

# COVER SHEET

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for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 1 3 0 0 7 2 8

## COMPANY NAME

F I R S T M E T R O P H I L I P P I N E E Q U I T Y  
E X C H A N G E T R A D E D F U N D , I N C .

## PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

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

Form Type

A A F S

Department requiring the report

C R M D

Secondary License Type, if Applicable

Investment Company

## COMPANY INFORMATION

Company's Email Address

None

Company's Telephone Number

891-2860

Mobile Number

N/A

No. of Stockholders

1,152

Annual Meeting (Month / Day)

2nd Wednesday of May

Fiscal Year (Month / Day)

2018/December/31

## CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Ms. Melissa B. Reyes

Email Address

melissa.reyes@firstmetro.com.ph

Telephone Number/s

(02) 891 2860

Mobile Number

N/A

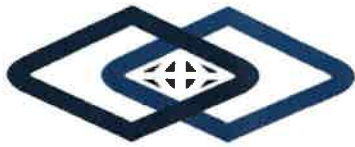
## CONTACT PERSON'S ADDRESS

18/Floor, PSBank Center, 777 Paseo de Roxas corner Sedeño St., Makati City

**NOTE 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**2:** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.





FIRST METRO PHILIPPINE EQUITY  
EXCHANGE TRADED FUND

March 13, 2019

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

The management of First Metro Philippine Equity Exchange Traded Fund, Inc. (the Fund) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, as of December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Funds' financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

SyCip, Gorres, Velayo & Co., the independent auditors, appointed by the stockholders, has audited the financial statements of the Fund in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

**Eduardo R. Carreon**  
Chairman

**Marie Arabella D. Veron**  
Treasurer

**Eduardo S. Mendiola**  
President

**SUBSCRIBED AND SWORN** to before me this APR 02 day of 2019, 20\_\_ affiants exhibiting to me their Identification Numbers, as follows:

<u>Name</u>	<u>Government ID /Passport 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	EC 7738225 / August 18, 2016 / Manila

**Notary Public**

Doc. No. 101  
Page No. 22  
Book No. 11  
Series of 2019

ATTY. MARGARITA A. B. MORALES  
NOTARY PUBLIC  
APPOINTMENT NO. 10419-2020  
RE. I. C. O. No. 10419-2020  
PTR No. 2880-2019  
MCLE No. 10419-2020

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
First Metro Philippine Equity Exchange Traded Fund, Inc.  
18th Floor, PSBank Center  
777 Paseo de Roxas corner Sedefio Street  
Makati City

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of First Metro Philippine Equity Exchange Traded Fund, Inc. (the Fund), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2018 and 2017, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

#### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, are of most significance in our audit of the financial statements of the current period. We have determined that there is no key audit matter to communicate in our report.

#### Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.



Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.





- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on the Supplementary Information Required Under Revenue Regulations 15-2010**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 17 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of First Metro Philippine Equity Exchange Traded Fund, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



The engagement partner on the audit resulting in this independent auditor's report is Janet A. Paraiso.

SYCIP GORRES VELAYO & CO.



Janet A. Paraiso

Partner

CPA Certificate No. 92305

SEC Accreditation No. 0778-AR-3 (Group A),

June 19, 2018, valid until June 18, 2021

Tax Identification No. 193-975-241

BIR Accreditation No. 08-001998-62-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 7332517, January 3, 2019, Makati City

March 13, 2019



APR / 5, 2019



**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUNDS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**



December 31

	2018	2017
<b>ASSETS</b>		
Cash in banks (Notes 6 and 14)	₱16,371,132	₱12,064,174
Financial assets at fair value through profit or loss (FVTPL) (Notes 7 and 14)	1,518,497,746	1,407,701,912
Receivables (Note 8)	433,261	1,059,715
	<b>₱1,535,302,139</b>	<b>₱1,420,825,801</b>

**LIABILITIES AND EQUITY**

**Liabilities**

Accounts payable and accrued expenses (Note 9)	₱1,302,908	₱1,271,854
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**Equity**

Capital stock (Note 10)	1,385,126,000	1,094,200,000
Additional paid-in capital	152,213,370	92,152,483
Retained earnings (deficit)	(3,340,139)	233,201,464
	1,533,999,231	1,419,553,947
	<b>₱1,535,302,139</b>	<b>₱1,420,825,801</b>

See accompanying Notes to Financial Statements.



APR / 5 2019



**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**  
**STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2018	2017	2016
<b>INVESTMENT INCOME (LOSS)</b>			
Trading and securities gains (losses) - net (Note 7)	(₱199,798,080)	₱257,270,680	₱10,265,605
Dividend income (Notes 7 and 14)	23,375,876	18,709,748	18,315,092
Interest income (Notes 6 and 14)	41,104	554	509
	<u>(176,381,100)</u>	<u>275,980,982</u>	<u>28,581,206</u>
<b>EXPENSES</b>			
Management fees (Note 15)	8,486,866	6,672,251	5,586,013
Custodian and transfer agency fees (Note 15)	1,012,546	933,074	1,051,710
Information technology expenses	693,064	342,970	762,082
Regulatory and filing fees	600,474	489,306	347,216
Taxes and licenses	498,482	536,165	35,159
Brokers' commissions (Note 15)	491,297	396,558	166,167
Directors' and officers' fees (Note 15)	256,500	301,500	373,000
Miscellaneous	288,371	228,993	208,201
	<u>12,327,600</u>	<u>9,900,817</u>	<u>8,529,548</u>
<b>NET INVESTMENT INCOME (LOSS)</b>			
<b>BEFORE FINAL TAX</b>	(188,708,700)	266,080,165	20,051,658
<b>PROVISION FOR FINAL TAX</b> (Note 13)	534,070	322,433	127,447
<b>NET INVESTMENT INCOME (LOSS)*/ TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<u>(₱189,242,770)</u>	<u>₱265,757,732</u>	<u>₱19,924,211</u>
<b>BASIC/DILUTED EARNINGS (LOSS)</b>			
<b>PER SHARE</b> (Note 11)	<u>(₱14.2774)</u>	<u>₱27.2908**</u>	<u>₱2.1650**</u>

\* There are no other comprehensive income items for 2018, 2017 and 2016.

\*\*Weighted average number of outstanding common shares was recomputed after giving retroactive effect to stock dividends distributed in 2018 (Note 11).

See accompanying Notes to Financial Statements.



APR / 5 2019





**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**  
**STATEMENTS OF CHANGES IN EQUITY**

	Number of Shares Outstanding (Note 10)	Capital Stock (Note 10)	Additional Paid-in Capital	Retained Earnings (Deficit)	Total Equity
<b>Balances at January 1, 2018</b>	<b>10,942,000</b>	<b>₱1,094,200,000</b>	<b>₱92,152,483</b>	<b>₱233,201,464</b>	<b>₱1,419,553,947</b>
Net investment income (loss)				(189,242,770)	(189,242,770)
Stock dividends (Note 10)	409,260	40,926,000	6,372,833	(47,298,833)	
Subscriptions during the year	3,650,000	365,000,000	70,484,199		435,484,199
Shares redeemed during the year	(1,150,000)	(115,000,000)	(16,796,145)		(131,796,145)
<b>Balances at December 31, 2018</b>	<b>13,851,260</b>	<b>₱1,385,126,000</b>	<b>₱152,213,370</b>	<b>(₱3,340,139)</b>	<b>₱1,533,999,231</b>
<b>Balances at January 1, 2017</b>	<b>7,650,000</b>	<b>₱765,000,000</b>	<b>₱8,502,216</b>	<b>₱89,952,056</b>	<b>₱863,454,272</b>
Net investment income				265,757,732	265,757,732
Stock dividends (Note 10)	932,000	93,200,000	29,308,324	(122,508,324)	
Subscriptions during the year	2,370,000	237,000,000	54,596,918		291,596,918
Shares redeemed during the year	(10,000)	(1,000,000)	(254,975)		(1,254,975)
<b>Balances at December 31, 2017</b>	<b>10,942,000</b>	<b>₱1,094,200,000</b>	<b>₱92,152,483</b>	<b>₱233,201,464</b>	<b>₱1,419,553,947</b>
<b>Balances at January 1, 2016</b>	<b>11,800,000</b>	<b>₱1,180,000,000</b>	<b>₱85,665,585</b>	<b>₱74,747,905</b>	<b>₱1,340,413,490</b>
Net investment income				19,924,211	19,924,211
Subscriptions during the year	850,000	85,000,000	9,612,146		94,612,146
Shares redeemed during the year	(5,000,000)	(500,000,000)	(86,775,515)	(4,720,060)	(591,495,575)
<b>Balances at December 31, 2016</b>	<b>7,650,000</b>	<b>₱765,000,000</b>	<b>₱8,502,216</b>	<b>₱89,952,056</b>	<b>₱863,454,272</b>

*See accompanying Notes to Financial Statements.*



**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**  
**STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2018	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net investment income (loss) before final tax	(₱188,708,700)	₱266,080,165	₱20,051,658
Adjustments for:			
Net unrealized losses (gains) on financial assets at FVTPL (Note 7)	181,207,814	(248,137,659)	14,085,724
Dividend income (Note 7)	(23,375,876)	(18,709,748)	(18,315,092)
Interest income (Note 6)	(41,104)	(554)	(509)
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Financial assets at FVTPL	(292,003,648)	(299,792,123)	463,566,724
Receivables	-	10,000	896
Increase in accounts payable and accrued expenses	31,054	112,162	198,101
Net cash generated from (used in) operations	(322,890,460)	(300,437,757)	479,587,502
Dividends received	24,002,330	18,320,517	18,676,651
Interest received	41,104	554	509
Income tax paid (Note 13)	(534,070)	(322,433)	(127,447)
Net cash generated from (used in) operating activities	(299,381,096)	(282,439,119)	498,137,215
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of capital stock	435,484,199	291,596,918	94,612,146
Payments for shares redeemed	(131,796,145)	(1,254,975)	(591,495,575)
Net cash provided by (used in) financing activities	303,688,054	290,341,943	(496,883,429)
<b>NET INCREASE IN CASH IN BANKS</b>	<b>4,306,958</b>	<b>7,902,824</b>	<b>1,253,786</b>
<b>CASH IN BANKS AT BEGINNING OF YEAR</b>	<b>12,064,174</b>	<b>4,161,350</b>	<b>2,907,564</b>
<b>CASH IN BANKS AT END OF YEAR (Note 6)</b>	<b>₱16,371,132</b>	<b>₱12,064,174</b>	<b>₱4,161,350</b>

See accompanying Notes to Financial Statements.



# **FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

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### **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 (ETF) Rules, and the Securities Regulation Code 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 units in exchange for basket of equity 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. The Board approved during its meeting on December 11, 2015, the reduction of the number of shares comprising one creation unit from the current Two Hundred Thousand (200,000) to Fifty Thousand (50,000) shares. On December 13, 2016, the Board approved to reduce further the number of shares per creation unit from Fifty Thousand (50,000) to Ten Thousand (10,000) shares. Shares of the Fund may be 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.

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

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### **2. Summary of Significant Accounting Policies**

#### Basis of Financial Statement Preparation

The accompanying financial statements have been prepared under the historical cost basis except for financial assets at fair value through profit or loss (FVTPL) that have been measured at fair value. The financial statements are presented in Philippine peso, 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 (PFRSs).

#### Presentation of Financial Statements

The Fund presents its statement of financial position in order of liquidity. An analysis regarding recovery (asset) or settlement (liability) within 12 months after the reporting date (current) and more than 12 months after the reporting date (noncurrent) is presented in Note 12.



### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Fund has adopted the following new accounting pronouncements starting January 1, 2018. Adoption of these pronouncements did not have any significant impact on the Fund's financial position or performance, unless otherwise indicated.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*
- Amendments to PAS 28, *Investments in Associates and Joint Ventures, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Changes in hedge accounting have no significant impact to the Company financial statements while the impact of changes in classification and measurement and impairment is described below.

The Fund has adopted PFRS 9 effective January 1, 2018 using the modified retrospective approach. The Fund has not restated the comparative information, which continued to be reported under PAS 39. There are no adjustments arising from the adoption of PFRS 9 that have been recognized in retained earnings as of January 1, 2018.

#### (a) *Classification and Measurement*

Under PFRS 9, debt financial assets are classified and measured at FVTPL, amortized cost, or fair value through other comprehensive income (FVOCI). The classification is based on the Fund's business model for managing the financial assets; and whether the financial instrument's contractual cash flows represent "solely payments of principal and interest" or "SPPI" on the principal amount outstanding.

The classification and measurement requirements of PFRS 9 did not have significant impact on the Fund's financial statements. Cash and cash equivalents and dividend receivable classified as "Loans and receivables" as at December 31, 2018 under PAS 39 are held to collect contractual cash flows and give rise to cash flows that are SPPI. Accordingly, these financial assets continue to be carried at amortized cost, and are classified as "Financial Assets at Amortized costs" starting January 1, 2018. The Fund's investments in quoted equity securities continue to be carried at fair value and are classified as "Financial Assets at FVTPL".

The Fund's financial liabilities which include accounts payable and accrued expenses (excluding statutory liabilities) remain to be classified at amortized costs upon transition.

#### (b) *Impairment*

The adoption of PFRS 9 has fundamentally changed the Fund's measurement of impairment losses for its financial assets – from PAS 39's incurred loss approach to a forward-looking expected credit loss (ECL) approach. Under PFRS 9, the Fund is required to provide ECL for financial assets at amortized cost and debt securities at FVOCI. The allowance is based on the ECLs associated with the risk of default in the next twelve months unless there has been a





significant increase in credit risk since origination or the financial assets are impaired where lifetime ECL is provided.

Upon the adoption of PFRS 9, the Fund assessed that its cash and cash equivalents and dividend receivable are considered low credit risk financial assets. Accordingly, the Fund assessed that the impact of recognizing 12-month ECL for these financial assets is not significant as of January 1, 2018.

- PFRS 15, *Revenue from Contracts with Customers*  
PFRS 15 supersedes PAS 11 *Construction Contracts*, PAS 18 *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The adoption of PFRS 15 did not have significant impact on the Fund's financial statements since the Fund's revenue comprise of trading and securities gain, interest income and dividend income which are out of scope of PFRS 15 (scoped in under PFRS 9).

## **Summary of Significant Accounting Policies**

### Cash and Cash Equivalents

Cash and cash equivalents consist of demand, savings, and time deposits in banks and short-term placements. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and are subject to an insignificant risk of changes in value.

### Fair Value Measurement

The Fund measures certain financial instruments at fair value at each statement of financial position date (see Note 5).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability; or in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

If an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid - ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy.

For assets and liabilities not listed in an active market, the Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.





All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For purposes of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of hierarchy (Note 5).

#### 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.

##### *Initial recognition of financial instruments*

All financial instruments are initially recognized at fair value. Except for financial assets and liabilities at fair value through profit or loss (FVTPL), the initial measurement of financial assets and liabilities includes transaction costs.

##### *'Day 1' difference*

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Fund recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in 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 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.

##### *Classification and Subsequent Measurement of financial instruments (policy applicable beginning January 1, 2018)*

##### *Classification of financial assets*

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Fund's business model for managing financial assets. The Fund classifies its financial assets into the following categories: financial assets at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) and financial assets measured at amortized cost.

##### *Contractual cash flows characteristics*

The Fund assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding. Instruments with cash flows that do not represent as such are classified at FVTPL.



In making this assessment, the Fund determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time.

*Business model*

The Fund's business model does not depend on management's intentions for an individual instrument, rather it refers to how it manages its group of financial assets in order to generate cash flows (i.e. collecting contractual cash flows, selling financial assets or both).

Relevant factors considered by the Fund in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Fund's key management personnel. The Fund also considers the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers, if any, of the business are compensated.

As of December 31, 2018, the Fund has no financial assets at FVOCI.

*Financial assets at FVTPL*

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are recorded in the statement of financial position at fair value, with changes in the fair value included under the 'Trading and securities gains (losses)' account in the profit or loss. Interest earned is reported in the profit or loss under 'Interest income' while dividend income is reported in the profit or loss under 'Dividend income' when the right to receive payment has been established.

As of December 31, 2018, the Fund's financial assets at FVTPL consist of quoted equity investments.

*Financial assets at amortized cost*

A debt financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are integral part of the EIR. The amortization is included in 'Interest income' in the profit or loss and is calculated by applying the EIR to the gross carrying amount of the financial asset. The Fund's financial assets at amortized cost consist of cash and cash equivalents, dividend receivable and accrued interest receivable.



*Reclassifications of financial instruments*

The Fund reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Fund and any previously recognized gains, losses or interest shall not be restated.

*Classification and Subsequent Measurement of financial instruments (policy applicable prior to January 1, 2018)*

The Fund classifies its financial assets in the following categories: financial assets at FVTPL, AFS investments, held-to-maturity (HTM) investments, and loans and receivables. Financial liabilities are classified as financial liabilities at FVTPL or other liabilities carried at cost or amortized 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 statement of financial position date.

As of December 31, 2017, the Fund has no AFS and HTM investments.

*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.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for credit losses, if any. 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 EIR. The amortization is recognized in profit or loss as 'Interest income' for the period. This accounting policy applies to the Fund's cash and cash equivalents, dividend receivable and accrued interest receivable.

*Financial assets at FVTPL*

Financial assets or financial liabilities are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets and financial liabilities at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value relating to the held-for-trading positions are recognized in 'Trading and securities gain' in the statement of income. Interest earned or incurred from debt securities is recorded as 'Interest income' or 'Interest expense' in the statement of income, respectively, while dividend income from equity securities is recorded as 'Dividends' in the statement of income according to the terms of the contract, or when the right to receive payment has been established

*Financial liabilities at amortized cost (policy applicable before and after January 1, 2018)*

Issued financial instruments or their components, which are not designated at FVTPL, are classified as financial liabilities at amortized cost. After initial measurement, financial liabilities at amortized cost are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. This policy applies to accounts payable and other accrued expenses of the Fund.

As of December 31, 2018 and 2017, the Fund has no financial liabilities at FVTPL.



### Derecognition of Financial Assets and Liabilities

#### *Financial asset*

A financial asset 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 the risk and rewards of the asset but has transferred the control over the asset.

#### *Financial liability*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

### Offsetting

Financial assets and financial liabilities are offset and the net amount is 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.

### Impairment of Financial Assets

*Policy applicable beginning January 1, 2018*

#### *Expected credit loss*

PFRS 9 requires the Fund to record ECL for all loans and other debt financial assets not classified as at FVTPL, together with loan commitments and financial guarantee contracts. ECL represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances will be measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk since initial recognition. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of the financial asset.

#### *Staging assessment*

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired debt financial assets which have not experienced a SICR since initial recognition. The Fund recognizes a 12-month ECL for Stage 1 debt financial assets.
- Stage 2 is comprised of all non-impaired debt financial assets which have experienced a SICR since initial recognition. The Fund recognizes a lifetime ECL for Stage 2 debt financial assets.

For credit-impaired financial instruments:

- Financial instruments are classified as Stage 3 when there is objective evidence of impairment.

As of December 31, 2018, the Fund has no provision for expected credit losses (see Note 4).





*Policy applicable prior to January 1, 2018*

The Fund assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

*Loans and receivables*

Prior to adoption of PFRS 9, impairment loss is provided when there is objective evidence that the Fund will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in the profit or loss.

As of December 31, 2017, the Fund has no provision for credit losses.

All income and expenses, including impairment losses, if any, relating to financial assets are recognized in profit or loss.

Revenue Recognition (outside the scope of PFRS 15)

The following specific recognition criteria must be met before revenue is recognized.

*Trading and securities gains (losses)*

Trading and securities gains (losses) represent results arising from trading activities, gains and losses from changes in the fair values of financial assets at FVTPL.

*Dividend income*

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

*Interest income*

Interest income is recognized in the statement of comprehensive income 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.

Expense Recognition

Expenses are recognized when decrease in future economic benefits related to decrease in an asset or an increase of a liability has arisen that can be measured reliably. Expenses are recognized as incurred.





The specific recognition criteria described below must also be met before expense is recognized:

*Management fee and retainer's fee*

Management fee is accrued over time at 1.875% of average daily NAV of the Fund plus 12.00% value added tax (VAT). Retainer's fee is accrued upon receipt of monthly billings.

*Custodian and clearing fees*

This includes custodian fee and transaction charges which are accrued upon receipt of monthly billings.

*Brokers' commission*

Brokers' commission is recognized upon execution of trade.

*Taxes and licenses*

This includes all other local taxes which are recognized when incurred.

Stock Transaction Tax

Stock transaction tax, amounting to 0.60% and 0.50% of gross selling price of stocks sold in 2018 and 2017, respectively, is incurred on sale of equity securities listed and traded through the PSE.

Income Taxes

*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 substantively enacted at the reporting date.

*Deferred tax*

Deferred tax is provided, using the balance sheet method, on all temporary differences 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. 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.

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.

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net investment income for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period after giving retroactive effect to stock dividends declared and stock rights exercised during the period, if any.



Diluted EPS is calculated by dividing the profit attributable to ordinary shareholders (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

As at December 31, 2018 and 2017, there were no potential common shares with dilutive effect on the basic earnings (losses) per share of the Fund.

#### Net Asset Value (NAV) per share

NAV per share is computed by dividing net assets (total assets less total liabilities) by the total number of outstanding redeemable shares as of the statement of financial position date.

#### Capital Stock Transactions

The Fund issues redeemable shares, which are redeemable at the holder's option. Redeemable shares can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's NAV.

The Fund's redeemable shares have 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 instruments.

Further, 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 holders of 'puttable instruments'.

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. No gain or loss is recognized in the statement of comprehensive income on the purchase, sale or issuance or cancellation of the Fund's own equity instruments. Redemptions are recorded as charges against equity.



Transaction costs incurred by the Fund in issuing, acquiring or selling its own equity instruments are deducted against 'Additional paid-in capital'. If '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 from previous periods reduced by the excess of redemption costs over the original issuance price of redeemed shares.

#### Dividend Distribution

Dividend distribution is 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 Board of Directors (BOD). A proposed stock dividend is recognized as a reduction in retained earnings 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 and Contingencies

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.

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. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the statement of income.

#### Segment Reporting

For management purposes, the Fund is organized into one main operating segment, which invests in short term placements, equity and debt instruments in the form of government and private debt securities. All of the Fund's activities are interrelated and interdependent.

Accordingly, all significant operating decisions are based upon analysis of the Fund as one segment. The financial results from this segment are equivalent to the financial statements of the Fund as a whole.

#### Events After the Reporting Date

Post year-end events up to the date of the approval by the 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 not adjusting events, if any, are disclosed in the notes when material to the financial statements.

#### **Standards Issued but not yet Effective**

Pronouncements issued but not yet effective are listed below. The Fund intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Fund's financial statements, unless otherwise indicated.



*Effective beginning on or after January 1, 2019*

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- PFRS 16, *Leases*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- *Annual Improvements to PFRSs 2015-2017 Cycle*
  - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

*Effective beginning on or after January 1, 2020*

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

*Deferred effectivity*

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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### 3. Significant Estimates and Judgments

As of December 31, 2018 and 2017, management assessed that there are no significant accounting judgement and estimates exercised in respect to the preparation of the financial statements.

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### 4. Financial Risk Management Objectives and Policies

The Fund's activities are exposed to a variety of financial risks: credit risk, liquidity risk, and market risk, which includes fair value interest rate risk and equity price risk.

The principal financial assets of the Fund are cash and cash equivalents, financial assets at FVTPL, and receivables.

#### 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 (IAG) of MBTC. The IAG undertakes both the Fund's regular and ad-hoc reviews of risk management controls and procedures through the audit of FAMI's processes and operations, 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 First Metro, 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.

The Parent Company'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 the Parent Company 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 prices or market values of instruments, products and transactions of the Parent Company and 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.
- 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.
- Investment in the securities of other investment companies.
- Investment in real estate properties and developments.
- 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 engage in lending operations.

As an ETF, the Fund is not subject to the maximum or minimum investment limitations or liquidity requirements provided under the Investment Company Act.





*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. Credit exposures are closely monitored to ensure payments are made on time.

*Maximum Exposure to Credit Risk and Investment Risk*

The maximum exposure to credit risk and investment risk is represented by the carrying amounts of the financial assets that are reflected in the statements of financial position.

As of December 31, 2018 and 2017, the Fund does not hold collateral nor has any other credit enhancements for the outstanding financial assets.

*Concentration of risks of financial assets with credit risk on receivables and investment risk exposure*

An analysis of concentrations of credit risk and investment risk by industry is shown below:

	December 31, 2018			
	Cash in banks	Receivables	Financial Assets at FVTPL	Total
Financial intermediaries	P16,371,132	P-	P289,836,720	P306,207,852
Holding firms	-	433,261	572,966,581	573,399,842
Property	-	-	297,522,500	297,522,500
Industrial companies	-	-	186,861,125	186,861,125
Services	-	-	161,802,695	161,802,695
Mining and oil	-	-	9,508,125	9,508,125
	P16,371,132	P433,261	P1,518,497,746	P1,535,302,139

	December 31, 2017			
	Cash in banks	Receivables	Financial Assets at FVTPL	Total
Financial intermediaries	P12,064,174	P595,116	P276,590,188	P289,249,478
Holding firms	-	334,519	548,921,340	549,255,859
Property	-	-	265,038,000	265,038,000
Industrial companies	-	-	152,721,508	152,721,508
Services	-	130,080	148,474,396	148,604,476
Mining and oil	-	-	15,956,480	15,956,480
	P12,064,174	P1,059,715	P1,407,701,912	P1,420,825,801

As of December 31, 2018 and 2017, the Fund's financial assets are all located in the Philippines.



*Credit quality per class of financial assets*

*Policy applicable on and after January 1, 2018*

The table below shows the credit quality of the Fund's financial assets as of December 31, 2018, all of which are classified as Stage 1:

	December 31, 2018				Total
	High Grade	Standard Grade	Substandard Grade	Not rated	
Dividend receivable	₱380,323	₱52,938	₱-	₱-	₱433,261
Cash in banks	16,371,132	-	-	-	16,371,132
	<b>₱16,751,455</b>	<b>₱52,938</b>	<b>₱-</b>	<b>₱-</b>	<b>₱16,804,393</b>

Credit risk from cash and cash equivalents, accrued interest receivable and dividend receivables is minimal since these are placed and recoverable from banks and private corporations issuing debt securities with high external credit rating. Accordingly, these financial assets are considered to be low credit risk investments. The ECL allowance of the financial assets above is measured using 12-month ECL (Stage 1) which is considered insignificant as at December 31, 2018.

*Policy applicable prior to January 1, 2018*

The table below shows the credit quality of the Fund's financial assets as of December 31, 2017:

	Neither Past Due nor Impaired				Total
	High Grade	Standard Grade	Substandard Grade	Not rated	
Receivables:					
Dividend receivable	₱422,865	₱636,850	₱-	₱-	₱1,059,715
Other receivables	12,064,174	-	-	-	12,064,174
Cash in banks	946,962,888	460,739,024	-	-	1,407,701,912
	<b>₱959,449,927</b>	<b>₱461,375,874</b>	<b>₱-</b>	<b>₱-</b>	<b>₱1,420,825,801</b>

The Fund's basis in grading its financial assets is as follows:

High grade - Entities that are highly liquid, sustain operating trends, unlikely to be affected by external factors and have competent management that uses current business models.

Standard grade - Entities that meet performance expectation, unlikely to be affected by external factors and have competent management that uses current business models.

Substandard grade - Entities with marginal liquidity and have a declining trend in operations or an imbalanced position in their statements of financial position, though not to the point that repayment is jeopardized.

Not Rated - Entities for which there is no established credit rating.

As at December 31, 2017, the Fund has no past due or impaired financial assets.

*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 is also exposed to daily cash redemptions of redeemable shares. The Fund therefore invest majority of its assets in the basket of securities as indicated in the Fund's prospectus.



The Fund anticipates a gradual turnover in portfolio with the aim of ensuring the preservation of capital and liquidity.

The table below, for the period indicated, shows the maturity profile of the financial assets, financial liabilities and redeemable shares of the Fund based on contractual undiscounted cash flows:

December 31, 2018							
	On demand	Up to 1 month	More than 1 to 3 months	More than 3 to 6 months	More than 6 to 12 months	Beyond 1 year	Total
<b>Financial Assets</b>							
Cash in banks	₱16,371,132	₱-	₱-	₱-	₱-	₱-	₱16,371,132
Financial assets at FVTPL	1,518,497,746	-	-	-	-	-	1,518,497,746
Receivables	-	433,261	-	-	-	-	433,261
	1,534,868,878	433,261	-	-	-	-	1,535,302,139
<b>Financial Liabilities</b>							
Payable to FAMI	-	633,158	-	-	-	-	633,158
Accrued expenses	-	152,235	129,869	-	-	-	282,104
Custodian fee and transaction charges payable	-	235,283	-	-	-	-	235,283
	-	1,020,676	129,869	-	-	-	1,150,545
Redeemable shares	1,533,999,231	-	-	-	-	-	1,533,999,231
<b>Net asset (liability)</b>	<b>₱869,647</b>	<b>(₱587,415)</b>	<b>(₱129,869)</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱152,363</b>

December 31, 2017							
	On demand	Up to 1 month	More than 1 to 3 months	More than 3 to 6 months	More than 6 to 12 months	Beyond 1 year	Total
<b>Financial Assets</b>							
Cash in banks	₱12,064,174	₱-	₱-	₱-	₱-	₱-	₱12,064,174
Financial assets at FVTPL	1,407,701,912	-	-	-	-	-	1,407,701,912
Receivables	-	1,059,715	-	-	-	-	1,059,715
	1,419,766,086	1,059,715	-	-	-	-	1,420,825,801
<b>Financial Liabilities</b>							
Payable to FAMI	-	560,910	-	-	-	-	560,910
Accrued expenses	-	47,207	204,516	-	-	-	251,723
Custodian fee and transaction charges payable	-	80,719	-	-	-	-	80,719
	-	688,836	204,516	-	-	-	893,352
Redeemable shares	1,419,553,947	-	-	-	-	-	1,419,553,947
<b>Net asset (liability)</b>	<b>₱212,139</b>	<b>₱370,879</b>	<b>(₱204,516)</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱378,502</b>

### Market Risk

The Fund's exposure to market risk relates to equity price 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.

As of December 31, 2018 and 2017, the Fund does not have debt instruments that would expose it to interest rate 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.



The Fund's financial instruments comprise equity investments. The Fund Manager uses an indexing approach in achieving its investment objective. The Fund's investment objective is not to outperform the Philippine Stock Exchange index (PSEi) but to track this index as close as possible.

Consequently, the Fund does not intend to seek provisional defensive position during instances of market decline or overvaluation.

The approach used to select the Underlying Index may prevent the Fund from considerably outperforming the PSEi, however, the indexing approach may also result to the reduction of the risks that the Fund is faced with.

To meet the Fund's investment objectives, FAMI intends to manage the Fund using an index replication strategy, which involves investing in substantially all of the securities and in approximately the same weights as in the PSEi. When conditions permit, as determined by FAMI, FAMI may use a representative sampling indexing strategy, instead of full replication strategy, to manage the Fund. This would involve investing in a representative sample of securities that collectively has an investment profile optimally similar to the PSEi, which it aims to track. The securities selected, in this particular case, are expected to have, in the aggregate, investment and fundamental characteristics, as well as liquidity measures, substantially similar to those in the PSEi. The use of representative sampling may result in higher chances of incurring tracking error risk as opposed to replication of an index.

A change in the index tracking strategy may result in a change in the composition of the securities in the Underlying Index, but shall not be a change in the investment objective or policy of the Fund in accordance with the SEC ETF Rules.

The Fund will at times be substantially fully invested. In case when rebalancing the portfolio is required due to changes in the index composition or diminishing liquidity of certain index component stock, the portfolio may be under invested but limited to at least 80.00% of its assets. The Fund may then temporarily invest the remainder of its assets in liquid investments, including cash, cash equivalents, money market instruments, and shares of money market funds as advised by FAMI.

#### *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 PSEi fluctuations.





The following table sets forth the impact of changes in the PSEi on the Fund's unrealized gain (loss) on its financial assets at FVTPL:

Changes in PSEi	2018		2017	
	9.83%	(9.83%)	9.83%	(9.83%)
Changes in fair value of financial assets at FVTPL by industry classification:				
Holdings	P95,564,326	(P95,564,326)	P58,530,339	(P58,530,339)
Property	49,089,880	(49,089,880)	29,738,180	(29,738,180)
Financial	41,596,645	(41,596,645)	23,824,840	(23,824,840)
Services	19,260,754	(19,260,754)	13,097,485	(13,097,485)
Industrial	24,462,509	(24,462,509)	12,028,192	(12,028,192)
Mining and oil	1,080,221	(1,080,221)	1,209,396	(1,209,396)
<b>Total</b>	<b>P231,054,335</b>	<b>(P231,054,335)</b>	<b>P138,428,432</b>	<b>(P138,428,432)</b>
As a percentage of the Fund's net unrealized gain (loss) for the year	(127.51%)	127.51%	55.79%	(55.79%)

### 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, as the Underlying Index, which is rebalanced every six 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.

The table below provides an analysis of the effect on net assets and profit (loss) of the Fund due to a change in market index with all other variables held constant.

	2018	2017
Actual change in underlying index	(16.85%)	24.73%
Actual changes in net assets and profit or loss	(28,183,320)	59,961,074

## 5. Fair Value Measurement

As of December 31, 2018 and 2017, the carrying values of the Fund's financial assets and liabilities as reflected in the statements of financial position approximate their fair values. The methods and assumptions used by the Fund in estimating fair values of financial instruments are as follows:

### Financial assets at FVTPL

Fair values are based on closing prices published by the PSE, which are considered as Level 1 input.

### Financial assets and liabilities carried at amortized cost

Carrying values approximate fair values since these instruments are liquid and have short-term maturities (less than three months). These financial instruments comprise cash in banks, receivables, and accounts payable and accrued expenses.

As of December 31, 2018 and 2017, the Fund has no financial instruments that are reported under levels 2 and 3, and there were no transfers made among the three levels in the fair value hierarchy.

## 6. Cash in Banks

This account represents the Fund's savings and checking accounts with local banks that bear annual interest rate of up to 0.25% in 2018, 2017 and 2016.



Interest income earned from cash in bank amounted to ₱41,104, ₱554, ₱509 in 2018, 2017, and 2016, respectively (Note 15).

## 7. Financial Assets at FVTPL

Financial assets at FVTPL consist of quoted equity securities with net gains (losses) of:

	2018	2017	2016
Net unrealized gains (losses) from changes in fair value of equity securities	(₱181,207,814)	₱248,137,659	(₱14,085,724)
Net realized gains (losses) on sale of equity securities	(18,590,266)	9,133,021	24,351,329
	<b>(₱199,798,080)</b>	<b>₱257,270,680</b>	<b>₱10,265,605</b>

Dividend income earned from financial assets at FVTPL amounted to ₱23.38 million, ₱18.71 million and ₱18.32 million in 2018, 2017 and 2016, respectively (Note 15).

## 8. Receivables

This account consists of dividends receivable amounting to ₱433,261 and ₱1,059,715 as of December 31, 2018 and 2017, respectively.

## 9. Accounts Payable and Accrued Expenses

This account consists of:

	2018	2017
<b>Financial:</b>		
Payable to FAMI (Note 15)	₱633,158	₱560,910
Accrued expenses	282,104	251,723
Custodian fee and transaction charges payable	235,283	80,719
	<b>1,150,545</b>	<b>893,352</b>
<b>Nonfinancial:</b>		
Documentary stamp tax payable	30,000	265,000
Withholding taxes payable	122,363	113,502
	<b>152,363</b>	<b>378,502</b>
	<b>₱1,302,908</b>	<b>₱1,271,854</b>

Payable to FAMI represents unpaid management fees.

Accrued expenses include professional fees, information technology fees, listing fees and retainer's fees.

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.



## 10. Equity

### Authorized Capital Stock

The Fund's authorized and issued capital stock follow:

	2018		2017	
	Shares	Amount	Shares	Amount
Authorized	30,000,000	₱3,000,000,000	30,000,000	₱3,000,000,000
Issued and outstanding:				
Balance at the beginning of the period	10,942,000	1,094,200,000	7,650,000	765,000,000
Subscriptions	3,650,000	365,000,000	2,370,000	237,000,000
Redemptions	(1,150,000)	(115,000,000)	(10,000)	(1,000,000)
Issuance of stock dividends	409,260	40,926,000	932,000	93,200,000
Balance at the end of the period	13,851,260	₱1,385,126,000	10,942,000	₱1,094,200,000

As of December 31, 2018 and 2017, the total number of shareholders owning at least one board lot (equivalent to 10 ETF shares) is 1,152 and 827, respectively.

### Dividend

On March 16, 2018 and May 23, 2018, the BOD and Stockholders, respectively, approved the declaration of stock dividends equivalent to 3.00% of its outstanding capital stock for the stockholders of record as at June 8, 2018 and distributed the shares to the stockholders on July 4, 2018.

On March 21, 2017 and May 24, 2017, the BOD and Stockholders, respectively, approved the declaration of stock dividends equivalent to 10.00% of its outstanding capital stock for the stockholders of record as at June 8, 2017 and distributed the shares to the stockholders on June 20, 2017.

### Stock Split

On March 16, 2018 and May 23, 2018, the BOD and Stockholders, respectively, 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.

### NAV per Share

NAV per share is computed by dividing net assets (total assets less total liabilities) by the total number of shares issued and subscribed as of the date of the statements of financial position.

As of December 31, 2018, 2017 and 2016, NAV per share is computed as follows:

	2018	2017	2016
Net assets (a)	₱1,533,999,231	₱1,419,553,947	₱863,454,272
Number of shares outstanding (b)	13,851,260	10,942,000	7,650,000
NAV per share (a/b)	₱110.7480	₱129.7344	₱112.8698

Securities Regulation Code Rule 68 requires mutual funds to disclose the net asset value per share in the face or in the notes of the financial statements.



The shares of the Fund are listed in the PSE. The shares may be bought and sold through the secondary market at the quoted market price through the trading participants of the PSE. The quoted market price of the share may differ from its NAVPS which are disclosed in the PSE board. However, shares of the Fund may be issued and redeemed only through the authorized participants in creation units. The subscription or redemption of shares in creation units are based on the NAVPS on the date of creation or redemption of the units. The quoted market prices of the Fund's shares as of December 31, 2018, 2017 and 2016 amounted to ₱111.50, ₱130.50 and ₱112.80, respectively.

#### Capital Management

The Fund aims to provide returns which would reflect the performance of the Philippine equities market by investing in a basket of securities included in the PSEi. The portfolio of the Fund is to be rebalanced and reconstituted every six months in order to adjust to the current composition of the PSEi.

#### Minimum Capital Requirements

As an ETF registered with the SEC, the Fund must continually comply with the minimum subscribed and paid-up capital of ₱250.00 million. As of December 31, 2018 and 2017, the Fund has complied with the externally imposed capital requirement.

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### 11. Earnings (Loss) Per Share

Basic EPS amounts are calculated by dividing the net income for the year by the weighted average number of common shares outstanding during the year (adjusted for stock dividends).

The following reflects the income and share data used in the basic earnings per share computations:

	2018	2017	2016
Net investment income (loss) (a)	(₱189,242,770)	₱265,757,732	₱19,924,211
Weighted average number of shares outstanding (b)	13,254,717	9,737,995	9,202,902
Basic/diluted earnings (loss) per share (a/b)	(₱14.2774)	₱27.2908	₱2.1650

As of December 31, 2018, 2017 and 2016, there were no outstanding dilutive potential common shares. Weighted average number of outstanding common shares was recomputed after giving retroactive effect to stock dividends distributed in 2018.

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### 12. Maturity Analysis of Assets and Liabilities

All assets and liabilities of the Fund are due to be realized and settled within one year from the respective reporting date.

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### 13. Income Taxes

Provision for final tax pertains to the 20.00% final withholding tax on interest income on peso-denominated deposits with local banks and stock transaction tax incurred on sale of equity securities listed and traded through the PSE amounting to 0.60% of gross selling price on stocks sold.





Current tax regulations provide that the RCIT rate shall be 30.00% starting January 1, 2009 and that interest allowed as a deductible expense is reduced by 33.00% of interest income subjected to final tax.

Starting July 1, 2008, an Optional Standard Deduction (OSD) equivalent to 40.00% of gross income may be claimed as an alternative deduction in computing for the RCIT. The Fund has elected to claim itemized deductions instead of OSD for its RCIT computations.

The National Internal Revenue Code (NIRC) of 1997 also provides for rules on the imposition of a 2.00% MCIT on the gross income as of the end of the taxable year beginning on the fourth taxable year immediately following the taxable year in which the Fund commenced its business operations. Any excess MCIT over the RCIT can be carried forward on an annual basis and credited against the RCIT for the three immediately succeeding taxable years. Furthermore, the regulations allow a NOLCO, which may also be applied against the Fund's taxable income, over a three-year period from the year of occurrence.

Moreover, the NIRC provides that dividends received by a domestic corporation from another domestic corporation shall not be subject to tax.

Details of the Fund's NOLCO follow:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2015	₱9,670,799	₱9,670,799	₱-	2018
2016	6,860,335	-	6,860,335	2019
2017	9,443,260	-	9,443,260	2020
2018	12,190,055	-	12,190,055	2021
	<b>₱38,164,449</b>	<b>₱9,670,799</b>	<b>₱28,493,650</b>	

The Fund did not set up deferred tax assets on NOLCO for 2018 and 2017 amounting to ₱8.55 million and ₱7.79 million, respectively. The Fund believes that it is not probable that these temporary differences will be realized in the future.

Reconciliation of the statutory income tax to effective income tax in 2018, 2017 and 2016 follows:

	2018	2017	2016
Statutory income tax	(₱56,612,610)	₱79,824,050	₱6,015,497
Tax effect of:			
Tax paid and tax-exempt income	(1,439,793)	(82,794,184)	(12,672,632)
Non-deductible expenses/losses	54,929,456	459,589	4,726,481
Movements in unrecognized deferred tax asset	3,657,017	2,832,978	2,058,101
Effective income tax	<b>₱534,070</b>	<b>₱322,433</b>	<b>₱127,447</b>



#### 14. Segment Information

For management purposes, the Fund is organized into one main operating segment, which invests in equity securities. All of the Fund's activities are interrelated and interdependent. Accordingly, all significant operating decisions are based upon analysis of the Fund as one segment. The financial results from this segment are equivalent to the financial statements of the Fund as a whole.

The Fund Manager (with its President as Chief Operating Decision Maker (CODM)) monitors and assesses the performance of the Fund based on the daily NAV and NAVPS (Note 10).

The segment's net assets reported to the CODM as of December 31, 2018, 2017 and 2016 follow:

	2018	2017	2016
Financial assets at FVTPL	₱1,518,497,746	₱1,407,701,912	₱859,772,130
Cash in bank	16,371,132	12,064,174	4,161,350
Receivables	433,261	1,059,715	680,484
Total segment assets	1,535,302,139	1,420,825,801	864,613,964
Total segment liabilities	1,302,908	1,271,854	1,159,692
Net assets reported to CODM and under PFRS	₱1,533,999,231	₱1,419,553,947	₱863,454,272

The table below analyzes the Fund's investment income (loss) per investment type:

	2018	2017	2016
Equity securities	(₱176,422,204)	₱275,980,428	₱28,580,697
Deposit placements	41,104	554	509
	(₱176,381,100)	₱275,980,982	₱28,581,206

The Fund's asset producing revenue are all located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

No investment income was derived from a single customer that constitutes 10% or more of the Fund's investment income (loss) in 2018, 2017 and 2016.

#### 15. Related Party Transactions

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 include:

- a. 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, and
- b. its Ultimate Parent Company, Parent Company and other subsidiaries of its Parent Company.



In the ordinary course of business, the Fund has transactions with other related parties as follows:

As of and for the year ended December 31, 2018			
	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
<b>Ultimate parent company</b>			
Cash in banks	₱-	₱16,371,132	Savings account with 0.25% interest rate
Dividend income	588,510	-	Dividend income from equity investments
Interest income	41,104	-	Income from cash in banks
Custodian and transfer agency fees	147,900	152,235	Fees paid to stock transfer agent
<b>Other related parties</b>			
Management fees (Note 9)*	8,486,866	633,158	0.50%; Monthly fee based on average NAV
Dividend income***	94,725	-	Dividend income from equity investments
Brokers' commissions**	491,297	-	Incurred for purchases and sales of equity securities
<b>Key management personnel</b>			
Directors' and officers' fees	267,500	-	Per diems given to directors and officers during board meetings

\* FAMI

\*\* FMSBC

\*\*\*GT Capital Holdings

As of and for the year ended December 31, 2017			
	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
<b>Ultimate parent company</b>			
Cash in banks	₱-	₱452,110	Savings account with 0.25% interest rate
Dividend income	452,202	-	Dividend income from equity investments
Interest income	554	-	Income from cash in banks
Custodian and transfer agency fees	109,758	23,747	Fees paid to stock transfer agent
<b>Other related parties</b>			
Management fees (Note 9)*	6,672,251	560,910	0.50%; Monthly fee based on average NAV
Dividend income***	105,750	-	Dividend income from equity investments
Brokers' commissions**	396,558	-	Incurred for purchases and sales of equity securities
Other receivables**			Expenses shouldered by the Fund; due and demandable
Due to brokers**			Cash component on stock redemption or subscriptions, settled at T+3
<b>Key management personnel</b>			
Directors' and officers' fees	301,500	-	Per diems given to directors and officers during board meetings

\* FAMI

\*\* FMSBC

\*\*\*GT Capital Holdings

As of and for the year ended December 31, 2016			
	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
<b>Ultimate parent company</b>			
Cash in banks	₱-	₱256,712	Savings account with 0.25% interest rate
Dividend income	504,780	-	Dividend income from equity investments
Interest income	509	-	Income from cash in banks
Custodian and transfer agency fees	548,048	76,288	Fees paid to stock transfer agent every month
<b>Other related parties</b>			
Dividend income***	5,586,013	346,816	Dividend income from equity investments
Management fees*	139,440	-	0.50%; Monthly fee based on average NAV
Brokers' commissions**	166,167	-	Incurred for purchases and sales of equity securities



As of and for the year ended December 31, 2016

	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Other receivables**	₱-	₱10,000	Expenses shouldered by the Fund; due and demandable
Due to brokers**	-	23,754	Cash component on stock redemption or subscriptions, settled at T+3
<b>Key management personnel</b>			
Directors' and officers' fees	373,000	-	Per diems given to directors and officers during board meetings

\* FAMI

\*\* FMSBC

\*\*\*GT Capital Holdings

As of December 31, 2018, 2017, and 2016, the Fund holds shares issued by its Ultimate Parent Company with fair values of ₱66.78 million, ₱54.96 million, and ₱30.16 million, respectively, and of GT Capital Holdings, Inc. with fair values of ₱40.21 million, ₱35.01 million, and ₱26.84 million, respectively. The Fund did not write-off any receivables for the year 2018.

Pursuant to the Management and Distribution Agreement (the Agreement) dated April 17, 2013, as fund manager of the Fund, FAMI is entitled to receive annual management fee of 0.50% of the average daily NAV of the Fund payable on a monthly basis. The average daily NAV shall be determined by computing the total value of the Fund's assets less its liabilities.

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. There were no changes made during the year.

*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
<b>2018</b>						
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
<b>2017</b>						
First Metro	2,703,523	35.34	740,185	70,862	3,372,846	30.82
FMSBC	41,579	0.54	1,084,669	1,009,840	116,408	1.06
FMSALEF	411,189	5.38	1,285,334	814,723	881,800	8.06
FMSALBF	50,000	0.65	1,213,530	551,500	712,030	6.51
OWN	25,000	0.33	125,980	104,600	46,380	0.42
Directors and officers	1,507	0.02	150	1,100	557	0.01
<b>2016</b>						
First Metro	4,865,023	41.23	-	2,161,500	2,703,523	35.34
First Metro Trust	568,140	4.81	-	568,140	-	-
FMSBC	66,629	0.56	3,102,410	3,127,460	41,579	0.54
FMSALEF	743,205	6.30	581,051	913,067	411,189	5.38
FMSALBF	-	-	50,000	-	50,000	0.65
OWN	-	-	25,000	-	25,000	0.33
Directors and officers	1,507	0.01	-	-	1,507	0.02

\*Number of shares acquired during 2018 includes issuance of 3.00% stock dividend





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**16. Approval for the Release of the Financial Statements**

The financial statements of the Fund were authorized and approved for issue by the BOD on March 13, 2019.

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**17. Supplementary Information Required Under Revenue Regulations 15-2010**

In compliance with the requirements set forth by RR No. 15-2010 hereunder are the information on taxes and license fees paid or accrued during the taxable year.

The Fund also reported and/or paid the following types of taxes during the year:

Taxes and licenses

In 2018, taxes and licenses of the Fund consist of:

Documentary stamp tax	₱409,260
Local taxes	89,222
	<u>₱498,482</u>

The Fund also paid stock transaction tax of ₱525,849 in 2018.

Withholding Taxes

Total remittances in 2018 and outstanding balance as of December 31, 2018 of withholding taxes follow:

	Total remittances	Balance
Expanded withholding taxes	₱1,267,249	₱122,363
Final withholding taxes	195,102	—
	<u>₱1,462,351</u>	<u>₱122,363</u>



## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors  
First Metro Philippine Equity Exchange Traded Fund, Inc.  
18th Floor, PSBank Center  
777 Paseo de Roxas corner Sedeño Street  
Makati City

We have audited the financial statements of First Metro Philippine Equity Exchange Traded Fund, Inc. (the Fund), as at and for the year ended December 31, 2018, on which we have rendered the attached report dated March 13, 2019.

In compliance with Securities Regulation Code Rule 68, we are stating that the Fund has seventy-one (71) stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.



Janet A. Paraiso

Partner

CPA Certificate No. 92305

SEC Accreditation No. 0778-AR-3 (Group A),

June 19, 2018, valid until June 18, 2021

Tax Identification No. 193-975-241

BIR Accreditation No. 08-001998-62-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 7332517, January 3, 2019, Makati City

March 13, 2019



## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors  
First Metro Philippine Equity Exchange Traded Fund, Inc.  
18th Floor, PSBank Center  
777 Paseo de Roxas corner Sedeño Street  
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of First Metro Philippine Equity Exchange Traded Fund, Inc. (the Fund), as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 and have issued our report thereon dated March 13, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Fund's management. These schedules are presented for the purpose of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

  
Janet A. Paraiso

Partner

CPA Certificate No. 92305

SEC Accreditation No. 0778-AR-3 (Group A),

June 19, 2018, valid until June 18, 2021

Tax Identification No. 193-975-241

BIR Accreditation No. 08-001998-62-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 7332517, January 3, 2019, Makati City

March 13, 2019



**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**  
**INDEX TO THE FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY SCHEDULES**  
**DECEMBER 31, 2018**

**Schedules Required under Securities Regulation Code Rule 68**

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**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**  
**SCHEDULE I**  
**RECONCILIATION OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**AS OF DECEMBER 31, 2018**

<b>Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning</b>	P233,201,464
Add: Net investment income (loss) in 2018	(189,242,770)
Deduct:	
Reduction in retained earnings due to stock dividend	47,298,833
<b>Unappropriated Retained Earnings, as adjusted to available for dividend distribution, ending</b>	<b>P91,257,527</b>

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**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**  
**SCHEDULE II**  
**LIST OF PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS)**  
**EFFECTIVE AS OF DECEMBER 31, 2018**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Early Adopted	Not Applicable
<b>Framework for the Preparation and Presentation of Financial Statements</b>		✓		
Conceptual Framework Phase A: Objectives and qualitative Characteristics				
<b>PFRSs Practice Statement Management Commentary</b>				
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendment to PFRS 1: Meaning of Effective PFRSs			✓
<b>PFRS 2</b>	Share Based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendment to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
<b>PFRS 3 (Revised)</b>	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4			✓
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendment to PFRS 5: Changes in methods of disposal			✓
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Early Adopted	Not Applicable
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments			✓
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 7: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in PFRS 9			✓
	Amendments to PFRS 7: Servicing Contracts and Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
	PFRS 8	Operating Segments	✓	
Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets		✓		
PFRS 9	Financial Instruments		✓	
	Financial Instruments: Classification and Measurement of Financial Liabilities		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	Reissue to incorporate a hedge accounting chapter and permit early application of the requirements for presenting in other comprehensive income the "own credit" gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of PFRS 9		✓	
	Financial Instruments (final version), incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition		✓	
	Prepayment Features with Negative Compensation			✓
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture*			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Early Adopted	Not Applicable
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interest in Other Entities			✓
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Clarification of the Scope of the Standard			✓
PFRS 13	Fair Value Measurements	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from contracts with customers			✓
PFRS 16	Leases			✓
<b>Philippine Accounting Standards</b>				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosure	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative			✓
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 – Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation on Revaluation			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants			✓
PAS 17	Leases			✓
PAS 18	Revenue	✓		
PAS 19	Employee Benefits			✓
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution			✓

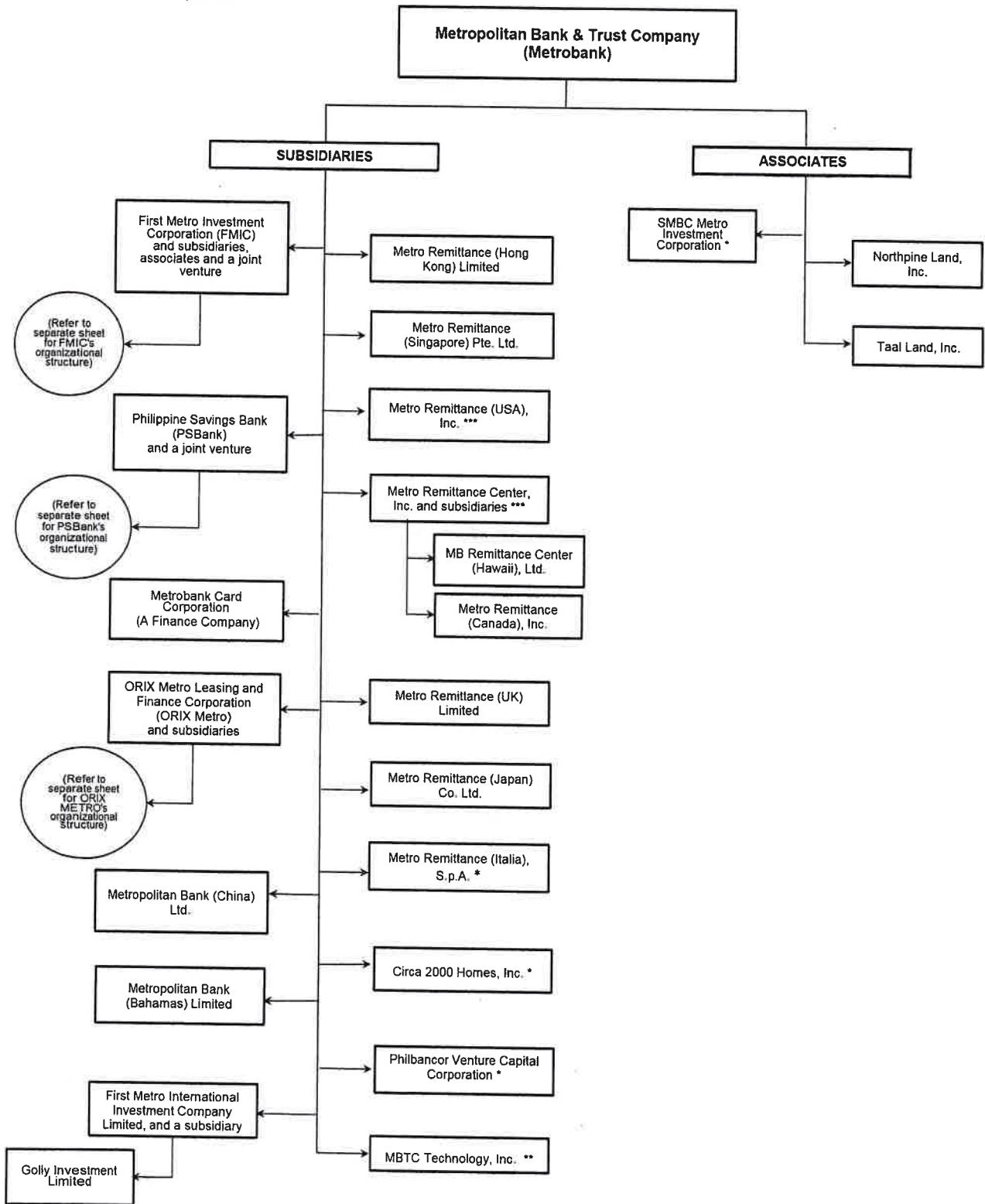


PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Early Adopted	Not Applicable
	Amendments to PAS 19: Discount Rate: Regional Market Issue			✓
PAS 19 (Revised)	Employee Benefits			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosure	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments for investment entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Investment Entities – Applying the Consolidation Exception			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value			✓
	Long-term Interests in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PA 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendment to PAS 34: Disclosure of information 'Elsewhere in the Interim financial report'	✓		
PAS 36	Impairment of Assets			✓
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 38 : Proportionate Restatement of Accumulated Depreciation on Revaluation			✓
	Amendments to PAS 38 : Revaluation Method – Proportionate Restatement Of Accumulated Amortization			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2018		<b>Adopted</b>	<b>Not Early Adopted</b>	<b>Not Applicable</b>
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transaction			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
<b>PAS 40</b>	Investment Property			✓
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property			✓
	Amendments to PAS 40: Transfers of Investment Property			✓
<b>PAS 41</b>	Agriculture			✓
	Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants			✓
<b>Philippine Interpretations</b>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			✓
<b>IFRIC 4</b>	Determining Whether an Arrangement Contains a Lease			✓
<b>IFRIC 5</b>	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
<b>IFRIC 6</b>	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
<b>IFRIC 7</b>	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
<b>IFRIC 10</b>	Interim Financial Reporting and Impairment			✓
<b>IFRIC 12</b>	Service Concession Arrangements			✓
<b>IFRIC 13</b>	Customer Loyalty Programmes			✓
<b>IFRIC 14</b>	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✓
<b>IFRIC 15</b>	Agreements for the Construction of Real Estate			✓
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation			✓
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners			✓
<b>IFRIC 18</b>	Transfers of Assets from Customers			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2018		<b>Adopted</b>	<b>Not Early Adopted</b>	<b>Not Applicable</b>
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Investment			✓
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine			✓
<b>IFRIC 21</b>	Levies			✓
<b>IFRIC 22</b>	Foreign Currency Transactions and Advance Consideration			✓
<b>IFRIC 23</b>	Uncertainty over Income Tax Treatments			✓
<b>SIC - 7</b>	Introduction of the Euro			✓
<b>SIC - 10</b>	Government Assistance - No Specific Relation to Operating Activities			✓
<b>SIC - 15</b>	Operating Leases - Incentives			✓
<b>SIC - 25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
<b>SIC - 27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
<b>SIC - 29</b>	Service Concession Arrangements: Disclosures			✓
<b>SIC - 31</b>	Revenue - Barter Transactions Involving Advertising Services			✓
<b>SIC - 32</b>	Intangible Assets - Web Site Costs			✓

**Metropolitan Bank & Trust Company  
Subsidiaries and Associates  
As of December 31, 2018**



\* In process of dissolution  
\*\* In process of liquidation







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

**Schedule A – Financial Assets**

**December 31, 2018**

Name of issuing entity and association of each issue	Number of shares	Amount shown on the balance sheet	Valued based on market quotation at balance sheet date	Income received and accrued
SM Investments Corporation	220,000	₱ 201,850,000	₱ 201,850,000	₱ 1,799,654
SM Prime Holdings, Inc.	3,712,500	132,907,500	132,907,500	1,308,335
Ayala Land, Inc.	3,162,500	128,397,500	128,397,500	1,492,697
BDO Unibank, Inc.	825,000	107,910,000	107,910,000	954,636
Ayala Corporation	110,000	99,000,000	99,000,000	774,210
Bank of the Philippine Islands	907,505	85,305,470	85,305,470	870,908
JG Summit Holdings, Inc.	1,237,500	68,928,750	68,928,750	371,562
Metropolitan Bank & Trust Company	825,000	66,783,750	66,783,750	588,510
Jollibee Foods Corporation	206,250	60,183,750	60,183,750	475,328
Aboitiz Equity Ventures, Inc.	1,072,500	58,987,500	58,987,500	1,242,138
Phil Long Distance Telephone Corporation	48,125	54,140,625	54,140,625	2,904,440
Universal Robina Corporation	412,500	52,387,500	52,387,500	1,164,965
International Container Terminal Services, Inc.	440,000	44,000,000	44,000,000	1,029,675
GT Capital Holdings, Inc.	41,241	40,209,975	40,209,975	94,725
Manila Electric Company	96,250	36,575,000	36,575,000	1,274,108
Security Bank Corporation	192,500	29,837,500	29,837,500	545,160
Globe Telecom, Inc.	13,750	26,125,000	26,125,000	1,190,508
Metro Pacific Investments Corporation	5,500,400	25,521,856	25,521,856	569,639
San Miguel Corporation	151,250	22,233,750	22,233,750	204,320

Name of issuing entity and association of each issue	Number of shares	Amount shown on the balance sheet	Valued based on market quotation at balance sheet date	Income received and accrued
LT Group, Inc.	1,237,500	20,542,500	20,542,500	218,340
Robinsons Retail Holdings, Inc.	247,500	19,800,000	19,800,000	161,626
Megaworld Corporation	4,125,000	19,593,750	19,593,750	263,991
DMCI Holdings, Inc.	1,512,500	19,329,750	19,329,750	1,468,368
Aboitiz Power Corp.	550,000	19,305,000	19,305,000	674,428
Puregold Price Club Inc.	412,490	17,737,070	17,737,070	-
Robinsons Land Corporation	825,000	16,623,750	16,623,750	275,184
Alliance Global Group, Inc.	1,375,000	16,362,500	16,362,500	137,200
First Gen Corporation	550,000	10,989,000	10,989,000	181,160
Semirara Mining And Power Corporation	412,500	9,508,125	9,508,125	1,012,700
Petron Corporation	962,500	7,420,875	7,420,875	127,361
	31,384,761	P1,518,497,746	P1,518,497,746	P 23,375,876

**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**  
**Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and**  
**Principal Stockholders (Other than Related Parties)**  
**December 31, 2018**

Name of Debtor	Balance at beginning of period	Additions	Amounts Collected	Amounts Written-off	Current	Non- Current	Balance at end of period
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None to report.

**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**  
**Schedule C – Amounts Receivable from Related Parties which are eliminated**  
**during the consolidation of financial statements**  
**December 31, 2018**

Name of Debtor	Balance at beginning of period	Additions	Amounts Collected (i)	Amounts Written-off (ii)	Current	Non-Current	Balance at end of period
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None to report.

(i) If collected was other than in cash, explain.

(ii) Give reasons to write-off.

**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**  
**Schedule D – Intangible Assets – Other Assets**  
**December 31, 2018**

Description <sup>(i)</sup>	Beginning Balance	Additions at Cost <sup>(ii)</sup>	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions) <sup>(iii)</sup>	Ending Balance
None to report.						

- (i) The information required shall be grouped into (a) intangibles shown under the caption intangible assets and (b) deferrals shown under the caption Other Assets in the related balance sheet. Show by major classifications.
- (ii) For each change representing other than an acquisition, clearly state the nature of the change and the other accounts affected. Describe cost of additions representing other than cash expenditures.
- (iii) If provision for amortization of intangible assets is credited in the books directly to the intangible asset account, the amounts shall be stated with explanations, including the accounts charged. Clearly state the nature of deductions if these represent anything other than regular amortization.



**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**  
**Schedule E - Long-Term Debt**  
**December 31, 2018**

Title of issue and type of obligation <sup>(i)</sup>	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet <sup>(ii)</sup>	Amount shown under caption "Long-Term Debt" in related balance sheet <sup>(iii)</sup>	Interest Rate %	Maturity Date
None to report.					

<sup>(i)</sup> Include in this column each type of obligation authorized.

<sup>(ii)</sup> This column is to be totaled to correspond to the related balance sheet caption.

<sup>(iii)</sup> Include in this column details as to interest rates, amounts or numbers of periodic instalments, and maturity dates.

**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**  
**Schedule F - Indebtedness to Related Parties**  
**(Long Term Loans from Related Companies)**  
**December 31, 2018**

Name of Related Parties (i)	Balance at beginning of period	Balance at end of period (ii)
None to report.		

(i) The related parties named shall be grouped as in Schedule C. The information called for shall be stated for any persons whose investments shown separately in such related schedule.  
(ii) For each affiliate named in the first column, explain in a note hereto the nature and purpose of any material increase during the period that is in excess of 10 percent of the related balance at either the beginning or end of the period.

**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**  
**Schedule G - Guarantees of Securities of Other Issuers**  
**December 31, 2018**

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount of guaranteed and outstanding <sup>(i)</sup>	Amount owned by person of which statement is filed	Nature of guarantee <sup>(ii)</sup>
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None to report.

(i) Indicate in a note any significant changes since the date of the last balance sheet file. If this schedule is filed in support of consolidated financial statements, there shall be set forth guarantees by any person included in the consolidation except such guarantees of securities which are included in the consolidated balance sheet.

(ii) There must be a brief statement of the nature of the guarantee, such as "Guarantee of principal and interest", "Guarantee of interest", or "Guarantee of Dividends". If the guarantee is of interest, dividends, or both, state the annual aggregate amount of interest or dividends so guaranteed.

**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**  
**Schedule H - Capital Stock**  
**December 31, 2018**

Title of Issue <sup>(i)</sup>	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties <sup>(ii)</sup>	Directors, officers and employees	Others <sup>(iii)</sup>
Common	30,000,000	13,851,260	-	5,868,026	728	The Fund issued 3,650,000 shares, redeemed 1,150,000 shares and declared 3.00% stock dividend during the year.

(i) Include in this column each type of issue authorized

(ii) Related parties referred to include persons for which separate financial statements are filed and those included in the consolidated financial statements, other than the issuer of the particular security.

(iii) Indicate in a note any significant changes since the date of the last balance sheet filed.

**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.  
FINANCIAL SOUNDNESS INDICATORS  
AS OF DECEMBER 31, 2018 AND 2017**

	2018	2017
Current ratio <sup>1/</sup>	117836.57%	111,712.96%
Acid test ratio <sup>2/</sup>	117836.57%	111,712.96%
Debt-to-equity ratio <sup>3/</sup>	0.08%	0.09%
Asset-to-equity ratio <sup>4/</sup>	100.08%	100.09%
Interest rate coverage ratio <sup>5/</sup>	n.a.	n.a.
Profitability ratios:		
Return on assets <sup>6/</sup>	-12.80%	23.26%
Return on equity <sup>7/</sup>	-12.81%	23.28%

<sup>1/</sup> Current Assets divided by Current Liabilities

<sup>2/</sup> Quick Assets (*Cash and cash equivalents, Financial assets at FVTPL securities and Accounts receivables*) divided by Current Liabilities

<sup>3/</sup> Total Liabilities divided by Total Equity

<sup>4/</sup> Total Assets divided by Total Equity

<sup>5/</sup> Earnings Before Interest and Tax divided by Interest Expense

<sup>6/</sup> Net Investment Income divided by Average Total Assets

<sup>7/</sup> Net Investment Income divided by Average Total Equity



**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.  
OTHER RATIOS REQUIRED FOR MUTUAL FUNDS**

**DECEMBER 31, 2018**

Name of issuing entity and association of each issue	Number of shares	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)
SM Investments Corporation	220,000	201,850,000	13.16%	0.02%
SM Prime Holdings, Inc.	3,712,500	132,907,500	8.66%	0.01%
Ayala Land, Inc.	3,162,500	128,397,500	8.37%	0.02%
BDO Unibank, Inc.	825,000	107,910,000	7.03%	0.02%
Ayala Corporation	110,000	99,000,000	6.45%	0.02%
Bank of the Philippine Islands	907,505	85,305,470	5.56%	0.02%
JG Summit Holdings, Inc.	1,237,500	68,928,750	4.49%	0.02%
Metropolitan Bank & Trust Company	825,000	66,783,750	4.35%	0.02%
Jollibee Foods Corporation	206,250	60,183,750	3.92%	0.02%
Aboitiz Equity Ventures, Inc.	1,072,500	58,987,500	3.85%	0.02%
Phil Long Distance Telephone Corporation	48,125	54,140,625	3.53%	0.02%
Universal Robina Corporation	412,500	52,387,500	3.42%	0.02%
International Container Terminal Services, Inc.	440,000	44,000,000	2.87%	0.02%
GT Capital Holdings, Inc.	41,241	40,209,975	2.62%	0.02%
Manila Electric Company	96,250	36,575,000	2.38%	0.01%
Security Bank Corporation	192,500	29,837,500	1.95%	0.03%
Globe Telecom, Inc.	13,750	26,125,000	1.70%	0.01%
Metro Pacific Investments Corporation	5,500,400	25,521,856	1.66%	0.02%
San Miguel Corporation	151,250	22,233,750	1.45%	0.01%
LT Group, Inc.	1,237,500	20,542,500	1.34%	0.01%
Robinsons Retail Holdings, Inc.	247,500	19,800,000	1.29%	0.02%
Megaworld Corporation	4,125,000	19,593,750	1.28%	0.01%
DMCI Holdings, Inc.	1,512,500	19,329,750	1.26%	0.01%
Aboitiz Power Corp.	550,000	19,305,000	1.26%	0.01%
Puregold Price Club Inc.	412,490	17,737,070	1.16%	0.01%
Robinsons Land Corporation	825,000	16,623,750	1.08%	0.02%
Alliance Global Group, Inc.	1,375,000	16,362,500	1.07%	0.01%
First Gen Corporation	550,000	10,989,000	0.72%	0.02%
Semirara Mining And Power Corporation	412,500	9,508,125	0.62%	0.01%
Petron Corporation	962,500	7,420,875	0.48%	0.01%
	31,384,761	₱1,518,497,746	98.99%	n.a.

**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.  
OTHER RATIOS REQUIRED FOR MUTUAL FUNDS**

**Other relevant ratios:**

	<b>2018</b>	<b>2017</b>
Liquid/Semi liquid assets to total assets <sup>1/</sup>	<b>1.09%</b>	<b>0.92%</b>
Total operating expenses to total net worth <sup>2/</sup>	<b>0.83%</b>	<b>0.87%</b>
Total assets to total borrowing <sup>3/</sup>	<b>n.a.</b>	<b>n.a.</b>

<sup>1/</sup> Liquid/Semi Liquid Assets (*Cash and cash equivalents, Financial assets at FVTPL securities and receivables*)  
divided by Total Assets

<sup>2/</sup> Total Operating Expenses divided by Average Equity

<sup>3/</sup> Total Assets divided by Total Borrowings