

## NOTICE OF ANNUAL MEETING OF THE STOCKHOLDERS

TO ALL STOCKHOLDERS:

Please be informed that the Annual Meeting of Stockholders of **FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.** (FIRST METRO-ETF) will be held on Thursday, September 17, 2020 at 02:00PM via livestream, link provided in the website <https://fami.com.ph>.

The Agenda is as follows:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the previous Annual Stockholders' Meeting held on June 19, 2019.
4. Annual Report
5. Ratification of Corporate Acts
6. Election of the Members of the Board of Directors
8. Appointment of External Auditor
9. Adjournment

As a precautionary measure against the spread of COVID-19, the Company will not be conducting a physical annual shareholders' meeting. The conduct of the annual shareholders' meeting will be streamed live, and shareholders may attend the meeting by registering on or before 12:00 noon on September 17, 2020. Due to the limitations of available technology, voting will not be possible during the livestream, but participants may send in questions or remarks via the livestream platform.

In case you cannot attend the meeting in person and you wish to be represented, you may designate your authorized representative by submitting a signed proxy documents on or before September 7, 2020, through email at [20is@fami.com.ph](mailto:20is@fami.com.ph) and hardcopies at 18<sup>th</sup> Floor, PS Bank Center, 777 Paseo de Roxas corner Sedeño St., Makati City.

Only stockholders of record at the close of business on August 10, 2020 are entitled to notice of, and to vote at the said meeting.

Makati City, \_\_\_\_\_ 2020.

  
**MELISSA B. REYES**  
Corporate Secretary

PROXY

The undersigned stockholder of **FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.** hereby appoints \_\_\_\_\_ or in his absence, the Chairman of the meeting, as attorney-in-fact and proxy, with power of substitution, to present and vote all shares registered in his/her/its name at the annual meeting of stockholders of the Company on Thursday, September 17, 2020 and at any of the adjournments thereof. The proxy shall be revoked only in writing and by informing the Corporate Secretary prior to the annual stockholders meeting.

The proxy may vote by checking (✓) the area that corresponds to his vote. In the election of the Members of the Board of Directors, the proxy shall indicate number of votes on the blank place provided beside the names of the nominees or check abstain should they wish to do so.

ITEMS	ACTIONS		
	Yes	No	Abstain
1. Approval of the Minutes of the Annual Stockholders' Meeting held on June 2019.			
2. Ratification of all Acts and Resolutions of the Board of Directors, Management and All Committees for fiscal year 2019.			
3. Election of the Members of the Board of Directors for the year 2020-2021	# of Votes		
Mr. Eduardo R. Carreon			
Mr. Eduardo S. Mendiola			
Mr. Winston L. Peckson			
Mr. Michael G. Say			
Atty. Abelardo V. Cortez			
Dr. Bernardo M. Villegas			
Fr. Rafael K. Eloriaga, CM			
	<b>Yes</b>	<b>No</b>	
5. Appointment of External Auditor for the year 2020			

\_\_\_\_\_  
PRINTED NAME OF STOCKHOLDER

\_\_\_\_\_  
SIGNATURE OF STOCKHOLDER/  
AUTHORIZED SIGNATORY

\_\_\_\_\_  
DATE

<sup>1</sup> Please fill-out and sign the proxy form and return via mail/email/Metrobank Branches on or before 5:00 p.m. on September 4, 2020.  
Via Mail: To the Corporate Secretary, 18<sup>th</sup> Floor, PS Bank Center, 777 Paseo de Roxas corner Sedeño St., Makati City  
Via Email: 20is@fami.com.ph | Via Fax: (02) 816-0467  
Via Metrobank Branches: Use Pouch Code 90020. This service is free of charge.

<sup>2</sup>This proxy shall be valid for a period of five (5) years from the date of its execution. This proxy shall continue to be in effect until and unless withdrawn by written notice delivered to the Corporate Secretary, but shall not apply in instances wherein the undersigned personally attends the meeting.

<sup>3</sup>If no name is provided, the Chairman of the Meeting will act as the proxy.

THIS PROXY NEED NOT BE NOTARIZED. IF THE STOCKHOLDER ATTENDS IN PERSON AND EXPRESSES HIS INTENTION TO VOTE IN PERSON, THE PROXY WILL BE REVOKED.

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 20-IS**

**INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box  
 Preliminary Information Statement  
 Definitive Information Statement
2. Name of registrant as specified in its charter:  
**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**
3. Province, Country or other jurisdiction of incorporation or organization;  
**Metro Manila, Philippines**
4. SEC Identification number:  
**CS201300728**
5. BIR Tax Identification Code:  
**008-447-745**
6. Address of Principal Office  
**18th Floor, PSBank Center 777 Paseo de Roxas Makati City, Philippines**
7. Telephone Number:  
**(632) 8912860/8160467/ Fax No. (632) 8160467**
8. Date, time, place, of the meeting of security holders:  
**Date : September 17, 2020**  
**Time : 2:00 p.m.**  
**Place : Livestream at the link provided in  
<https://fami.com.ph>**
9. Approximate date on which the Information Statement is first to be sent or given to security holders:  
**August 25, 2020**
10. Securities registered pursuant to Sections 4 and 8 of the RSA:
- | Title of each class  | Number of Shares* |
|----------------------|-------------------|
| <b>Common Shares</b> | <b>16,871,260</b> |
11. Are any or all of registrant's securities listed on the Philippine Stock Exchange?  
Yes.
- If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

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

## PART I - INFORMATION STATEMENT

### A. GENERAL INFORMATION

#### Item 1. Date, Time, and Place of Meeting of Security Holders:

Date : Thursday, September 17, 2020  
Time : 02:00 p.m.  
Place : Livestream at the link provided in <https://fami.com.ph>

#### Mailing Address of the Registrant

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

#### Approximate date on which the Information Statement is first to be sent or given to security holders:

August 25, 2020

#### Item 2. Right of Appraisal:

There are no actions or matters to be taken up at the Annual Stockholders Meeting that will give rise to a possible exercise by security holders of their right of appraisal.

#### Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon:

There is no matter to be acted upon in which any Director or Executive Officer is involved or had a direct, indirect or substantial interest.

No one among the incumbent Directors has informed the Corporation in writing that he/she intends to oppose any action to be taken at the Annual Stockholders Meeting.

### B. CONTROL AND COMPENSATION INFORMATION

#### Item 4. Voting Securities and Principal Holders Thereof:

##### a) Class of Voting Shares :

Class of Voting Securities	Total Outstanding Shares*	Votes Entitlement
Common Shares	<u>16,871,260</u> shares	One (1) vote per share

##### b) Record Date:

Stockholders of record as of August 10, 2020 are entitled to notice and to vote in the Annual Stockholders Meeting.

##### c) Manner of voting

A shareholder may vote in person or by proxy. Article III, Section 7 of the By-Laws of the Corporation provides that:

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*Section 7. Voting. Unless otherwise provided by law, each stockholder shall at every meeting of the stockholders be entitled to one vote, in person or by proxy, for each share with voting right held by such stockholder. At all meetings of the stockholders, all elections and all questions, except in cases where other provision is made by statute or by these By-laws, shall be decided by the plurality vote of stockholders present in person or by proxy and entitled to vote thereat, a quorum being present. Unless required by law, or demanded by a stockholder present in person or by proxy at any meeting, and entitled to vote thereat, the vote on any question need not be by ballot. On a vote ballot, each ballot shall be signed by the stockholder voting, or in his name by his proxy if there be such proxy, and shall state the number of shares voted by him.*

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In the election of Directors, cumulative voting is allowed. Article IV of the By-Laws states:

*Section 3. Election of Directors. At each meeting of stockholders for the election of directors, at which a quorum is present, the persons receiving the highest number of votes of the stockholders present in person or by proxy and entitled to vote shall be the directors. In each of any increase in the number of directors, the additional directors may be elected by the stockholders at the first annual meeting held, or at a special meeting called for the purpose after such increase has been approved. The nomination and election of independent directors shall be made in accordance with the Securities Regulation Code Rule 38.*

**d) Security Ownership of Certain Record and Beneficial Owners and Management:**

The following stockholder own more than 5% of the common voting securities as of June 30, 2020:

<b>Title of Class</b>	<b>Name and Address of Owner</b>	<b>Name of Beneficial Owner</b>	<b>Citizen</b>	<b>No. of Shares Held</b>	<b>Percent to Outstanding Shares</b>
Common	FIRST METRO SECURITIES BROKERAGE CORP. 18 <sup>th</sup> Floor PSBank Centre, 777 Paseo de Roxas Ave. cor. Sedeño st., Salcedo Village, Makati City, Metropolitan Manila 1226	Various Clients	Filipino	9,321,302	55.79%
Common	COL Financial Group, Inc. 2403-B East Tower, PSE Center, Exchange Road Ortigas Center, Exchange Rd, Ortigas Center, Pasig, 1605 Kalakhang Maynila	Various Clients	Filipino	2,576,319	15.42%
Common	China Bank Securities Corporation. 28th Floor BDO Equitable Tower, 8751 Paseo de Roxas, Makati, 1227 Metro Manila	Various Clients	Filipino	1,250,170	7.48%
Common	MBTC-Trust Banking Group 5/Floor, Metrobank Plaza, Sen. Gil J. Puyat Avenue, Makati City	Various Clients	Filipino	853,253	5.11%

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

COL Financial Group, Inc. (COL), is the registered owner of the shares in the books of the Company. The Board of Directors of COL has the right to appoint actual person or persons acting individually or jointly to direct the voting or disposition of the shares held by the corporation. The person who will exercise the voting powers over the shares of COL is Mr. Conrado F. Bate or any officers appointed by the Board.

China Bank Securities Corporation, is the registered owner of the shares in the books of the Company. The Board of Directors of China Bank Securities Corporation has the right to appoint actual person or persons acting individually or jointly to direct the voting or disposition of the shares held by the corporation. The person who will exercise the voting powers over the shares of China Bank Securities Corporation is Ms. Marisol M. Teodoro or any officers appointed by the Board.

MBTC-Trust Banking Group (MBTC-TBG), is the registered owner of the shares in the books of the Company. The Board of Directors of MBTC-TBG has the right to appoint actual person or persons acting individually or jointly to direct the voting or disposition of the shares held by the corporation. The person who will exercise the voting powers over the shares of MBTC-TBG is Ms. Josefina T. Tuplano or any officers appointed by the Board.

#### **Security Ownership of Directors/Management:**

Following are the securities owned by directors and officers of the Company as of June 30, 2020:

<b>Title of Class</b>	<b>Name of Beneficial Owners</b>	<b>Amount and Nature of Ownership</b>	<b>Citizenship</b>	<b>Percent to Outstanding Shares</b>
Common Shares	Eduardo R. Carreon	1	Filipino	0.00%
Common Shares	Eduardo S. Mendiola	1	Filipino	0.00%
Common Shares	Winston L. Peckson	1	Filipino	0.00%
Common Shares	Bernardo M. Villegas	1	Filipino	0.00%
Common Shares	Michael Say	1	Filipino	0.00%
Common Shares	Abelardo Cortez	1	Filipino	0.00%
Common Shares	Raphael K. Eloriaga	1	Filipino	0.00%
Common Shares	Melissa Reyes	721	Filipino	0.00%
Common Shares	Marie Arabella Veon	3,000	Filipino	0.02%

The Corporation knows of no other person holding more than 5% of common shares under a voting trust or similar agreement.

There is no arrangement that may result in a change in control of the registrant.

#### **Changes in Control**

The Fund is an open-end investment company engaged in the business of investing, reinvesting and trading in and issuing and redeeming its shares of stock in creation unit in exchange for basket of equity securities representing an index. The fund has an initial paid-up capitalization of ₱750 million that is paid by First Metro Investment Corporation. The fund's shares were listed with the Philippine

Stock Exchange (PSE) on December 2, 2013. As of December 31, 2019, the majority of the shares are held by First Metro Securities Brokerage Corp.

#### **Item 5. Directors and Executive Officers**

All directors are elected for a term of one year. Each Director shall hold office until the next annual meeting of shareholders and until his/her successor shall have been elected and qualified.

All other officers shall be elected/appointed by the Board of Directors. Vacancies occurring among such officers however arising shall be filled by the Board.

**The Board of Directors as of June 30, 2020 with positions held for the last Five (5) years.  
Term of Office: One (1) Year**

#### **Eduardo R. Carreon, CHAIRMAN OF THE BOARD**

Mr. Carreon, 71, Filipino, is President and CEO of CVLF Consultancy and Outsourcing Corporation since 2009. He served in various positions with Maybank Philippines since 1999. He was Consultant (2008-2009), and prior, Senior Vice President of the Enterprise Financial Services (2003-2008). He served as Consultant for Capital Advisors for Private Enterprise Expansion Inc. from 1998-1999. He was also Country Manager for Dow Jones Philippines (1995-1998); General Manager, Philippine Finance and Investment Company, Hong Kong (1979-1981); Assistant Vice President, PCIBank – 1974-1979; and Pro Manager, Citibank from 1970-1973.

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

#### **Mr. Eduardo S. Mendiola, PRESIDENT**

Mr. Mendiola, 64, Filipino, has been serving as a member of the Board of Director of the following companies since June 2015, namely: First Metro Save & Learn Fixed Income Fund, Inc., First Metro Save and Learn Equity Fund, Inc., First Metro Save and Learn Balanced Fund, Inc., First Metro Save and Learn Dollar Bond Fund, Inc., First Metro Asia Focus Equity Fund, Inc., First Metro Consumer Fund and First Metro Philippine Equity Exchange Traded Fund, Inc. He is a career Executive Service officer II and held the position of Deputy Treasurer of the Philippines from 1994 to 2013. Prior to his appointment as Deputy Treasurer, he held various positions in the Bureau of the Treasury from 1982-1993. He attended various trainings and conferences abroad on capital markets, development of financial system in the ASEAN, financial market analysis, and fiscal discipline among others.

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

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

#### **Winston L. Peckson, DIRECTOR**

Mr. Peckson, 68, Filipino, has thirty-six years of experience in the banking industry. Among his past positions were Head of Treasury Marketing of Philippine National Bank (PNB) from 2009-2010; Vice President and General Manager of the Manila Offshore Branch of ABN-AMRO NV from October 1999-2009; VP and Corporate Treasury Advisor of Bank of America- Manila Branch from 1996-1999; CEO and Director of Danamon Finance Company (HK) from 1991-1996 and Manager Corporate Banking of Lloyds Bank PLC (HK) from 1986-1991, and VP(Commercial) at the Manila Offshore Branch. He is presently the Chief Risk Officer of GT Capital Holdings, Inc.

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

**Michael G. Say, DIRECTOR**

Mr. Say, 60, Filipino, graduated from De La Salle University with a degree in Management of Financial Institutions.

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

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

**Atty. Abelardo V. Cortez, INDEPENDENT DIRECTOR**

Atty. Cortez, 74, Filipino, has over 25 years of banking experience in the local and international banking industry, concentrating on treasury, trust and private banking side of the business. Over this period, he held the following posts: Money Market Head- Rizal Banking Corporation (1978 to 1980); Vice President-Treasury Operations, Bank of the Philippine Island (1980 to 1986); Managing Director and CEO, BPI International Finance Ltd. (Hongkong) from 1987 to 1995; Vice President, Head/Private Banking Group- Bank of the Philippine Island (1995 to 1996); Director for Trust and Investments, ATR KimEng Capital Partners, Inc. (1996 to 2011). He was FINEX President in 2007 and Co-Chairman of the country's Capital Market Development Council in 2008. He was a former director/trustee of FINEX Foundation. He was a former director of First Metro Asset Management Inc.

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

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

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

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

**Dr. Bernardo M. Villegas, INDEPENDENT DIRECTOR**

Dr. Bernardo M. Villegas, Ph.D., 81, Filipino, serves as the Senior Vice President of the University of Asia and the Pacific. Dr. Villegas serves as an Educational Consultant for the Parents for Education Foundation Inc. ("PAREF"), and a columnist in the Manila Bulletin. Dr. Villegas also serves as the Dean of the School of Economics of the University of Asia & the Pacific and as Consultant of Bank of Philippine Islands, and Transnational Diversified Inc. He serves as Director of Transnational Diversified Inc. from 2000 to present. He has been the Chairman of Filipino Fund Inc. since June 2012. He serves as a Member of Board of Trustees of The Insular Life Assurance Company, Ltd. and South East Asia Advisory Board of Rolls Royce Group plc from 1995 to 2002. He serves as a Member of the Board of Directors of leading firms in the food and beverage, sugar milling, pharmaceutical, electric power, banking, information technology, construction, agribusiness, trading,



transportation and engineering industries. He began to serve in the Board of AMC in 1999. He serves as Director of Filipino Fund Inc. He was President of Philippine Economic Society. He served as Project Director, Philippine Economic History under the National Historical Commission; Member, Preparatory Commission for Constitutional Reforms and Constitutional Commission; Consultant, Productivity Development Center-National Economic Council and Program Implementation Agency. He serves as the Chairman of Center for Research and Communication. He is a Member of the boards of several foundations such as Dualtech Foundation, Pilipinas Shell Foundation and PHINMA Foundation. He is a Member of the board of Trustees of the Makati Business Club. He is Professor of the University of Asia and the Pacific, Manila, Philippines, and a Visiting Professor in Economics, IESE Business School, Barcelona, Spain. His special fields of study are developments economics, social economics, business economics and strategic management. He is a Certified Public Accountant, having been one of the CPA board topnotchers in 1958. He is the Consultant on Strategic Planning and Management.

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

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

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

#### **Fr. Rafael K. Eloriaga, CM, INDEPENDENT DIRECTOR**

Fr. Rafael K. Eloriaga, 56, Filipino, Independent Director for First Metro Save and Learn Fixed Income Fund, Inc., First Metro Save and Learn Equity Fund, Inc., First Metro Consumer Fund, , First Metro Save and Learn Money Market Fund, Inc. and First Metro Philippine Equity Exchange Traded Fund, Inc.

Fr. Eloriaga is currently the Vice-President for Finance of Adamson University (2016-present), a member of the Finance Committee, General Curia under the Congregation of the Mission (2013 to present) and joined as member of the Board of Trustees of the Universidad de Sta Isabel, Naga City (2016 to present). He was formerly the Cebu Business Center Head for Central and Eastern Visayas Senior Manager of BPI Family from 2005-2006 and the Provincial Econome, Philippine Province-Congregation of the Mission (2012- 2016)

Fr. Eloriaga took up his AB Philosophy and Letters at Dela Salle University in 1983 and his BS Accountancy at Fr. Saturnino Urios University in 1994. He finished the Curriculum of Ordained Ministry and Masters in Pastoral Theology at St. Vincent School of Theology.

#### **Executive Officers**

#### **Marie Arabella D. Veron, TREASURER**

Marie Arabella D. Veron, 59 years old, Filipino. Term of office is one year and has served as such from January 29, 2007 up to present. She is currently the First Vice President and Head of

Corporate Services and Finance Group of First Metro Asset Management, Inc., Treasurer of First Metro Save & Learn Fixed-Income Fund, Inc., First Metro Save and Learn Equity Fund, Inc., First Metro Save and Learn Balanced Fund, Inc., First Metro Save and Learn Dollar Bond Fund, Inc., First Metro Asia Focus Equity Fund, Inc., First Metro Philippine Equity Exchange Traded Fund, Inc., First Metro Consumer Fund, First Metro Save and Learn Philippine Index Fund, Inc., First Metro Save and Learn Money Market Fund, Inc., First Metro Save and Learn SALFOCCUS Dynamic Fund, Inc. and First Metro Securities Brokerage Corporation. She also served as the First Vice President and Controller of First Metro Investment Corporation, Treasurer/Director of SBC Properties, Inc. and Treasurer of PBC Capital Investment Corporation (2003-2016). She was a Manager of MBTC Domestic Subsidiaries, a Senior Auditor of Joaquin Cunanan & Co./Price Waterhouse (1980-1985) and of Philippine International Trading Corporation (1985-1990). Ms. Veron finished her Bachelor of Science Degree in Business Administration, major in Accounting from University of the East. She is a Certified Public Accountant and a Certified Management Accountant.

**Mauro D. Placente, ASSISTANT TREASURER**

Mauro D. Placente, 54 years old, Filipino, is the Vice President and Financial Accounting Division Head of First Metro Investment Corporation. He joined First Metro Investment Corporation on September 1, 2000. Mr. Placente finished his Bachelor of Science Degree at the National College of Business and Arts. He is a Certified Public Accountant.

**Jonathan T. Tabac, COMPLIANCE OFFICER**

Jonathan T. Tabac, 65 years old, Filipino. Term of office is one year and has served as such from January 29, 2007 up to present. He is also the Compliance Officer of First Metro Securities Brokerage Corporation, First Metro Save & Learn Fixed-Income Fund, Inc., First Metro Save and Learn Equity Fund, Inc., First Metro Save and Learn Balanced Fund, Inc., First Metro Save and Learn Dollar Bond Fund, Inc., First Metro Asia Focus Equity Fund, Inc., First Metro Philippine Equity Exchange Traded Fund, Inc., First Metro Consumer Fund, First Metro Save and Learn Philippine Index Fund, Inc., First Metro Save and Learn Money Market Fund, Inc., First Metro Save and Learn FOCCUS Dynamic Fund, Inc. and First Metro Asset Management, Inc. He served as AVP & Compliance Officer of Citystate Savings Bank (2002-2003), Vice President of Maybank Philippines (formerly PNB Republic Planters Bank)-1997-2001 and Chairman of the Board of RPB Provident Fund, Inc. (1997-2001). Mr. Tabac finished BSC-Accounting from University of Baguio. He is a Certified Public Accountant.

**Melissa B. Reyes, CORPORATE SECRETARY**

Melissa B. Reyes, 50 years old, Filipino, is Assistant Vice President and Legal Officer of First Metro Investment Corporation. She joined First Metro in November 2003. She was also Compliance Officer of FMSBC from 2004-2006. Prior to joining the First Metro group, she was Senior Consultant in the Corporate and Tax Services of J. Cunanan-Pricewaterhouse Philippines (2000-2003). She was previously the Chief Legislative Officer in the Office of Senator Loren Legarda from 1998-2000, and Court Attorney III in the Office of Supreme Court Justice Ricardo J. Francisco from 1997-1998. Atty. Reyes obtained her A.B. Political Science Degree from Ateneo de Manila University, and her Bachelor of Laws degree from San Beda College. She also completed the Trust Course from the Trust Institute of the Philippines in 2012.

**Edwin B. Valeroso, CORPORATE INFORMATION OFFICER**

Edwin B. Valeroso, 56 years old, Filipino. Term of office is two years and has served as such since June 2011. He is First Vice President of First Metro Asset Management, Inc. He was the President of First Metro Save and Learn Balanced Fund, Inc. (Jan 2007 to June 2011), First Metro Save & Learn Fixed-Income Fund, Inc. and First Metro Save and Learn Equity Fund, Inc. (from May 2005 to June

2011), and First Metro Save and Learn Dollar Bond Fund, Inc. (2008 to 2011). He is Vice President and Trustee of Philippine Investment Funds Association (2006 to present) and an Associate Professor Guest Lecturer at De La Salle University-Graduate School of Business (2000 to present). He was a Mutual Fund Strategist/Consultant at First Metro Investment Corp. (2004 to 2005). Mr. Valeroso has a BS Actuarial Mathematics degree from University of Santo Tomas, a Master's degree in Applied Mathematics (major in Actuarial Science) from University of the Philippines, and a Doctor of Business Administration degree from De La Salle University-Manila. He is also an alumnus of the Trust Institute Foundation of the Philippines.

The executive officers were elected on June 19, 2019 and the term of office of each is for one (1) year.

### **Significant Employees**

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

### **Nominee Directors**

The following are the nominees to the Board of Directors for election during the Annual Stockholders' Meeting on September 17, 2020.

Mr. Eduardo R. Carreon  
Mr. Eduardo S. Mendiola  
Mr. Winston L. Peckson  
Mr. Michael G. Say  
\*Atty. Abelardo V. Cortez  
\*Dr. Bernardo M. Villegas  
\* Fr. Rafael K. Eloriaga, CM  
*\*Independent Directors*

### **Independent Directors**

First Metro ETF has formulated its rules relative to the election of independent directors, as follows:

The Nomination Committee shall have at least three (3) members, one of whom is an independent director, and it shall promulgate the guidelines and criteria to govern the conduct of the nomination. The nomination of independent director/s shall be conducted by the Committee prior to a stockholder's meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.

The Nomination Committee of the Board of Directors is composed of Mr. Eduardo Mendiola as Chairman, with Mr. Eduardo Carreon and Atty. Abelardo Cortez as member.

After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required under SRC Rule 38. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director/s. No other nomination shall be entertained after the Final List of Candidates shall have been prepared and no further nomination shall be entertained or allowed on the floor during the stockholders'/membership meeting.

*Messrs. Abelardo V. Cortez, Fr. Rafael K. Eloriaga, CM and Bernardo Villegas* are nominees for independent directors of First Metro- ETF and they were recommended to the Nominations

Committee for election of independent directors by Ms. Janice Gamos, stockholder, in accordance with the foregoing rules. Ms. Gamos has no relations with any of the nominees.

*Fr. Rafael K. Eloriaga, CM*, is also the Independent Director for First Metro Save and Learn Equity Fund, Inc. since 2016 First Metro Consumer Fund on MSCI Philippines IMI, Inc. since 2018, and First Metro Save and Learn Money Market Fund, Inc. since 2018. Member, Board of Trustees, Universidad De Sta. Isabel- Naga City since 2016. Fr. Eloriaga is currently the Vice President for Finance of Adamson University. He was also former Cebu Business Center Head for Central and Eastern Visayas Senior Manager of BPI Family from 2005-2006.

*Atty. Cortez* held the following posts: Money Market Head- Rizal Banking Corporation (1978 to 1980); Vice President-Treasury Operations, Bank of the Philippine Island (1980 to 1986); Managing Director and CEO, BPI International Finance Ltd. (Hongkong) from 1987 to 1995; Vice President, Head/Private Banking Group- Bank of the Philippine Island (1995 to 1996); Director for Trust and Investments, ATR KimEng Capital Partners, Inc. (1996 to 2011). He was FINEX President in 2007 and Co-Chairman of the country's Capital Market Development Council in 2008. He is at present director/trustee of FINEX Foundation.

*Atty. Cortez* served as Independent Director for First Metro Asset Management Inc. (2013 to 2015)

Presently, he sits as Independent Director for First Metro Investment Corporation and PBC Capital Investment Corporation (since 2012).

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

*Dr. Villegas*, serves as the Senior Vice President of the University of Asia and the Pacific. Dr. Villegas serves as an Educational Consultant for the Parents for Education Foundation Inc. ("PAREF"), and a columnist in the Manila Bulletin. Dr. Villegas also serves as the Dean of the School of Economics of the University of Asia & the Pacific and as Consultant of Bank of Philippine Islands, and Transnational Diversified Inc. He serves as Director of Transnational Diversified Inc. from 2000 to present. He has been the Chairman of Filipino Fund Inc. since June 2012; Independent Director for Alaska Milk Corp. He also serves as a Member of Board of Trustees of The Insular Life Assurance Company, Ltd. and South East Asia Advisory Board of Rolls Royce Group plc from 1995 to 2002. He serves as a Member of the Board of Directors of leading firms in the food and beverage, sugar milling, pharmaceutical, electric power, banking, information technology, construction, agribusiness, trading, transportation and engineering industries. He began to serve in the Board of AMC in 1999. He serves as Director of Filipino Fund Inc. He was President of Philippine Economic Society. He served as Project Director, Philippine Economic History under the National Historical Commission; Member, Preparatory Commission for Constitutional Reforms and Constitutional Commission; Consultant, Productivity Development Center-National Economic Council and Program Implementation Agency. He serves as the Chairman of Center for Research and Communication. He is a Member of the boards of several foundations such as Dualtech Foundation, Pilipinas Shell Foundation and PHINMA Foundation. He is a Member of the board of Trustees of the Makati Business Club. He is Professor of the University of Asia and the Pacific, Manila, Philippines, and a Visiting Professor in Economics, IESE Business School, Barcelona, Spain. His special fields of study are developments economics, social economics, business economics and strategic management. He is a Certified Public Accountant, having been one of the CPA board toppers in 1958. He is the Consultant on Strategic Planning and Management.

*Dr. Villegas* served as Chairman of Filipino Fund Inc. until February 2007, Co-Chairman until November 30, 2007 and served as its President. He served as Chairman, Department of Economics-De La Salle University Manila and Director, Economic Research Bureau and Graduate School of Business-De La Salle University Manila. He has been an Independent Director of Benguet Corp. since

June 25, 1998. He served as Director of Bank of Philippine Islands from 1980 to 2000. He served as a Director of the Filipino Fund Inc., from June 1995 to November 30, 2007.

### **Legal Proceedings:**

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

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

1. involved in any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time;
2. involved in or convicted by final judgment in any criminal proceeding, domestic or foreign, or subject to a pending criminal proceeding, foreign or domestic, excluding traffic violations and other minor offenses;
3. subject to any order, judgment, or decree not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
4. found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the said judgment has not been reversed, suspended or vacated.

### **Family Relationships**

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

### **Relationships and Related Transactions**

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

### **Compliance with Manual on Corporate Governance**

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

## Item 6. Compensation of Executive Officers and Directors

	Per Diem			
	2020 (estimated)	2019	2018	2017
Directors	₱250,000	265,000	₱215,000	₱265,000
Executive Officers	77,500	52,000	41,500	36,500
		₱	₱256,500	₱301,500
Aggregate Annual Per Diem	₱327,500	317,000		

Per diem of Directors, Corporate Secretary and Officers of the Fund amounting to ₱10,000.00, ₱3,000.00, ₱2,500.00, respectively, are given during their Annual Stockholders' and regular board meetings.

### Employment Contracts, Termination of Employment and Change-In Control Arrangements

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

### Warrants and Options Outstanding: Repricing

There are no stock warrants or options that First Metro-ETF has awarded to any of its directors or officers. Neither has the registrant's officers or directors own any stock warrants or options.

## Item 7. Independent Public Accountants:

SGV & Co. (SGV) has been the external auditor of First Metro – ETF since its inception in 2013. Representatives of SGV are expected to be present at the stockholders meeting on September 17, 2020. They will have the opportunity to make a statement if they desire to do so and they are expected to be available to respond to appropriate questions.

For the year 2020, First Metro-ETF will still be engaging the services of SGV.

In compliance with SRC Rule 68, par. 3 (b)(iv), the signing partner of the auditing firm is rotated every after five (5) years of engagement. Janet A. Paraiso, signed the independent auditors' for the years 2019 and 2018 while Ray Francis C. Balagtas signed for 2017 and 2016. The reports of auditors on the financial statements of the company for the years ended December 31, 2019, 2018 and 2017 contained unqualified opinions.

The fees paid for the professional services rendered by SGV & Company for the audit of our Financial Statements for the year 2019 is ₱84,158 while the aggregate fees paid for 2018 and 2017 amount to ₱105,304 and ₱111,061, respectively. These cover the following:

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

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

SGV & Co. conducted the audit in accordance with auditing standards generally accepted in the Philippines to obtain reasonable assurance about whether the financial statements are free of material misstatements. Their audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation.

There are no tax fees paid for the last year for professional services rendered by SGV & Co. for tax accounting compliance, advice, planning and any other form of tax service.

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

#### **Audit Committee's Approval Policies and Procedures**

The recommendations of the external auditor are presented to the Audit Committee, which then endorse the same to the Board of Directors for approval.

The appointment of the external auditor shall be included in the agenda of the annual stockholders' meeting.

#### **C. ISSUANCES AND EXCHANGE OF SECURITIES**

**Not Applicable.**

#### **D. Other Matters**

**Item 15. Action with Respect to Reports – Not Applicable**

**Item 16. Matters Not Required to be Submitted- Not Applicable**

**Item 17. Amendment of Charters, By-Laws or Other Documents**

**Not Applicable**

**Item 18. Other Proposed Action**

1) Approval of the minutes of the meetings of the stockholders held on June 19, 2019 with the following points:

- i) Annual report

- ii) Ratification and approval of all acts and resolutions of the Board of Directors for the fiscal year 2019; and
- iii) Approval of the previous minutes
- iv) Election of Directors (including independent directors)
- v) Appointment of External Auditor

2) Ratification of Corporate Acts

The matters that will be ratified are:

- (a) The minutes of the meeting of the Board of Directors and the Executive Committee and all acts, transactions and resolutions of the Board of Directors, the Executive Committee and the Management in 2019 adopted in the ordinary course of business like:
  - i) Approval of Investments
  - ii) Other agreements
    - Management and Distribution Agreement*
    - Stock and Transfer Agency Agreement*
    - Custodianship Agreement*
    - Agreement with the External Auditor*
    - Market Maker Agreement*
    - Index Agreement*
    - Service Agreements*
    - Authorized Participant Agreement*

3) Election of Directors (including independent directors)

4) Appointment of External Auditor

**Item 19. Voting Procedure**

A) The votes of all the shares present or represented at the meeting will be on a per share basis.

B) For the approval of the minutes of 2019 meetings and ratification/approval of the acts or resolutions of the board, every shareholder shall be entitled to one (1) vote for each share of stock standing in his name on the books of the Corporation at the time of closing. A majority vote of the stockholders present in the meeting is sufficient to approve and ratify the Corporate acts mentioned.

C) For the election of Directors

Cumulative voting is allowed provided that the total votes cast by a stockholder shall not exceed the number of shares registered in his name in the books of the corporation as of the record date multiplied by the whole number of directors to be elected. If the number of nominees does not exceed the number of Directors to be elected, the Secretary of the meeting, upon motion made, will be instructed to cast all votes represented at the meeting in favor of the nominees. However, if the number of nominees exceeds the number of Directors to be elected, voting shall be done by secret ballot.

D) Methods by which votes will be counted



Voting shall be made *viva voce*, through the raising of the hands, and counted manually by the Corporate Secretary, unless there is a motion duly made and seconded for voting to be made via balloting.

The Board of Directors in its special meeting held on May 26, 2020, approved the adoption of guidelines to allow participation through remote/electronic means of communication in board/shareholders' meeting. The guidelines detail mainly: a) the mechanism to verify the identity of the shareholders; (b) the measures to ensure that all shareholders have the opportunity to participate in the meeting; and (c) the mechanism to enable shareholders to vote during the meeting.

The authority to allow shareholders to participate through remote communication will only be limited to the 2020 ASM, and not to any regular or special shareholder's meeting that may be called after.

**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND INC.'S YEAR 2018 ANNUAL REPORT OR SEC FORM 17-A WILL BE PROVIDED WITHOUT CHARGE TO EACH STOCKHOLDER UPON WRITTEN REQUEST ADDRESSED TO:**

**Atty. Melissa B. Reyes**  
Corporate Secretary  
First Metro Philippine Equity Exchange Traded Fund, Inc.  
18<sup>th</sup> Floor, Floor, PSBank Center 777 Paseo de Roxas  
Makati City, Philippines

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on August 24, 2020.

**First Metro Philippine Equity Exchange Traded  
Fund, Inc.**

By:



**MELISSA B. REYES**  
Corporate Secretary

## **PART II -COMPANY PROFILE**

### **Brief Description of the General Nature and Scope of Business of the Company**

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

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

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

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

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

The product being sold by the Fund is its shares of stock, being a mutual fund company. As of December 31, 2019, the registrant's total sales were P=94.21 million.

### **Compliance with the Manual on Corporate Governance**

The Board approved the Fund's Corporate Governance Manual on June 19, 2013 to monitor and assess the level of the Fund's compliance with leading practices on good corporate governance as specified in Philippine SEC Circulars. Aside from establishing specialized committees to aid in complying with the principles of good corporate governance, the Manual also outlines specific

investor's rights and protections and enumerates particular duties expected from the Fund's Board members, officers and employees. It also features a Disclosure System which highlights adherence to the principles of transparency, accountability and fairness. A Compliance Officer is tasked with the formulation of specific measures to determine the level of compliance with the Manual by the Fund's Board members, officers and employees. To date, the Fund has not encountered any deviation from the Manual's standards.

## **Risk Factors**

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

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

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

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

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

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

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

**Tracking Error Risk.** The tracking error is the divergence of the Fund's performance from that of the index it tracks. Tracking error may occur because of differences between the securities held in the Fund's portfolio and those included in the index, pricing differences, transaction costs, the Fund's holding of cash, differences in timing of the accrual of dividends, changes to the Underlying Index or the need to meet various new or existing regulatory requirements. This risk may be heightened during times of increased market volatility or other unusual market

conditions. Tracking error also may result because the Fund incurs fees and expenses, while the index it tracks does not.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Dependence on the Services of Third Parties.** The Fund relies on the services of third parties such as the Authorized Participants, Principal Distributor, Fund Manager, Custodian, Stock and Transfer Agent, and INAV Calculator, among others, to run its operations. The loss of services of any of these third parties could materially impair the Fund's operations and performance, and the Fund may not immediately be able to replace such third party within a reasonable period of time, which could materially and adversely affect the Fund's operations and performance.

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

### PART III - SECURITIES OF THE REGISTRANT

#### Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters:

The shares are listed and traded in the Philippine Stock Exchange.

#### Market Price

The Fund shares were traded in the Philippine Stock Exchange (PSE). Below is the history of NAVPS of the Fund for the second quarter of 2020 and the years 2019, 2018 and 2017.

Year		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2020	High	117.3051	99.3013	-	-
	Low	69.8498	80.5404	-	-
2019	High	120.7381	120.9090	125.0492	122.8084
	Low	110.7453	111.8561	116.0699	112.9716
2018	High	137.1606	122.3314	116.8885	114.2078
	Low	120.0840	103.5045	106.0009	101.5321
2017	High	121.6214	132.2690	125.5525	129.7393
	Low	112.8597	117.5979	118.3453	122.5688

#### Top 20 Stockholders as of June 30, 2020

As of June 30, 2020, there are 16,871,260 total outstanding shares of the Fund. Shown below are the top twenty (20) shareholders, including the number of shares and percentage of ownership held by each as of the same date.

No	Name of Owner	No. of Shares Held	Percent to Outstanding Shares
1	FIRST METRO SECURITIES BROKERAGE CORP.	9,321,302	55.70%
2	COL Financial Group, Inc.	2,576,319	15.42%
3	CHINA BANK SECURITIES CORPORATION	1,250,170	7.48%
4	MBTC - TRUST BANKING GROUP	853,253	5.11%
5	BPI SECURITIES CORPORATION	784,620	4.70%
6	BDO NOMURA SECURITIES INC	354,192	2.12%
7	RCBC TRUST & INVESTMENT DIVISION	288,310	1.73%
8	THE FIRST RESOURCES MANAGEMENT & SECURITIES CORP.	246,682	1.48%
9	AB CAPITAL SECURITIES, INC.	154,586	0.93%
10	BDO SECURITIES CORPORATION	105,365	0.63%
11	FIRST INTEGRATED CAPITAL SECURITIES, INC.	97,930	0.59%
12	ABACUS SECURITIES CORPORATION	63,422	0.38%
13	PAPA SECURITIES CORPORATION	57,784	0.35%
14	EASTERN SECURITIES DEVELOPMENT CORPORATION	56,649	0.34%
15	R. NUBLA SECURITIES, INC.	55,485	0.33%
16	PNB SECURITIES, INC.	45,947	0.27%
17	MAYBANK ATR KIM ENG SECURITIES, INC.	42,892	0.26%
18	SOLAR SECURITIES, INC.	31,971	0.19%
19	RCBC SECURITIES, INC.	30,852	0.18%
20	THE HONGKONG AND SHANGHAI BANKING CORP. LTD. - CLIENTS' ACCT.	24,832	0.15%

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

## **Dividends**

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

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

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

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

## **Legal Proceedings:**

There are no pending material legal proceedings to which First Metro – ETF or any of its subsidiaries or affiliates is a party since its inception in 2013.



## PART IV – MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL HIGHLIGHTS

The Fund's Statement of Financial Position and Statement of Comprehensive Income as of and for the years ended December 31, 2019, 2018 and 2017 and the Interim Financial Position and Statements of Comprehensive Income as of and for the years ended June 30, 2020 are presented below.

#### INTERIM STATEMENTS OF FINANCIAL POSITION

	As of	
	June 30, 2020	December 31, 2019
<b>ASSETS</b>		
Cash in banks	₱ 8,362,827	₱ 10,341,369
Financial assets at fair value through profit or loss	1,569,151,974	1,656,416,736
Receivables	6,256,347	747,715
Other asset	97,436	97,436
	₱	
<b>TOTAL ASSETS</b>	<b>1,583,868,583</b>	<b>₱1,667,603,256</b>

#### LIABILITIES AND EQUITY

<b>LIABILITIES</b>		
Accounts payable and accrued expenses	₱ 2,695,392	₱ 2,031,340
<b>EQUITY</b>		
Capital stock	1,687,126,000	1,424,126,000
Additional paid-in capital	160,008,978	156,647,593
Retained earnings	(265,961,786)	84,798,325
	1,581,173,192	1,665,571,918
	₱	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,583,868,584</b>	<b>₱1,667,603,256</b>

#### INTERIM STATEMENTS OF COMPREHENSIVE INCOME\*

	For the Period Ended June 30	
	2020	2019
<b>INVESTMENT INCOME</b>		
Trading and securities gains (losses)	₱ (310,396,166)	₱ 110,979,216
Dividend income	18,289,612	20,323,503
Interest income	12,712	17,682
	₱ (292,093,842)	₱ 131,320,401
<b>OPERATING EXPENSES</b>		
Management fees	₱ 4,126,136	4,518,317
Custodian and transfer agency fees	586,897	433,481
Regulatory and filing fees	356,977	368,093

Information technology expenses	323,392	356,894
Brokers' commission	345,567	214,261
Directors' and officers' fees	182,497	181,992
Taxes and licenses	3,616,540	23,535
Miscellaneous	57,082	73,118
	<b>₱ 9,595,088</b>	<b>6,169,691</b>
<b>INVESTMENT INCOME (LOSS) BEFORE FINAL TAX</b>	<b>₱ (301,688,930)</b>	<b>₱ 125,150,710</b>
<b>PROVISION FOR FINAL TAX</b>	<b>355,433</b>	<b>206,035</b>
<b>NET INVESTMENT INCOME (LOSS)</b>	<b>₱ (302,044,363.00)</b>	<b>₱ 124,944,675</b>
<b>EARNINGS (LOSS) PER SHARE</b>	<b>₱ (19.0923)</b>	<b>₱ 9.0267</b>

\*There are no other comprehensive income items for the period ended June 30, 2020 and 2019.

## **INTERIM FINANCIAL POSITION (June 20, 2020 vs. December 31, 2019)**

As of June 30, 2020, the Fund's total assets stood at ₱1.58 billion, lower by 5.02% or ₱0.08 billion from ₱1.67 billion as of December 31, 2019. Total liabilities ended at ₱2.70 million from ₱2.03 million, higher by 32.69% or ₱0.66 million during the year.

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

### **1. Cash in banks**

This represents the Fund's savings and checking accounts in local banks and bear annual interest of 0.25% per annum. This account ended at ₱8.36 million, decreased by 19.13% or ₱1.98 million from ₱10.34 million mainly due to the lower outstanding cash in bank balance this year.

### **2. Financial assets at FVTPL**

This consists of quoted equity securities held for trading. The decrease of 5.27% or ₱0.08 billion from ₱1.66 billion to ₱1.57 billion was mainly due to result of changes in fair value of equity securities during the year.

### **3. Receivables**

This account consists of dividends and other receivables. The increase of ₱5.50 million from ₱0.75 million to ₱6.25 million was due to higher dividends earned but not yet received this year.

### **4. Other asset**

This account remained at ₱0.10 million which represents prepayment of Fund's annual listing maintenance fee.

### **5. Accounts payable and accrued expenses**

This account consists of accounts payable, payable to FAMI, accrued expenses, withholding tax and documentary stamp tax (DST) payable. Payable to FAMI includes unpaid management fees while accrued expenses include professional fees, information technology fees, listing fees and retainer's fees. Accounts payable includes cash component for redemption. The increase of 32.69% or ₱0.66 million from ₱2.03 million to ₱2.70 million was mainly due to higher accounts and DST payable this year.

### **6. Equity**

The Fund's equity is comprised of its capital stock, additional paid-in capital and retained earnings. The decrease of 5.07% or ₱84.40 million from ₱1.67 billion to ₱1.58 billion was mainly due to the net effect of subscriptions and net loss recognized during the year.

Capital stock ended at ₱1.69 billion, an increase of 18.47% or ₱263.00 million from ₱1.42 billion last year, mainly due to subscriptions during the period. The Fund's authorized capital stock remained at ₱3.00 billion divided into 30.00 million redeemable shares with par value of ₱100.00 per share with each share carrying one vote. As of June 30, 2020 and December 31, 2019, the total issued and outstanding shares were 16,871,260 and 14,241,260, respectively, while the total number of holders of redeemable common shares is 1,857 and 1,371, respectively.

Additional paid-in capital rose by 2.15% or ₱3.30 million from ₱156.65 million to ₱160.00 million this year mainly due to net subscriptions during the period.

Retained earnings decreased by ₱350.76 million from ₱84.80 million to ₱265.96 million deficit as of June 30, 2020 mainly due to the Fund's results of operation recognized during the period.

## **INTERIM RESULTS OF OPERATIONS (June 30, 2020 vs. 2019)**

For the quarter ended June 30, 2020, the Fund recognized a net loss of ₱302.04 million, a decrease of ₱426.99 million from last year's net income of ₱124.94 million.

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

### **1. Trading and securities gain (loss)**

This account represents realized gain (loss) from the sale and unrealized gain (loss) from changes in fair value of debt and equity securities held for trading during the year. The decrease of ₱421.38 million from ₱110.98 million gain to ₱310.40 million loss was mainly due to the result of changes in the fair value of equity securities during the period.

### **2. Dividend income**

This account totaled ₱18.29 million, a decrease of 10.01% or ₱2.03 million from ₱20.32 million mainly due to higher cash dividends earned from shares held during the year.

### **3. Interest income**

This account pertains to interest earned from cash in bank of the Fund. The decrease of 28.11% was due to lower cash in bank balance during the period.

### **4. Management fees**

This account dropped by 8.68% or ₱0.39 million from ₱4.51 million to ₱4.12 million this year mainly due to the decline in management fees relative to the decrease in the Fund's net assets.

### **5. Taxes and licenses**

This account rose by ₱3.59 million from last year's ₱0.02 million to ₱3.6 million mainly due to higher documentary stamp taxes paid during the period.

### **6. Custodian and transfer fees**

This account pertains to charges incurred relative to the purchase and sale of securities. The increase of 35.39% or ₱0.15 million from last year's ₱0.43 million to ₱0.59 million was mainly due to higher volume of creation and redemption transactions during the period.

### **7. Broker's commission**

This account increased by 61.28% or ₱0.13 million from last year's ₱0.21 million to ₱0.35 million mainly due to higher volume of rebalancing trades executed during the period.

### **8. Regulatory and filing fees**

This account totaled P0.35 million which consists of Funds' listing and filing fees paid to regulatory bodies.

**9. Information technology expenses**

This accounts dropped by 9.39% or P0.03 million from last year's P0.36 million to P0.32 million mainly due to lower prime portal services fees incurred by the Fund during the period.

**10. Directors' fees per diem**

This account totaled P0.18 million which pertains to per diem paid to Fund's officers and directors during board meetings and annual stockholders' meeting.

**11. Miscellaneous expenses**

This account decreased by 21.93% or P0.02 million which includes audit fees, bank charges and other miscellaneous expenses.

**Statements of Financial Position**

	As of December 31			Increase (Decrease)			
			2017	2019 vs. 2018		2018 vs. 2017	
	2019	2018		Amount	%	Amount	%
<b>ASSETS</b>							
Cash in banks	₱10,341,369	₱16,371,132	₱12,064,174	(6,029,763)	(36.83%)	₱4,306,958	35.70%
Financial assets at fair value through profit or loss (FVTPL)	1,656,416,736	1,518,497,746	1,407,701,912	137,918,990	9.08%	110,795,834	7.87%
Receivables	747,715	433,261	1,059,715	314,454	72.58%	(626,454)	(59.12%)
Other assets	97,438	-	-	97,438	100.00%	-	-
	<b>₱1,667,603,258</b>	<b>₱1,535,302,139</b>	<b>₱1,420,825,801</b>	<b>132,301,119</b>	<b>8.62%</b>	<b>114,476,338</b>	<b>8.06%</b>
<b>LIABILITIES AND EQUITY</b>							
<b>Liabilities</b>							
Accounts payable and accrued expense	₱2,031,340	₱1,302,908	₱1,271,854	728,432	55.91%	₱31,054	2.44%
<b>Equity</b>							
Capital stock	1,424,126,000	1,385,126,000	1,094,200,000	39,000,000	2.82%	290,926,000	26.59%
Additional paid-in capital	156,647,593	152,213,370	92,152,483	4,434,223	2.91%	60,060,887	65.18%
Retained earnings (deficit)	84,798,325	(3,340,139)	233,201,464	88,138,464	2638.77%	(236,541,603)	(101.43%)
	<b>1,665,571,918</b>	<b>1,533,999,231</b>	<b>1,419,553,947</b>	<b>131,572,687</b>	<b>8.58%</b>	<b>114,445,284</b>	<b>8.06%</b>
	<b>₱1,667,603,258</b>	<b>₱1,535,302,139</b>	<b>₱1,420,825,801</b>	<b>132,301,119</b>	<b>8.62%</b>	<b>₱114,476,338</b>	<b>8.06%</b>

## Statements of Comprehensive Income

	Years Ended December 31			Increase (Decrease)			
				2019 vs 2018		2018 vs 2017	
	2019	2018	2017	Amount	%	Amount	%
<b>INVESTMENT INCOME (LOSS)</b>							
Trading gains (losses)	₱73,248,537	(₱199,798,080)	₱257,270,680	273,046,617	(136.66%)	(₱457,068,760)	(177.66%)
Dividend income	27,662,699	23,375,876	18,709,748	4,286,823	18.34%	4,666,128	24.94%
Interest income	33,926	41,104	554	(7,178)	(17.46%)	40,550	7319.49%
	100,945,162	(176,381,100)	275,980,982	277,326,262	(157.23%)	(452,362,082)	(163.91%)
<b>EXPENSES</b>							
Management fees	9,161,991	8,486,866	6,672,251	675,125	7.95%	1,814,615	27.20%
Custodian and transfer agency fees	891,883	1,012,546	933,074	(120,663)	(11.92%)	79,472	8.52%
Information technology expenses	697,736	693,064	342,970	4,672	0.67%	350,094	102.08%
Regulatory and filing fees	692,293	600,474	489,306	91,819	15.29%	111,168	22.72%
Taxes and licenses	343,535	498,482	536,165	(154,947)	(31.08%)	(37,683)	(7.03%)
Directors' and officers' fees	316,550	256,500	301,500	60,050	23.41%	(45,000)	(14.93%)
Brokers' commissions	250,089	491,297	396,558	(241,208)	(49.10%)	94,739	23.89%
Miscellaneous	243,337	288,371	228,993	(45,034)	(15.62%)	59,378	25.93%
	12,597,414	12,327,600	9,900,817	269,814	2.19%	2,426,783	24.51%
<b>NET INVESTMENT INCOME (LOSS) BEFORE FINAL TAX</b>							
	88,347,748	(188,708,700)	266,080,165	277,056,448	(146.82%)	(454,788,865)	(170.92%)
<b>PROVISION FOR FINAL TAX</b>							
	209,284	534,070	322,433	(324,786)	(60.81%)	211,637	65.64%
<b>NET INVESTMENT INCOME (LOSS)</b>							
	₱88,138,464	(₱189,242,770)	₱265,757,732	277,381,234	(146.57%)	(₱455,000,502)	(171.21%)

### 2019

#### Financial Position (December 31, 2019 vs. December 31, 2018)

The total resources of the Fund soared by 8.62% or ₱0.13 billion from ₱1.54 billion at the beginning of the year to ₱1.67 billion as of December 31, 2019. Liabilities increased as well by ₱0.73 million or 55.91% during the year.

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

**i. Cash in banks**

Cash in banks went down by ₱6.03 million or 36.83% from ₱16.37 million in December 31, 2018 to ₱10.34 million as of December 31, 2019. This account represents the Fund's savings and checking accounts in local banks and earns interest up to 0.25% in 2019 and 2018.

**ii. Financial assets at fair value through profit or loss**

Financial assets at FVTPL consist of quoted equity securities held for trading amounting to ₱1.66 billion and ₱1.52 billion as of December 31, 2019 and 2018, respectively. This account went up by ₱0.14 billion or 9.08% due to additional investment in equity securities relative to net subscription of shares made during the year.

**iii. Receivables**

Loans and receivables consist of dividends and other receivables. This account went up by ₱0.31 million or 72.58% from last year's balance of ₱0.43 million mainly due to the higher dividend declaration made by Investee Companies as of December 31, 2019.

**iv. Accounts payable and accrued expenses**

This account is composed of payable to FAMI, custodian fee payable, accounts payable, accrued

expenses and withholding taxes payable. Accounts payable and accrued expenses rose by ₱0.73 million or 55.91% from ₱1.30 million at the beginning of the year to ₱2.03 million as of December 31, 2019.

The increase in this account is primarily due to Payable to FAMI consisting of accrued management fees, which went up by ₱0.05 million or 7.44% relative to the growth of Fund's net assets. This also includes unpaid information technology fees amounting to ₱0.64 million and documentary stamp tax that increased by ₱0.12 million due to the higher subscriptions in December 2019.

**v. Equity**

*Capital Stock*

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

	2019	2018
<b>Authorized</b>	<b>30,000,000</b>	30,000,000 shares
	<b>shares</b>	
<b>Issued</b>	<b>14,241,260</b>	13,851,260 shares
	<b>shares</b>	

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

*Additional paid-in capital* amounted to ₱156.65 million and ₱152.21 million in 2019 and 2018, respectively. The rise of ₱4.43 million was affected by the net subscription position of the fund as of December 31, 2019.

As of December 31, 2019, the Fund earned a *Net Income* amounting to ₱88.14 million from a deficit of ₱189.24 million in 2018. The growth of ₱88.14 million in *Retained Earnings* was primarily due to the Fund's net income for the year.

**Results of Operations (January 1– December 31, 2019 vs. January 1– December 31, 2018)**

For the year ended December 31, 2019, the Fund posted a net income of ₱88.14 million as compared to deficit of ₱189.24 million in 2018.

The highlights of the results of operations for the year ended December 31, 2019 are as follows:

**a) Trading and securities gains (losses)**

This account, amounting to ₱73.25 million gains, consists of realized of ₱4.19 million from sale of financial assets at FVTPL securities and unrealized gain on marking-to-market of ₱69.06 million. The significant increase of ₱273.05 million was primarily due to the increase in fair market value of equity securities during the current year.

**b) Dividend income**

Dividend income earned from financial assets at FVTPL amounted to ₱27.66 million and ₱23.38 million in 2019 and 2018, respectively. The ₱4.29 million increase was caused by higher inventory of shares held by the fund for the year ended December 31, 2019.

- c) **Interest income**  
The increase in this account was principally due to the higher balance of cash in interest bearing bank account this year.
- d) **Management fees**  
Management fees amounting to ₱9.16 million and ₱8.49 million in 2019 and 2018, respectively, consist of fees accrued and paid to the Fund's Investment Adviser. The increase of ₱0.68 million or 7.95% pertains to higher asset under management level in 2019.
- e) **Custodian and transfer agency fees**  
This account declined by ₱0.12 million or 11.92%, from ₱1.01 million in 2018 to ₱0.89 million in 2019. The decrease was mainly caused by fewer rebalancing trades during 2019 as compared in 2018.
- f) **Information technology expenses**  
Information technology expenses pertain to the prime portal services being used by the Fund. This account includes the license fee for the web hosting of the Fund's website and the calculation of its Indicative NAV during the trading day
- g) **Regulatory and filing fees**  
This account rose by ₱0.09 million or 15.29% due to higher asset under management which is the basis for the listing and filing fees charged by regulatory bodies.
- h) **Taxes and licenses**  
This account fell by ₱0.15 million compared with last year's balance of ₱0.50 million primarily due to lower local taxes paid during the year.
- i) **Directors' and officers' fees**  
This account pertains to the allowances and per diem of directors and officers during the meetings convened. The increase of ₱0.06 million or 23.41% from ₱0.260 million last year to ₱0.32 million during the year was due to higher attendees on meetings held on the current year as compared to last year.
- j) **Brokers' commission**  
Brokers' commission amounting to ₱0.25 million was incurred in 2019 relative to purchase and sale transactions equity securities. This account is ₱0.24 million or 49.10% lower compared to last year's amount of ₱0.49 million due to the lower volume of rebalancing trades during the year.
- k) **Miscellaneous expense**  
Miscellaneous expense consists of various operational expenses incurred by the Fund.

## **2018**

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

The total resources of the Fund soared by 8.06% or ₱0.11 billion from ₱1.42 billion at the beginning of the year to ₱1.54 billion as of December 31, 2018. Liabilities increased as well by ₱0.03 million or 2.44% during the year.

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

- a) **Cash in banks**

Cash in banks went up significantly by ₱4.31 million or 35.70% from ₱12.06 million in December 31, 2017 to ₱16.37 million in December 31, 2018. This account represents the Fund's savings and checking accounts in local banks and earns interest up to 0.25% in 2018 and 2017.

**b) Financial assets at fair value through profit or loss**

Financial assets at FVTPL consist of quoted equity securities held for trading amounting to ₱1.52 billion and ₱1.41 billion as of December 31, 2018 and 2017, respectively. This account went up by ₱0.11 billion or 7.87% due to additional investment in equity securities relative to subscription of shares made during the year.

**c) Receivables**

Loans and receivables consist of dividends and other receivables. This account went down by ₱0.63 million or 59.12% from last year's balance of ₱1.06 million mainly due to the lower dividend declaration made by Investee Companies as of December 31, 2018.

**d) Accounts payable and accrued expenses**

This account is composed of payable to FAMI, custodian fee payable, accounts payable, accrued expenses and withholding taxes payable. Accounts payable and accrued expenses rose by ₱0.03 million or 2.44% from ₱1.27 million at the beginning of the year to ₱1.3 million as of December 31, 2018.

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

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

Accrued expenses include professional fee and transfer agency fee.

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

**e) Equity**

*Capital Stock*

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

	2018	2017
<b>Authorized</b>	<b>30,000,000</b>	30,000,000 shares
	<b>shares</b>	
<b>Issued</b>	<b>13,851,260</b>	10,942,000 shares
	<b>shares</b>	

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

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

As of December 31, 2018, the Fund registered a *deficit* amounting to ₱3.34 million from ₱233.20



million *retained earnings* in 2017. The ₱236.54 million or 101.43% decline was primarily due to the Fund's net loss for the year.

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

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

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

**a) Trading and securities gains (losses)**

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

**b) Dividend income**

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

**c) Interest income**

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

**d) Management fees**

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

**e) Custodian and transfer agency fees**

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

**f) Information technology expenses**

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

**g) Regulatory and filing fees**

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

**h) Taxes and licenses**

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

**i) Brokers' commission**

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

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

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

**k) Miscellaneous expense**

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

**Plan of Action**

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

**Subsequent Events**

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

**Other Matters**

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, unless earlier lifted or extended. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

FAMI, the Fund's Fund Manager, implements a work-from-home set-up that will be effective until the enhanced community quarantine is lifted for all its employees to resolve the impact of the pandemic.

The Fund considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Fund cannot determine at this time the impact to its financial position, performance and cash flows. The Fund will continue to monitor the situation.

Aside from the issue disclosed above, the Fund Manager is not aware of any event and/or uncertainties that:

- will have a material impact on liquidity
- will trigger direct or contingent obligation that is material to the Fund including any default or acceleration of obligation
- will have an impact on all material off-balance sheet transactions, arrangement, obligations and other relationships of the Fund
- is a significant element of income or loss that did not arise from the Fund's continuing operations

- there are no material commitments for capital expenditures during the past year and in the subsequent year.

## DISCUSSION OF KEY PERFORMANCE INDICATORS

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

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

From an initial paid-up capitalization of ₱0.75 billion which translates to a minimal share in the mutual fund industry (under the equity fund category), the Fund’s paid-up capital is now ₱1.58 billion as of June 30, 2020.

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

- *Net Asset Value Per Share* - Net Asset Value per share dropped from ₱116.9540 as of December 31, 2019 to ₱93.7199 as of June 30, 2020. The Fund’s average daily net asset value decreased by 5.72% or ₱0.93 billion from ₱1.64 billion as of December 31, 2019 to ₱1.54 billion as of June 30, 2020.
- *Sales for the period ended* - The Fund had total sales of ₱315.50 million for the period ended June 30, 2020. This is ₱294.73 million higher than ₱20.77 million total sales for the same period last year.
- *Redemptions for the period ended* - The Fund had redemptions of ₱97.83 million for the second quarter of 2020. This is ₱67.91 million higher than ₱29.92 million redemptions for the same period last year.
- *Net Income vs. Benchmark* - The Fund posted a net loss of ₱302.04 million for the period ended June 30, 2020 and ₱124.94 million net income for the same period last year.
- *Market Share vs. Benchmark* - As of June 30, 2020 the Fund garnered 1.64% share in the Equity Funds category while 0.54% share in terms of net assets. On the basis of account holders, the Fund has 1,857 account holders or 0.68% of the total accounts in the Equity Funds category.

*NAVPS vs. Benchmark* - The Fund NAVPS is tracked using the PSEi. The Fund’s tracking error will not exceed 5%. The highest and lowest tracking error during the period are 0.041% and 0.040% respectively.

The following basic ratios measure the financial performance of the Company for the years ended 2019 and 2018:

PERFORMANCE INDICATORS	2019	2018
Return on average asset <sup>1/</sup>	5.50%	(12.80%)
Return on average equity <sup>2/</sup>	5.51%	(12.81%)
Cost-to-income ratio <sup>3/</sup>	12.48%	-6.99%
Net asset value per share <sup>4/</sup>	₱116.9540	₱110.7480
Earnings (Loss) per share <sup>5/</sup>	₱6.1229	(₱14.2774)

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

- <sup>21</sup> Likewise, average equity for year ended December 31 was computed based on the average of the beginning and ending balances, over the net income for the year.
- <sup>31</sup> Operating expenses for the cost-to-income ratios do not include provision for probable losses and provision for income taxes.
- <sup>41</sup> Net asset value per share by deducting total liabilities from total assets to come up with the Net Assets and dividing with the outstanding number of shares for the year.
- <sup>51</sup> Net income divided by weighted average number of common shares.

## Financial and Other Information

a. Information Required I. The following are attached as annexes hereto:

Statement of Management Responsibility	Annex "1"
Audited Financial Statements	Annex "2"
With Report of Independent Auditors	

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on August 24, 2020.

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

By:   
**MELISSA B. REYES**  
Corporate Secretary