions for the period ended* - The Fund had total redemptions of ₱41.49 million for the period ended June 30, 2014. No redemption was made for the period June 30, 2013.

- *Net Income vs. Benchmark* - The Fund posted a net income of ₱130.52 million for the period ended June 30, 2014 compared to ₱3.32 million net loss for the same period last year.

- *Market Share vs. Benchmark* – As of June 30, 2014 the Fund garnered 1.19% share in the Equity Funds category while 0.417% share among all mutual funds in terms of net assets. On the basis of account holders, the Fund has 233 account holders or 0.25% of the total accounts in the Equity Funds category.

- *NAVPS vs. Benchmark*-The Fund NAVPS is tracked using the PSEi. The Fund's tracking error will not exceed five percent (5%). The highest and lowest tracking error during the period are 0.069449% and 0.021643% respectively.

COMMITMENTS, MATERIAL EVENTS AND UNCERTAINTIES

1. To date, the Fund has no plans of entering into any material commitments for capital expenditures in the future.
2. To the knowledge and information of the Fund, there are no events or uncertainties that will have a material impact on the Fund's liquidity.
3. There are no known events that will trigger direct or contingent financial obligation that is material to the Fund, including any default or acceleration of an obligation.
4. Also, there were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Fund with unconsolidated entities or other persons created during the reporting period.
5. Likewise, there are no known trends, events or uncertainties that have had or that are reasonably expected to cause a material favorable or unfavorable impact on income from continuing operations.
6. Similarly, there were no significant elements of income or loss that did not arise from the Fund's continuing operations.
7. Lastly, there were no seasonal aspects that had any material effect on the financial condition or results of operations of the Fund.

FINANCIAL SOUNDNESS INDICATORS

Performance Indicators	As of		
	June 30, 2014 (Unaudited)	June 30, 2013 (Unaudited)	December 31, 2013 (Audited)
Current Ratio [a/]	**63,035.01%**	6,890.76%	104,007.51%
Acid Test Ratio [b/]	**62,942.11%**	6,890.76%	103,922.97%
Debt-to-equity ratio [c/]	**0.16%**	1.47%	0.10%
Asset-to-equity ratio [d/]	**100.16%**	101.47%	100.10%
Interest Rate Coverage Ratio [e/]	**n.a.**	n.a.	n.a.
Profitability ratios:			
Return on assets [f/]	**31.87%**	0.15%	(6.22%)
Return on Equity [g/]	**31.91%**	0.16%	(6.23%)

[a/] *Current Assets divided by Current Liabilities*
[b/] *Quick Assets (Cash and cash equivalents , Financial assets at FVPL securities and Current receivables) divided by Current Liabilities*
[c/] *Total Liabilities divided by Total Equity*
[d/] *Total Assets divided by Total Equity*
[e/] *Earnings Before Interest and Tax divided by Interest Expense*
[f/] *Annualized Net Investment Income divided by Average Total Assets*
[g/] *Annualized Net Investment Income divided by Average Total Equity*

OTHER RELEVANT PERCENTAGES

	As of		
	June 30, 2014 (Unaudited)	June 30, 2013 (Unaudited)	December 31, 2013 (Audited)
Liquid/Semi Liquid Assets to Total Assets	**99.85%**	100.00%	99.92%
Total Operating Expenses to Total Net Worth	**0.49%**	1.47%	2.06%
Total Assets to Total Borrowing	**n.a.**	n.a.	n.a.

A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds or notes	Valued based on market quotation at balance sheet date	Percentage of Investment to Net Asset Value (i)	Percentage to Outstanding Shares of Investee Company (ii)
Ayala Corporation	69,600	₱ 45,066,000	5.04%	0.01%
Aboitiz Equity Ventures, Inc.	739,600	41,417,600	4.63%	0.01%
Alliance Global Group, Inc.	1,284,000	37,364,400	4.18%	0.01%
Ayala Land, Inc.	2,160,000	65,880,000	7.37%	0.02%
Aboitiz Power Corp.	448,000	16,419,200	1.84%	0.01%
BDO Unibank, Inc.	468,800	43,832,800	4.90%	0.01%
Bloomberry Resorts Corporation	904,000	9,727,040	1.09%	0.01%
Bank of The Philippine Islands	562,001	51,142,091	5.72%	0.01%
DMCI Holdings, Inc.	226,000	16,724,000	1.87%	0.01%
Energy Development Corporation	2,848,000	17,942,400	2.01%	0.02%
First Gen Corporation	316,000	7,291,200	0.82%	0.01%
Globe Telecom, Inc.	8,800	14,080,000	1.57%	0.01%
GT Capital Holdings, Inc.	21,200	18,444,000	2.06%	0.01%
International Container Terminal Services, Inc.	316,000	35,076,000	3.92%	0.02%
Jollibee Foods Corporation	131,600	23,161,600	2.59%	0.01%
JG Summit Holdings, Inc.	768,800	39,401,000	4.41%	0.01%
LT Group, Inc.	856,000	12,634,560	1.41%	0.01%
Metropolitan Bank & Trust Company	408,800	35,729,120	4.00%	0.01%
Megaworld Corporation	3,240,000	14,580,000	1.63%	0.01%
Manila Electric Company	44,400	11,357,520	1.27%	0.00%
Metro Pacific Investments Corporation	3,476,000	17,414,760	1.95%	0.01%
Petron Corporation	488,000	6,217,120	0.70%	0.01%
Philex Mining Corporation	496,000	5,832,960	0.65%	0.01%
Robinsons Land Corporation	484,000	11,422,400	1.28%	0.01%
Semirara Mining Corporation	29,200	10,698,880	1.20%	0.01%
SM Investments Corporation	106,400	86,822,400	9.71%	0.01%
San Miguel Corporation	108,400	8,997,200	1.01%	0.00%
SM Prime Holdings, Inc.	2,200,000	34,892,000	3.90%	0.01%
Philippine Long Distance Telephone Company	32,800	98,006,400	10.96%	0.02%
Universal Robina Corporation	292,400	45,117,320	5.05%	0.01%
	23,554,801	₱ 882,691,971		

B. Capital Stock

	Common Stock
Authorized number of shares	30,000,000
Number of shares issed and outstanding as shown under the related statement of financial position caption	8,100,000
Number of shares reserve for options, warrants, conversion and other rights	–
Number of shares held by affiliates	6,857,630
Number of shares held by directors, officers and employers	1,507

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.

Issuer

EDUARDO R. CARREON
President

MARIE ARABELLA D. VERON
Treasurer

Date: August 12, 2014