

COVER SHEET

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SEC Registration Number

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(Company's Full Name)

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

Ms. Marie Arabella D. Veron

(Contact Person)

891-2860

(Company Telephone Number)

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Month Day
(Fiscal Year)

SEC Form-17A

(Form Type)

2nd Wednesday of May
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(Annual Meeting)

Investment Company

(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings	
Domestic	Foreign

To be accomplished by SEC Personnel concerned

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File Number

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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)
Common Stock	13,851,260 shares

- 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.

c) **Interest income**

The increase in this account was principally due to the higher balance of cash in interest bearing bank account this year.

d) **Management fees**

Management fees amounting to ₱8.49 million and ₱6.67 million in 2018 and 2017, respectively, consist of fees accrued and paid to the Fund's Investment Adviser. The increase of ₱1.81 million or 27.20% pertains to higher asset under management level in 2018.

e) **Custodian and transfer agency fees**

This account increased by ₱0.08 million or 8.52%, from ₱0.93 million in 2017 to ₱1.01 million in 2018. The growth was mainly caused by higher balance of the Fund's net asset. Custodian fees are computed at 1.25 basis points of the Fund's net asset value.

f) **Information technology expenses**

The rise of ₱0.35 million or 102.08% from ₱0.34 million to ₱0.69 million in information technology expenses pertains to increase in expenses being paid by the fund.

g) **Regulatory and filing fees**

This account rose by ₱0.11 million or 22.72% due to higher asset under management which is the basis for the listing and filing fees charged by regulatory bodies.

h) **Taxes and licenses**

This account fell by ₱0.04 million compared with last year's balance of ₱0.54 million primarily due to lower expense in documentary stamp tax in relation to the issuance of 3% stock dividend this 2018 compared to 10% stock dividend in 2017.

i) **Brokers' commission**

Brokers' commission amounting to ₱0.49 million was incurred in 2018 relative to purchase and sale transactions equity securities. This account is ₱0.09 million or 23.89% higher compared to last year's amount of ₱0.40 million due to the greater volume of rebalancing trades during the year.

j) **Directors' and officers' fees**

This account pertains to the allowances and per diem of directors and officers during the meetings convened. The decreased of ₱0.04 million or 14.93% from ₱0.30 million last year to ₱0.26 million during the year was due to lesser attendees on meetings held on the current year as compared to last year.

k) **Miscellaneous expense**

Miscellaneous expense consists of various operational expenses incurred by the Fund.

2017

Financial Position (December 31, 2017 vs. December 31, 2016)

The total resources of the Fund soared by 64.33% or ₱0.56 billion from ₱0.86 billion at the beginning of the year to ₱1.42 billion as of December 31, 2017. Liabilities increased as well by ₱0.11 million or 9.67% 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 ₱7.90 million or 189.91% from ₱4.16 million in December 31, 2016 to ₱12.06 million in December 31, 2017. This account represents the Fund's savings and checking accounts in local banks and earns interest up to 0.25% in 2017 and 2016.

b) **Financial assets at FVTPL**

Financial assets at FVTPL consist of quoted equity securities held for trading amounting to ₱1.41 billion and ₱0.86 billion as of December 31, 2017 and 2016, respectively. This account went up by ₱0.55 billion or 63.73% 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 increased by ₱0.38 million or 55.73% from last year's balance of ₱0.68 million due to the increase in securities held therefore leading to higher dividend as of December 31, 2017.

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 ₱0.11 million or 9.67% from ₱1.16 million at the beginning of the year to ₱1.27 million as of December 31, 2017.

Payable to FAMI consists of accrued management fees, which went up by ₱0.21 million or 61.73% 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:

	2017	2016
Authorized	30,000,000 shares	30,000,000 shares
Issued	10,942,000 shares	7,650,000 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 ₱92.15 million and ₱8.50 million in 2017 and 2016, respectively. The rise of ₱83.65 million was affected by the net subscription position of the fund as of December 31, 2017.

Retained earnings as of December 31, 2017 rose to ₱233.20 million from ₱89.95 million in 2016. The ₱143.25 million or 159.25% growth was primarily due to the Fund's net income earned for the year.

Results of Operations (January 1– December 31, 2017 vs. January 1– December 31, 2016)

For the year ended December 31, 2017, the Fund posted a net income of ₱265.76 million compared to ₱19.92 million in 2016.

The highlights of the results of operations for the year ended December 31, 2017 are as follows:

a) *Trading and securities gains (losses)*

This account, amounting to ₱257.27 million gains, consists of realized gain of ₱9.13 million from sale of financial assets at FVTPL securities and unrealized gain on marking-to-market of ₱248.14 million. The substantial increase of ₱247.01 million was primarily due to higher fair market value of equity securities for the current year.

b) *Dividend income*

Dividend income earned from financial assets at FVTPL amounted to ₱18.71 million and ₱18.32 million in 2017 and 2016, respectively. The ₱0.39 million increase was caused by higher shares held by the fund for the year ended December 31, 2017.

c) *Interest income*

The increase of 8.84% of this account was principally due to the higher balance of cash in interest bearing bank account this year.

d) *Management fee*

Management fees amounting to ₱6.67 million and ₱5.59 million in 2017 and 2016, respectively, consist of fees accrued and paid to the Fund's Investment Adviser. The increase of ₱1.09 million or 19.45% pertains to higher asset under management level in 2017.

e) *Custodian and transfer agency fees*

This account dropped by ₱0.12 million or 11.28%, from ₱1.05 million in 2016 to ₱0.93 million in 2017. The decline was mainly caused by prior year's payment of legal fees for the sales handling of FMETF shares in Japan.

f) *Taxes and licenses*

This account ballooned by ₱0.53 million compared with last year's balance of ₱0.04 million primarily due to payment of documentary stamp tax in relation to the issuance of 10% stock dividend.

g) *Regulatory and filing fees*

This account rose by ₱0.14 million or 40.92% due to higher asset under management which is the basis for the listing and filing fees charged by regulatory bodies.

h) *Brokers' commission*

Brokers' commission amounting to ₱0.40 million was incurred in 2017 relative to purchase and sale transactions equity securities. This account is ₱0.23 million or 138.65% higher compared to last year's amount of ₱0.17 million due to the greater volume of rebalancing trades during the year.

i) *Information technology expenses*

The decrease of ₱0.42 million or 55% from ₱0.76 million to ₱0.34 million in information technology expenses pertains to the lower amount of accrual in 2017.

j) *Directors' and officers' fees*

This account pertains to the allowances and per diem of directors and officers during the meetings convened. The decreased of ₱0.07 million or 19.17% from ₱0.37 million last year to ₱0.30 million during the year was due to more meetings held on prior year as compared to the current year.

k) *Miscellaneous expense*

Miscellaneous expense rise by 9.99% consists of various operational expenses incurred by the Fund.

Plan of Action

FAMI is the principal distributor of the Fund's shares of stock. It is licensed by SEC to act as the Investment Company Adviser/Manager, Administrator and Principal Distributor. It intends to increase its marketing network and accredit sub-dealers or agents to sell the Fund's share.

Subsequent Events

On March 13, 2019, the Board of Directors approved the issuance 10% stock dividend. On the same date, the BOD also approved the "ten-for-one" stock split, reducing the par value from ₱100.00 to ₱10.00. The reduction in par value will increase the fund's outstanding stock and authorized shares from 30 million to 300 million shares. The SEC has yet to approve the application for the split.

Other Matters

The Fund Manager is not aware of any event and/or uncertainties that:

- will have a material impact on liquidity
- will trigger direct or contingent obligation that is material to the Fund including any default or acceleration of obligation
- will have an impact on all material off-balance sheet transactions, arrangement, obligations and other relationships of the Fund
- is a significant element of income or loss that did not arise from the Fund's continuing operations
- there are no material commitments for capital expenditures during the past year and in the subsequent year.

DISCUSSION OF KEY PERFORMANCE INDICATORS

First Metro Philippine Equity Exchange Traded Fund, Inc. was incorporated on January 15, 2013. The Fund shares were listed with Philippine Stock Exchange (PSE) on December 2, 2013. It offers to qualified trading participants, on a continuous basis, the shares of the Fund which are issuable and redeemable in predetermined creation units.

The Fund has First Metro Asset Management, Inc. (FAMI) as its Investment Company Adviser, Administrator and Principal Distributor.

The Fund started with an initial paid-up capitalization of ₱0.75 billion. The Fund's paid-up capital is now ₱1.54 billion.

- *Net Asset Value Per Share* - Net Asset Value per share was higher from ₱125.9557 (after stock dividend) as of December 31, 2017 to ₱110.7480 as of December 31, 2018, representing - 12.07% return on investment over a year. The Fund's average daily net asset value rose by 27.20% or ₱0.32 billion from the 2017 balance of ₱1.42 billion to ₱1.52 billion in 2018.
- *Sales for the year 2018* - The Fund had a total subscription of 4.06 million shares in 2018 including the 0.41 million shares from issuance 3% stock dividend on June 2018. This year's subscription is higher by 0.76 million shares or 22.93% compared to the 3.30 million shares sold in 2017.

- *Redemptions for the year 2018* – The Fund had a total redemption of 1.15 million shares in 2018, higher by 1.14 million compared to 0.01 million shares redeemed in 2017.
- *Net Income vs. Benchmark* – The Fund ended the year 2018 with a net loss of ₱189.24 million, a significant decrease of ₱455 million compared to ₱265.76 million net income last year.
- *Market Share vs. Benchmark* – As of December 31, 2018 the Fund garnered 1.41% share in the Equity Funds category while 0.60% share among all mutual funds in terms of net assets. On the basis of account holders, the Fund has 1,152 account holders or 0.48% 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 2018 are 0.05% and 0.03%, respectively.

The following basic ratios measure the financial performance of the Company for the years ended 2018 and 2017:

PERFORMANCE INDICATORS	2018	2017
Return on average asset ^{1/}	-12.80%	23.26%
Return on average equity ^{2/}	-12.81%	23.28%
Cost-to-income ratio ^{3/}	-6.99%	3.59%
Net asset value per share ^{4/}	₱110.7480	₱129.7344
Earnings (Loss) per share ^{5/}	₱(14.2774)	₱27.2908

^{1/} Average assets for year ended December 31 were computed based on the average of the beginning and ending balances, over the net income for the year.

^{2/} Likewise, average equity for year ended December 31 was computed based on the average of the beginning and ending balances, over the net income for the year.

^{3/} Operating expenses for the cost-to-income ratios do not include provision for probable losses and provision for income taxes.

^{4/} Net asset value per share by deducting total liabilities from total assets to come up with the Net Assets and dividing with the outstanding number of shares for the year.

^{5/} Net income divided by weighted average number of common shares.

Item 7. FINANCIAL STATEMENTS

Statement of Management’s Responsibility for Financial Statements

Please refer to Exhibit 1.

Audited Financial Statements

Please refer to Exhibit 2.

Item 8. CHANGES IN THE DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

The present auditor of the Fund is Sycip, Gorres, Velayo and Company. The reports of said auditors on the financial statements of the company for the year ended December 31, 2018 contained unqualified opinions.

There are no disagreements with the auditors on any matter of accounting principles or practices, financial statement disclosures, auditing scope or procedures, which disagreements, if not resolved to their satisfaction, would have caused the auditors to make reference thereto in their respective reports on the financial statements for such years.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. DIRECTORS AND EXECUTIVE OFFICERS

Incorporators

- Mr. Hector R. Villanueva
- Mr. Augusto M. Cosio, Jr.
- Amb. Romualdo A. Ong
- Dr. Bernardo M. Villegas
- Mr. Nilo L. Pacheco Jr.

Directors

Name of Beneficial Owners	Term Served	Age	Business Experience
Eduardo R. Carreon	6 years	69	Banking/Finance
Eduardo S. Mendiola	3 years and 6 months	62	Finance
Amb. Romualdo A. Ong	6 years	79	International Relations
Bernardo M. Villegas	5 years	82	Economist
Winston L. Peckson	5 years and 10 months	64	Banking/Finance
Abelardo V. Cortez	5 years and 6 months	70	Banking
Michael G. Say	5 years and 6 months	56	Finance

The next set of directors will be elected during its Annual Stockholders' Meeting. Each director holds office until the corresponding Board of Directors' Meeting in the succeeding year, or until a successor is elected, appointed or shall have been qualified.

Executive Officers

Name of Beneficial Owners	Position	Age	Citizenship	Business Experience
Eduardo R. Carreon	Chairman	69	Filipino	Banking/Finance
Eduardo S. Mendiola	President	62	Filipino	Finance
Marie Arabella D. Veron	Treasurer	58	Filipino	Banking/Finance
Mauro Placente	Asst. Treasurer	52	Filipino	Banking/Finance
Melissa B. Reyes	Corporate Secretary	46	Filipino	Finance/Government
Jonathan T. Tabac	Compliance Officer	64	Filipino	Banking/Finance
Edwin B. Valeroso	Corporate Information Officer	55	Filipino	Banking/Finance

Mr. Eduardo R. Carreon, Director/Chairman of the Board

Mr. Carreon, 69, Filipino, is President and CEO of CVLF Consultancy and Outsourcing Corporation since 2009. He served in various positions with Maybank Philippines since 1999. He was Consultant (2008-2009), and prior, Senior Vice President of the Enterprise Financial Services (2003-2008). He served as Consultant for Capital Advisors for Private Enterprise Expansion Inc. from 1998-1999. He was also Country Manager for Dow Jones Philippines (1995-1998); General Manager, Philippine Finance and Investment Company, Hong Kong (1979-1981); Assistant Vice President, PCIBank – 1974-1979; and Pro Manager, Citibank from 1970-1973.

Mr. Carreon graduated from the Ateneo de Manila University in 1969 with a Bachelor of Arts degree. He is also an MBA candidate from the Ateneo Graduate School of Business.

Mr. Eduardo S. Mendiola, President

Mr. Mendiola, 67 Filipino, has been serving as a member of the Board of Director of the following companies since June 2015, namely: First Metro Save & Learn Fixed-Income Fund, Inc., First Metro Save and Learn Equity Fund, Inc., First Metro Save and Learn Balanced Fund, Inc., First Metro Save and Learn Dollar Bond Fund, Inc., First Metro Asia Focus Equity Fund, Inc., First Metro Philippine Equity Exchange Traded Fund, Inc. and Paradigm Global Growth Fund, Inc. He is a career Executive Service officer II and held the position of Deputy Treasurer of the Philippines from 1994 to 2013. Prior to his appointment as Deputy Treasurer, he held various positions in the Bureau of the Treasury from 1982-1993. He attended various trainings and conferences abroad on capital markets, development of financial system in the ASEAN, financial market analysis, and fiscal discipline among others.

He received the Most Outstanding “Dangal ng Trinity Award for Financial Administration” by Trinity University of Asia in 2009, and Distinguished Alumnus of Pamantasan ng Lungsod ng Maynila in 2005.

He finished his BS Statistics at the University of the East. He also completed a Master’s in Business Administration from Pamantasan ng Lungsod ng Maynila.

Amb. Romualdo A. Ong, Independent Director

Amb. Ong, 79, Filipino, has been part of the Board of Directors of FMIC as an Independent Director from the year 2005 to 2012. As a professional, he has over 40 years of experience in Foreign Service/International management. Previously, he has served in the capacity of Philippine Ambassador to Malaysia (2003 to 2004), to China (1994 to 2000), to Russia (1993 to 1994), and to Australia (1986 to 1989). Amb. Ong also held the positions of Assistant Secretary for the Office of ASEAN Affairs, and for ASIAN and Pacific Affairs, Director of the Foreign Service Institute— all under the Department of Foreign Affairs (DFA).

He is a graduate of the University of the Philippines with a BS degree in Foreign Service. He also pursued further Diplomatic Studies at the Institute International D’Etudes et de Recherches Diplomatiques (Paris), and International Civil Service Training at O.F.I. (Paris).

Presently, he sits as an Independent Director of PBC Capital Investment Corp. (since 2006), First Metro Save & Learn Fixed-Income Fund, Inc. (June 2009 to present) and First Metro Global Opportunity Fund, Inc. (August 2012 to Present).

Dr. Bernardo M. Villegas, Independent Director

Dr. Bernardo M. Villegas, Ph.D., 82, Filipino, serves as the Senior Vice President of the University of Asia and the Pacific. Dr. Villegas serves as an Educational Consultant for the Parents for Education Foundation Inc. (“PAREF”), and a columnist in the Manila Bulletin. Dr. Villegas also serves as the Dean of the School of Economics of the University of Asia & the Pacific and as Consultant of Bank of Philippine Islands, and Transnational Diversified Inc. He serves as Director of Transnational Diversified Inc. from 2000 to present. He has been the Chairman of Filipino Fund Inc. since June 2012. He serves as a Member of Board of Trustees of The Insular Life Assurance Company, Ltd. and South East Asia Advisory Board of Rolls Royce Group plc from 1995 to 2002. He serves as a Member of the Board of Directors of leading firms in the food and beverage, sugar milling, pharmaceutical, electric power, banking, information technology, construction, agribusiness, trading, transportation and engineering industries. He began to serve in the Board of AMC in 1999. He serves as Director of Filipino Fund Inc. He was President of Philippine Economic Society. He served as Project Director, Philippine Economic History under the National Historical Commission; Member, Preparatory Commission for Constitutional Reforms and Constitutional Commission; Consultant, Productivity Development Center-National Economic Council and Program Implementation Agency. He serves as the Chairman of Center for Research and Communication. He is a Member of the boards of several foundations such as Dualtech Foundation, Pilipinas Shell Foundation and PHINMA Foundation. He is

a Member of the board of Trustees of the Makati Business Club. He is Professor of the University of Asia and the Pacific, Manila, Philippines, and a Visiting Professor in Economics, IESE Business School, Barcelona, Spain. His special fields of study are developments economics, social economics, business economics and strategic management. He is a Certified Public Accountant, having been one of the CPA board topnotchers in 1958. He is the Consultant on Strategic Planning and Management.

He also served as Chairman of Filipino Fund Inc. until February 2007, Co-Chairman until November 30, 2007 and served as its President. He served as Chairman, Department of Economics-De La Salle University Manila and Director, Economic Research Bureau and Graduate School of Business-De La Salle University Manila. He has been an Independent Director of Benguet Corp. since June 25, 1998. He has been a Director of Alaska Milk Corp. since August 2008. He served as Director of Bank of Philippine Islands from 1980 to 2000. He served as a Director of the Filipino Fund Inc., from June 1995 to November 30, 2007. He served as a Non-Executive Independent Director of Uniwide Holdings Inc., since September 11, 1994. He served as an Independent Director of Alaska Milk Corp. from 1999 to 2006.

Dr. Villegas holds a Ph.D. in Economics and M.A. in Economics from the Harvard University. He obtained his Bachelor's degrees in Commerce and the Humanities (both Summa Cum Laude) from De La Salle University.

Dr. Villegas is one of the two Independent Directors of the Company.

Mr. Winston L. Peckson, Director

Mr. Peckson, 64, Filipino, has thirty-six years of experience in the banking industry. Among his past positions were Head of Treasury Marketing of Philippine National Bank (PNB) from 2009-2010; Vice President and General Manager of the Manila Offshore Branch of ABN-AMRO NV from October 1999-2009; VP and Corporate Treasury Advisor of Bank of America- Manila Branch from 1996-1999; CEO and Director of Danamon Finance Company (HK) from 1991-1996 and Manager Corporate Banking of Lloyds Bank PLC (HK) from 1986-1991, and VP(Commercial) at the Manila Offshore Branch.

Mr. Peckson obtained a Master's Degree in Business Management from the Asian Institute of Management in 1977, and he graduated from the Ateneo De Manila University in 1972 with a Bachelor of Arts Degree, minor in Business Administration.

Atty. Abelardo V. Cortez, Independent Director

Atty. Cortez, 70, Filipino, has over 25 years of banking experience in the local and international banking industry, concentrating on treasury, trust and private banking side of the business. Over this period, he held the following posts: Money Market Head- Rizal Banking Corporation (1978 to 1980); Vice President-Treasury Operations, Bank of the Philippine Island (1980 to 1986); Managing Director and CEO, BPI International Finance Ltd. (Hongkong) from 1987 to 1995; Vice President, Head/Private Banking Group- Bank of the Philippine Island (1995 to 1996); Director for Trust and Investments, ATR KimEng Capital Partners, Inc. (1996 to 2011). He was FINEX President in 2007 and Co-Chairman of the country's Capital Market Development Council in 2008. He is at present director/trustee of FINEX Foundation. He was former director of First Metro Asset Management Inc.

Presently, he sits as Independent Director of PBC Capital Investment Corporation (2012-2013) and First Metro Philippine Equity Exchange Traded Fund, Inc. (since October 2014).

In 2008, San Beda College Alumni Association voted him most Distinguished Bedan Award in the field of banking and finance.

Atty. Cortez earned his Bachelor of Laws degree from San Beda College of Law. He completed his collegiate studies at San Beda College, earning a Bachelor of Arts degree, Cum Laude.

Atty. Cortez writes a monthly business column in the prestigious leading business daily, the *Businessworld*.

Mr. Michael G. Say, Director

Mr. Say, 56, Filipino, graduated from De La Salle University with a degree in Management of Financial Institutions.

He is currently Chairman of the following companies: Capitalwise Groups Ltd., (2008 to present), Atlantic Archers Achiever Corporation (2004 to present), Chef and Cooks Market Corporation (2009 to present), and Crusade for Better Philippines Inc., Hiratsuka Int'l Corp.

He was the former Chairman for the following companies: Poc and Poc Corporation (2010 to 2016), Chic Uniform, Inc. (2002 to 2013) and Tokagawa Global Corporation (2004 to 2013).

Aside from the Directors of the Fund, the other Executive Officers are:

Executive Officers

Ms. Marie Arabella D. Veron, Treasurer

Ms. Marie Arabella D. Veron, 58 years old, Filipino, Treasurer. Term of office is one year and has served as such from January 29, 2007 up to present. She is currently the First Vice President and Head of Corporate Services and Finance Group of First Metro Asset Management, Inc., Treasurer of First Metro Save and Learn Dollar Bond Fund, Inc., First Metro Asia Focus Equity Fund, Inc., First Metro Save & Learn Fixed-Income Fund, Inc., First Metro Save and Learn Equity Fund, Inc., First Metro Save and Learn Balanced Fund, Inc., First Metro Philippine Equity Exchange Traded Fund, Inc., and Paradigm Global Growth Fund, Inc. She also served as the First Vice President and Controller of First Metro Investment Corporation, Treasurer/Director of SBC Properties, Inc. (2003-2016) and Treasurer of PBC Capital Investment Corporation (2006-present). She was a Manager of MBTC Domestic Subsidiaries, a Senior Auditor of Joaquin Cunanan & Co./Price Waterhouse (1980-1985) and of Philippine International Trading Corporation (1985-1990). Ms. Veron finished her Bachelor of Science Degree in Business Administration, major in Accounting from University of the East. She is a Certified Public Accountant and a Certified Management Accountant.

Mauro D. Placente, Assistant Treasurer

Mauro D. Placente, 52, Filipino, is an Assistant Vice President and Financial Accounting Division Head of First Metro Investment Corporation. He joined First Metro Investment Corporation in September 1, 2000. Mr. Placente finished his Bachelor of Science Degree at the National College of Business and Arts. He is a Certified Public Accountant.

Atty. Melissa B. Reyes, Corporate Secretary

Melissa B. Reyes, 46, Filipino. Ms. Reyes is Assistant Vice President and Legal Officer of First Metro. She joined First Metro in November 2003. She was also Compliance Officer of FMSBC from 2004-2006. Prior to joining the First Metro group, she was Senior Consultant in the Corporate and Tax Services of J. Cunanan-Pricewaterhouse Philippines (2000-2003). She was previously the Chief Legislative Officer in the Office of Senator Loren Legarda from 1998-2000, and Court Attorney III in the Office of Supreme Court Justice Ricardo J. Francisco from 1997-1998. Atty. Reyes obtained her A.B. Political Science Degree from Ateneo de Manila University, and her Bachelor of Laws degree from San Beda College. She also completed the Trust Course from the Trust Institute of the Philippines in 2012.

Mr. Jonathan T. Tabac, Compliance Officer

Mr. Jonathan T. Tabac - 64 years old, Filipino, Compliance Officer. Term of office is one year and has served as such from January 29, 2007 up to present. He is also the Compliance Officer of First Metro Securities Brokerage Corporation, First Metro Save & Learn Fixed-Income Fund, Inc., First Metro Save and Learn Equity Fund, Inc., First Metro Save and Learn Balanced Fund, Inc., First Metro Save and Learn Dollar Bond Fund, Inc., First Metro Asia Focus Equity Fund, Inc., First Metro Philippine Equity Exchange Traded Fund, Inc., Paradigm Global Growth Fund, Inc. and First Metro Asset Management, Inc. (from May 2005 to present). He served as AVP & Compliance Officer of Citystate Savings Bank (2002-2003), Vice President of Maybank Philippines (formerly PNB Republic Planters Bank)-1997-2001 and Chairman of the Board of RPB Provident Fund, Inc. (1997-2001). Mr. Tabac finished BSC-Accounting from University of Baguio. He is a Certified Public Accountant.

Mr. Edwin B. Valeroso, Compliance Officer

Mr. Edwin B. Valeroso - 55 years old, Filipino, Vice President. Term of office is two years and has served as such since June 2011. He is First Vice President of First Metro Asset Management, Inc. He was the President of First Metro Save and Learn Balanced Fund, Inc. (Jan 2007 to June 2011), First Metro Save & Learn Fixed-Income Fund, Inc. and First Metro Save and Learn Equity Fund, Inc. (from May 2005 to June 2011), and First Metro Save and Learn Dollar Bond Fund, Inc. (2008 to 2011). He was Vice President and Trustee of Philippine Investment Funds Association (2006-2011) and an Associate Professor Guest Lecturer at De La Salle University-Graduate School of Business (2000-present). He was a Mutual Fund Strategist/Consultant at First Metro Investment Corp. (2004-2005). Mr. Valeroso has a BS Actuarial Mathematics degree from University of Santo Tomas, a Master's degree in Applied Mathematics (major in Actuarial Science) from University of the Philippines, and a Doctor of Business Administration degree from De La Salle University-Manila. He is also an alumnus of the Trust Institute Foundation of the Philippines.

The executive officers were elected on May 27, 2015 and the term of office of each is for one (1) year.

Significant Employees

No person who is not an executive officer is expected by the Company to make a significant contribution to the business.

Family Relationships

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among the directors and officers listed above.

Involvement in Certain Legal Proceedings

The Company is not aware of any event that occurred during the year that is material to an evaluation of the ability or integrity of any of its directors, any nominees for election as directors or executive officers for the past five (5) years.

The Company has no material pending legal proceedings to which the registrant or any of its common affiliates is a party. No member of the Board of Directors is:

1. involved in any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time;
2. involved in or convicted by final judgment in any criminal proceeding, domestic or foreign, or subject to a pending criminal proceeding, foreign or domestic, excluding traffic violations and other minor offenses;

3. subject to any order, judgment, or decree not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
4. found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the said judgment has not been reversed, suspended or vacated.

Item 10. EXECUTIVE COMPENSATION

Compensation of Directors and Officers

	Per Diem		
	2018	2017	2016
Directors	₱215,000	₱265,000	₱313,000
Executive Officers	41,500	36,500	60,000
Aggregate Annual Per Diem	₱256,500	₱301,500	₱373,000

Employment Contracts, Termination of Employment and Change-in Control Arrangements

There are no compensatory plans or arrangement with respect to any of its executive officers that can result to the resignation, retirement or any other termination of such executive officer's employment with the Fund, neither from a change in control of the registrant or a change in the named executive officer's responsibilities

Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Record and Beneficial Owners

The following stockholders own more than 5% of the common voting securities as of December 31, 2018:

Title of Class	Name and Address of Owner	Name of Beneficial Owner	Citizen	No. of Shares Held	Percent to Outstanding Shares
Common	<i>First Metro Securities Brokerage Corporation (FMSBC)</i> 8 th Floor PSBank Centre, 777 Paseo de Roxas Ave. cor. Sedeño St., Salcedo Village, Makati City, Philippines 1226	Various Clients	Filipino	8,564,385	61.83%
Common	<i>COL Financial Group, Inc.</i> 2403-B East Tower, PSE Center, Exchange Road Ortigas Center, Exchange Rd, Ortigas Center, Pasig, 1605 Kalakhang Maynila	Various Clients	Filipino	1,606,937	11.60%
Common	<i>MBTC-Trust Banking Group</i>	Various Clients	Filipino	1,430,226	10.33%

Title of Class	Name and Address of Owner	Name of Beneficial Owner	Citizen	No. of Shares Held	Percent to Outstanding Shares
	5/Floor, Metrobank Plaza, Sen. Gil J. Puyat Avenue, Makati City				
Common	<i>BPI Securities Corporation</i> 11F, Ayala North Exchange, 6796 Ayala Avenue, corner Salcedo, 1229 Legaspi, Makati City	Various Clients	Filipino	636,314	4.59%

FMSBC is the registered owner of the shares in the books of the Company. The Board of Directors of FMSBC has the right to appoint actual person or persons acting individually or jointly to direct the voting or disposition of the shares held by the corporation. The person who will exercise the voting powers over the shares of FMSBC is Mr. Gonzalo Ordonez or any officers appointed by the Board.

Security Ownership of Management

Following are the securities owned by directors and officers of the Company as of December 31, 2018:

Title of Class	Name of Beneficial Owners	Amount and Nature of Ownership	Citizenship	Percent to Outstanding Shares
Common Shares	Eduardo R. Carreon	1	Filipino	0.000007%
Common Shares	Eduardo S. Mendiola	1	Filipino	0.000007%
Common Shares	Romualdo A. Ong	1	Filipino	0.000007%
Common Shares	Bernardo M. Villegas	1	Filipino	0.000007%
Common Shares	Winston L. Peckson	1	Filipino	0.000007%
Common Shares	Abelardo V. Cortez	1	Filipino	0.000007%
Common Shares	Michael G. Say	1	Filipino	0.000007%
Common Shares	Melissa B Reyes	721	Filipino	0.005205%

Voting Trust Holders of 5% or More

There are no persons known to the registrant who owns more than 5% of a voting trust or similar arrangements.

Changes in Control

The Fund is 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 equity securities representing an index. The fund has an initial paid-up capitalization of ₱750 million that is paid by First Metro. The fund's shares were listed with the Philippine Stock Exchange (PSE) on December 2, 2013. As of December 31, 2018, the majority of the shares are held by First Metro Securities Brokerage Corp.

Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

There has been no material transactions during the year nor is there any material transaction currently proposed to which the Fund was, or is a party, or in which any director or executive officer of the Fund, any nominee for election, any owner of more than five (5%) percent of the Fund's voting shares, or any member of the immediate family of any such director or officer, had or is to have a direct or indirect material interest.

PART IV – CORPORATE GOVERNANCE

The Board approved the Fund's Corporate Governance Manual on June 19, 2013 to monitor and assess the level of the Fund's compliance with leading practices on good corporate governance as specified in Philippine SEC Circulars. Aside from establishing specialized committees to aid in complying with the principles of good corporate governance, the Manual also outlines specific investor's rights and protections and enumerates particular duties expected from the Fund's Board members, officers and employees. It also features a Disclosure System which highlights adherence to the principles of transparency, accountability and fairness. A Compliance Officer is tasked with the formulation of specific measures to determine the level of compliance with the Manual by the Fund's Board members, officers and employees. To date, the Fund has not encountered any deviation from the Manual's standards.

External Auditors

The present auditor of the Fund is Sycip, Gorres, Velayo and Company. The reports of said auditors on the financial statements of the company for the years ended December 31, 2018 and 2017 contained unqualified opinions.

In compliance with SRC Rule 68, par. 3 (b)(iv), the signing partner of the auditing firm is rotated every after five (5) years of engagement.

The fees paid for the professional services rendered by SGV & Company for the audit of our Financial Statements for the year 2018 is ₱105,304 while the aggregate fees paid for the 2017 and 2016 is ₱111,061 and ₱93,631, respectively. These cover the following:

- a) the audit of the Fund's financial statements or services that are normally provided by SGV in connection with the statutory and regulatory filings or engagement.
- b) rendering of an opinion based on the examination and overall valuation of the financial statements, on a test basis. It also covers the assistance in preparing First Metro- ETF's annual income tax return based on audited financial statements.

There are no disagreements with the auditors on any matter of accounting principles or practices, financial statement disclosures, auditing scope or procedures, which disagreements, if not resolved to their satisfaction, would have caused the auditors to make reference thereto in their respective reports on the financial statements for such years.

SGV & Co. conducted the audit in accordance with auditing standards generally accepted in the Philippines to obtain reasonable assurance about whether the financial statements are free of material misstatements. Their audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. There are no tax fees paid for the last year for professional services rendered by SGV & Co. for tax accounting compliance, advice, planning and any other form of tax service.

There are no other fees paid for the last year for products and services provided by SGV & Co. other than the services mentioned above.

PART V - EXHIBITS AND SCHEDULES

Exhibits

Exhibit No.	Description of Exhibit
1	Statement of management responsibility
2	Audited financial statements
3	Index to Financial Statements and supplementary schedules (A to H)
4	Financial soundness indicators and other ratios

SIGNATURES

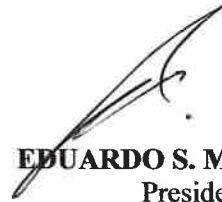
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of ~~Makati City~~ on APR 15 2019.

FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED, FUND, INC.
Company

By:



EDUARDO R. CARREON
Chairman



EDUARDO S. MENDIOLA
President



MARIE ARABELLA D. VERON
Treasurer




MELISSA REYES
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 15 2019 at _____, affiants exhibiting to me their respective IDs, as follows:

<u>Name</u>	<u>ID No. / Date and Place of Issue</u>
Eduardo R. Carreon	TIN 160-247-790
Eduardo S. Mendiola	TIN 129-884-568
Marie Arabella D. Veron	TIN 108-156-679
Melissa B. Reyes	TIN 702-504-000

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NOTARY PUBLIC