

COVER SHEET

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 SEC Registration Number

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(A	n	O	p	e	n	-	E	n	d	M	u	t	u	a	l	F	u	n	d	C	o	m	p	a	n	y)

(Company's Full Name)

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M	a	k	a	t	i	C	i	t	y																			

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

Ms. Marie Arabella D. Veron

(Contact Person)

891-2860

(Company Telephone Number)

1	2	3	1
<i>Month</i>	<i>Day</i>	<i>(Fiscal Year)</i>	

SEC Form-17Q

(Form Type)

2nd Wednesday of May

(Annual Meeting)

Investment Company

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic	Foreign

To be accomplished by SEC Personnel concerned

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File Number

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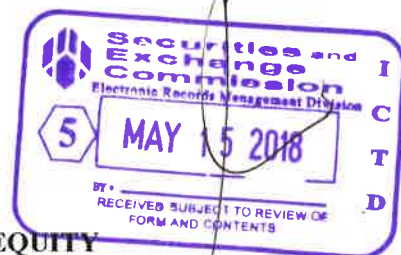
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **March 31, 2018**
2. Commission identification number: **CS201300728**
3. BIR Tax Identification No.: **008-447-745-000**
4. Exact name of issuer as specified in its charter: **FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**
5. Province, country or other jurisdiction of incorporation or organization: **Metro Manila, Philippines**
6. Industry Classification Code: Use Only)
7. Address of issuer's principal office Postal Code
18th Floor, PSBank Center, Paseo de Roxas corner Sedeño St., Makati City **1200**
8. Issuer's telephone number, including area code: **(632) 891-2860**
9. Former name, former address and former fiscal year, if changed since last report: **N/A**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA
 - (a) Authorized capital stock: **30,000,000 shares** **₱3,000,000,000.00**
 - (b.) Number of shares outstanding as of: March 31, 2018

Common shares	12,682,000
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 - (c.) Amount of debt outstanding (unpaid subscriptions): **None**
11. Are any or all of the securities listed in the Philippine Stock Exchange?
Yes [] No []
12. Indicate by check mark whether the registrant:
 - (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
Yes [] No []
 - (b) has been subject to such filing requirements for the past ninety (90) days.
Yes [] No []



PART I – FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

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

INTERIM STATEMENTS OF FINANCIAL POSITION

	As of	
	March 31, 2018	December 31, 2017
ASSETS		
Cash in banks	₱8,213,808	₱12,064,174
Financial assets at fair value through profit or loss	1,524,794,696	1,407,701,912
Receivables	6,056,068	1,059,715
Other asset	261,335	–
TOTAL ASSETS	₱ 1,539,325,907	₱1,420,825,801
LIABILITIES AND EQUITY		
LIABILITIES		
Accounts payable and accrued expenses	₱1,838,903	₱1,271,854
EQUITY		
Capital stock	1,268,200,000	1,094,200,000
Additional paid-in capital	140,633,849	92,152,483
Retained earnings	128,653,155	233,201,464
	1,537,487,004	1,419,553,947
TOTAL LIABILITIES AND EQUITY	₱1,539,325,907	₱1,420,825,801

FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.
(An Open-End Mutual Fund Company)
INTERIM STATEMENTS OF COMPREHENSIVE INCOME*

	For the Period Ended March 31	
	2018	2017
INVESTMENT INCOME		
Trading and securities gains (loss)	(P109,468,157)	P61,475,412
Dividend income	7,800,640	6,505,601
Interest income	5,625	179
	(101,661,892)	67,981,192
OPERATING EXPENSES		
Management fees	2,083,966	1,358,203
Information technology expenses	229,154	187,397
Taxes and licenses	186,416	62,590
Directors' and officers' fees	99,538	103,562
Brokers' commission	95,425	129,105
Regulatory and filing fees	41,398	59,789
Custodian and transfer agency fees	30,312	228,206
Miscellaneous	80,649	46,604
	2,846,858	2,175,456
INVESTMENT INCOME (LOSS) BEFORE FINAL TAX	(104,508,750)	65,805,736
PROVISION FOR FINAL TAX	39,558	67,147
NET INVESTMENT INCOME (LOSS)	(P104,548,308)	P65,738,589
EARNINGS (LOSS) PER SHARE	(P8.7607)	P7.8427

*There are no other comprehensive income items for the period ended March 31, 2017 and 2016.

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

INTERIM STATEMENTS OF CHANGES IN EQUITY

	Number of Shares Outstanding	Capital Stock	Additional Paid-in Capital	Retained Earnings	Total Equity
Balance at January 1, 2018	10,942,000	P1,094,200,000	P92,152,483	P233,201,464	P1,419,553,947
Total comprehensive income for the period	-	-	-	(104,548,309)	(104,548,308)
Shares issued during the period	1,740,000	174,000,000	48,481,366	-	222,481,366
Balance at March 31, 2018	12,682,000	P1,268,200,000	P140,633,849	P128,653,155	P1,537,487,004
Balance at January 1, 2017	7,650,000	P765,000,000	P8,502,216	P89,952,056	P863,454,272
Total comprehensive income for the period	-	-	-	65,738,589	65,738,589
Subscriptions during the period	910,000	91,000,000	17,611,860	-	108,611,860
Balance at March 31, 2017	8,560,000	P856,000,000	P26,114,076	P155,690,645	P1,037,804,721

FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.
(An Open-End Mutual Fund Company)
INTERIM STATEMENTS OF CASH FLOWS

	For the Period Ended March 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net investment income before final tax	(P104,508,751)	P65,805,736
Adjustments for:		
Net unrealized gains from changes in fair value of equity securities	109,235,337	(61,249,331)
Dividend income	(7,800,640)	(6,505,601)
Interest income	(5,625)	(179)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Financial assets at FVPL	(226,328,121)	(108,221,990)
Receivables	(880,810)	—
Other assets	(261,335)	(142,380)
Increase (decrease in accounts payable and accrued expenses)	567,049	13,093
Net cash generated from (used in) operations	(229,982,896)	(110,300,652)
Dividend received	3,685,097	2,943,528
Interest received	5,625	179
Income tax paid	(39,558)	(67,147)
Net cash generated from (used in) operating activities	(226,331,732)	(107,424,092)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of capital stock	222,481,366	108,611,860
Net cash provided by (used in) financing activities	222,481,366	108,611,860
NET INCREASE IN CASH IN BANKS	(3,850,366)	1,187,768
CASH IN BANKS AT BEGINNING OF PERIOD	12,064,173	4,161,350
CASH IN BANKS AT END OF PERIOD	P8,213,808	P5,349,118

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

NOTES TO INTERIM FINANCIAL STATEMENTS

1. Corporate Information

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

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

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

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

2. Summary of Significant Accounting Policies

Basis of Financial Statement Preparation

The accompanying interim financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34 *Interim Financial Reporting*. Accordingly, the interim financial statements do not include all of the information and disclosures required in the annual audited financial statements and should be read in conjunction with the Fund's annual audited financial statements as of and for the year ended December 31, 2017.

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

Presentation of Financial Statements

The Fund presents its statements of financial position in order of liquidity. As of March 31, 2018 and December 31, 2017, financial assets comprised of cash in banks, financial assets at FVPL, and receivables which are realizable within one year from reporting date. The Fund's financial liabilities consist of accounts payable and accrued expenses which are due to be settled within one year from

reporting date.

Statement of Compliance

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

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Fund assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Fund and all of the counterparties.

Income and expenses are not offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Fund.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Fund has adopted the following new accounting pronouncements starting January 1, 2017. Adoption of these amendments did not have any significant impact on the Fund's financial position or performance.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)
- Amendments to Philippine Accounting Standard (PAS) 7, *Statement of Cash Flows, Disclosure Initiative*
- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

Summary of Significant Accounting Policies

Fair Value Measurement

The Fund measures equity securities at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

The Fund recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial instruments that require delivery within the time frame established by regulation or convention in the marketplace are recognized on trade date. Deposits and receivables are recognized when cash is advanced or when the earning process is completed.

Initial recognition of financial instruments

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

As of March 31, 2018 and December 31, 2017, the Fund has no AFS investments, HTM investments and financial liabilities at FVPL.

Financial assets at FVPL

Financial assets at FVPL include financial assets that are:

- acquired and held for trading purposes;
- designated upon initial recognition as at FVPL; and
- stand-alone or bifurcated embedded derivative financial instruments not designated as effective hedging.

Financial assets are classified as held for trading (HFT) if they are acquired principally for the purpose of selling or repurchasing in the near term.

Financial assets may be designated by management on initial recognition as designated financial assets at FVPL when any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or

- The assets and liabilities are part of a group of financial assets, liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets at FVPL comprise of quoted equity securities. These securities are carried at fair value, and realized and unrealized gains and losses on these instruments are recognized in 'Trading and securities gains (losses) - net' in the statement of comprehensive income. Dividend earned on financial assets held for trading is reported under 'Dividend income' in the statement of comprehensive income.

Receivables

These are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets at FVPL or designated as AFS investments. Receivables consist of accounts receivable, due from brokers and dividends receivable.

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

This accounting policy applies to the Fund's 'Cash in Banks' and 'Receivables' accounts.

Financial liabilities at amortized cost

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

This accounting policy applies to the Fund's 'Accounts payable and accrued expenses' account.

Due to and due from brokers

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for but not yet delivered on the reporting date. Refer to the accounting policy for 'Financial liabilities at cost or amortized cost' for recognition and measurement.

Amounts due from brokers are receivables for securities sold (in a regular way transaction) that have been contracted for but not yet delivered as of the reporting date. Refer to accounting policy for 'Receivables' for recognition and measurement.

The Fund recognizes a net due to or due from brokers in relation to subscription and redemption and related trade transactions by the Fund investors and authorized participants, respectively.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Fund retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Fund has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

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

Financial liabilities

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

Impairment of Financial Assets

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Fund assesses whether objective evidence of impairment exists individually for its cash in banks and receivables.

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

The carrying amount of the financial asset is reduced through use of an allowance account and the amount of loss is charged against profit or loss. Interest income continues to be recognized based on the original EIR of the asset. Receivables, together with the associated allowance accounts, are

written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to the 'Provision for credit losses' in the statement of comprehensive income.

Revenue Recognition

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

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

Trading and securities gains (losses) – net

Trading and securities gains (losses) represents results arising from gains and losses from changes in the fair values and gains and losses on sale of financial assets at FVPL.

Dividend income

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

Interest income

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

Expense Recognition

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

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

Management fee

Management fee is accrued over time at 0.50% of average daily net asset value (NAV) of the Fund plus 12.00% value added tax (VAT).

Custodian and transfer agency fees

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

Brokers' commission

Brokers' commission is recognized upon execution of trade.

Taxes and licenses

This includes local taxes which are recognized when incurred.

Stock transaction tax

Stock transaction tax, amounting to 0.05% of gross selling price of stocks sold, is incurred on sale of equity securities listed and traded through the PSE.

Income Taxes

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is determined in accordance with Philippine tax laws. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in other comprehensive income (OCI).

Current tax

Current tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred tax

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

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

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

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

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

Current tax and deferred tax relating to items recognized in equity are recognized in OCI.

NAV Per Share

As defined in the Fund's prospectus, NAV per share (NAVPS) is computed by dividing the Fund's net assets (total assets less total liabilities) by the total number of redeemable shares outstanding as of the reporting date.

Earnings Per Share

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

Diluted EPS is calculated by dividing the profit attributable to ordinary shareholders (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares

outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

As of March 31, 2018 and December 31, 2017, there were no potential common shares with dilutive effect on the basic EPS of the Fund.

Share Capital Transactions

The Fund issues redeemable shares in creation units, which are redeemable at the holder's option. Redeemable shares can be put back to the Fund at any time in creation units for a basket of securities and cash equal to a proportionate share of the Fund's NAV on date of redemption.

The Fund's redeemable shares have all of the following features which qualify them as puttable instruments classified as equity instruments:

- The shares entitle the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation.
- The shares are in the class of instruments that is subordinate to all other classes of instruments.
- All shares in the class of instruments that is subordinate to all other classes of instruments have identical features.
- The shares do not include any contractual obligation to deliver cash or another financial asset other than the holder's right to a pro rata share of the Fund's net assets.
- The total expected cash flows attributable to the shares over their life are based substantially on the statement of comprehensive income, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the shares.

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

- total cash flows based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund (excluding any effect of such instrument or contract); and
- the effect of substantially restricting or fixing the residual return to the puttable instruments holders.

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

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

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

Additional Paid-in Capital

Additional paid-in capital is the excess amount paid by an investor over the par value of a stock issue.

Retained Earnings

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

Dividend Distribution

Dividend distributions are at the discretion of the Fund. A dividend distribution to the Fund's shareholders is accounted for as a deduction from retained earnings. A proposed cash dividend is recognized as a liability in the period in which it is approved by the Board of Directors (BOD).

A proposed stock dividend is recognized as a reduction in equity in the period in which it is approved by the BOD and shareholders representing at least two-thirds (2/3) of the outstanding capital stock. Dividends declared during the year that are approved after the reporting date are dealt with as an event after the reporting date.

Provisions and Contingencies

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

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

Events After the Reporting Date

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

Standards Issued but not yet Effective

Standards issued but not yet effective are listed below. The listing consists of standards and interpretations issued, which the Fund reasonably expects to be applicable at a future date. Unless otherwise indicated, the Fund does not expect that the future adoption of the said pronouncements to have a significant impact on its financial statements. The Fund intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2018

- PFRS 2, *Classification and Measurement of Share-based Payment Transactions* (Amendment)
- PFRS 4, *Applying PFRS 9, Financial Instruments, with PFRS 4* (Amendment)
- PFRS 15, *Revenue from Contracts with Customers*
- PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*) (Amendment)
- PAS 40, *Investment Property - Transfers of Investment Property* (Amendment)
Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

Effective beginning on or after January 1, 2019

- PFRS 9, *Prepayment Features with Negative Compensation* (Amendment)
- PFRS 16, *Leases*

- PAS 28, *Long-term Interests in Associates and Joint Ventures* (Amendment)
- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*

Deferred effectivity

- PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendment)

Pronouncements that are deemed to have significant impact on the financial statements of the Fund are described below:

Effective beginning on or after January 1, 2018

PFRS 9 Adoption

PFRS 9, Financial Instruments

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Fund plans to adopt the new standard on the mandatory effective date and will not restate comparative information.

In 2017, the Fund performed its initial impact assessment of all three phases of PFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information becoming available to the Fund when it adopts PFRS 9 in 2018. The initial adoption of PFRS 9 will have no effect on the classification and measurement of the Fund's financial instruments as its investment portfolio consists only of financial instruments classified as financial assets at FVPL. The adoption will have an impact on the Fund's amount of provisioning based on the new requirements of the expected credit loss model.

The Fund has applied its existing governance framework to ensure that appropriate controls and validations are in place over key processes and judgments in implementing PFRS 9. The Fund is continuously refining its internal controls and processes which are relevant in the proper implementation of the PFRS 9.

3. Significant Estimates and Judgments

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

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

Judgment

Classification of redeemable shares as equity

The Fund continually assesses whether all of the conditions indicated in its accounting policy on Share Capital Transaction (Note 2) are met by the redeemable shares it issues to retain the classification of the shares as equity instruments.

In applying its judgment, management considers the rights and claims that each shareholder is entitled to from the Fund's on shares held, the type and features of issued shares including the terms of any contractual obligation, and the basis for the cash flows attributable to the entirety of the term of the shares.

4. Financial Risk Management Objectives and Policies

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

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

Risk Management Framework

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

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

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

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

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

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

Nature of Risks and Risk Management Objectives and Policies

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

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

among others.

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

- Investments in margin purchases of securities, commodity futures contracts, precious metals, unlimited liability investments, short-selling of currencies and securities are not allowed.
- It shall not incur any further debt or borrowing.
- It shall not participate in underwriting or selling activities in connection with the public distribution of securities except for its own capital stock.
- Investment in any company for the purpose of exercising control or management.
- Investment in the securities of other investment companies.
- Investment in real estate properties and developments.
- Purchasing or selling of securities other than capital stocks of the Fund from or to any of its officers or directors or the officers and directors of its investment adviser/s, manager or distributor/s or firm/s of which any of them are members is prohibited.
- It shall not engage in lending operations.

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

Credit Risk

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

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

Maximum Exposure to Credit Risk

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

As of March 31, 2018 and December 31, 2017, the Fund does not hold collateral or has no other credit enhancements for the outstanding financial assets

Concentration of risks of financial assets with credit risk exposure

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

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

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

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

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

As of March 31, 2018 and December 31, 2017, the Fund has no past due or impaired receivables.

Liquidity Risk

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

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

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

Market Risk

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

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

The risks inherent to equity ETFs are related to the volatility of the stock market. Changes in prices of equity securities that compose the Fund's basket of securities may substantially vary in a short span of time. The performance of the companies whose shares are included in the portfolio of the Fund is very much dependent on the people behind those companies. Added to that, stock prices are sensitive to political and economic conditions that normally change from time to time. Fluctuations in the value of securities in which the Fund invests will cause the NAV of the Fund to fluctuate.

The Fund's financial instruments comprise equity investments. The Fund Manager uses an indexing approach in achieving its investment objective. The Fund's investment objective is not to outperform the Philippine Stock Exchange index (PSEi) but to track this index as close as possible. Consequently, the Fund does not intend to seek provisional defensive position during instances of market decline or overvaluation.

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

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

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

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

Equity price risk

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

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

Index Risk

The Fund is subject to the risk that the Underlying Index may underperform other segments of the equity market or the equity market as a whole. The Fund aims to track the PSEi, as the Underlying Index, which is rebalanced every six months. The returns of the Fund may be affected by such rebalancing, and the Fund is subject to the risk that it may not accurately track the returns of the PSEi.

5. Fair Value Measurement

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

Financial assets at FVPL

Fair values are based on quoted market prices, which are considered as Level 1 input.

Financial assets and liabilities carried at amortized cost

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

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

6. Other information

- **Compliance with US Foreign Account Tax Compliance Act (FATCA) Regulations**
Pursuant to SEC Memorandum Circular No. 8, series of 2014, the following actions were undertaken to comply with the US Foreign Account Tax Compliance Act (FATCA) requirements, as follows:
 1. Metrobank, being the Lead FFI of an Expanded Affiliate Group (EAG), has identified
 2. Metrobank, being the Lead FFI, has created FATCA accounts for First Metro and the covered subsidiaries;

3. First Metro has created a FATCA Compliance Ad Hoc Committee last December 27, 2013 to oversee the FATCA implementation requirements for First Metro and subsidiaries;
4. First Metro, through its Compliance Division, has registered last January 6, 2014 with the US IRS for FATCA purposes, including the covered subsidiaries. The IRS issued a Global Intermediary Identification Number (GIIN) for each of the following FFI:
 - a. First Metro Investment Corporation
 - b. First Metro Securities Brokerage Corporation
 - c. PBC Capital Investment Corporation
 - d. FMIC Equities, Inc.
 - e. Resiliency (SPC), Inc.
 - f. First Metro Asset Management, Inc.
 - g. First Metro Save and Learn Dollar Bond Fund, Inc.
 - h. First Metro Asia Focus Equity Fund, Inc.
 - i. First Metro Philippine Equity Exchange Traded Fund, Inc.
 - j. First Metro Save and Learn Equity Fund, Inc.
 - k. First Metro Save & Fixed-Income Fund, Inc.
 - l. First Metro Save and Learn Balanced Fund, Inc.
 - m. First Metro Consumer Fund on MSCI Philippines IMI, Inc.
5. First Metro and its subsidiaries have conducted initial runs for search of US Indicia in their databases;
6. First Metro has adopted the Metrobank template for Letters to Depositors and the Certification, Consent and Waiver Form for identified US Indicia accounts;
7. First Metro is finalizing the establishment of the policies and procedures to identify US Indicia and tag the same in the company's systems for the pre-existing accounts and onboarding procedures for new accounts;
8. First Metro is rolling out training awareness on FATCA for all its employees, including the covered subsidiaries; and
9. First Metro, through its Compliance Division, has continuously coordinated with its parent bank Metrobank and the Association of Bank Compliance Officers or ABCOMP to raise issues and queries on FATCA implementation.

- **Seasonality or Cyclicity of Interim Operations**

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

- **No Unusual Items**

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

- **Subscriptions and Redemptions of Securities**

There were 1.74 million shares subscribed and no redemptions during the period.

- **Dividends**

On March 16, 2018, the Board of Directors approved the issuance of 10% stock dividend. The record and payment dates will be set on the stockholders' meeting on May 23, 2018 or on the actual date of Annual Stockholders' meeting.

- **Material Events**

There were no material events that happened for the period ended March 31, 2018.

- **Subsequent Events**

There were no material subsequent events that took place after the period ended March 31, 2018.

- **Commitments and Contingent Accounts**

There were no commitments and contingent accounts for the period ended March 31, 2018.

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

The total expected cash outflow on redemption of all the shares equals the Fund's equity. For the purpose of calculating the NAV per share attributable to holders of redeemable shares, the Fund's investments in listed equity securities held for trading are valued on the basis of closing prices.

As of March 31, 2018 and December 31, 2017, the reconciliation between the Fund's equity and the NAV per share calculated using closing prices follows:

	March 31, 2018	December 31, 2017
Total equity calculated under PFRS	₱ 1,537,487,004	₱ 1,419,553,946
Adjustment from bid prices	-	-
Net asset value attributable to holders of redeemable shares (a)	1,537,487,004	1,419,553,946
Number of redeemable shares (b)	12,682,000	10,942,000
NAV per share (a/b)	₱ 121.2338	₱ 129.7344

- **Earnings Per Share**

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

	March 31	
	2018	2017
a. Net Income (Loss)	(₱104,548,309)	₱65,738,589
b. Weighted average number of common shares	11,933,778	8,382,111
c. Earnings per share (a/b)	(₱ 8.7607)	₱ 7.8427

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION (March 31, 2018 vs. December 31, 2017) AND RESULTS OF OPERATIONS (January 1 – March 31, 2018 vs. January 1 – March 31, 2017)

FINANCIAL POSITION

Total resources of the Fund amounted to ₱1.54 billion and ₱1.42 billion as of March 31, 2018 and December 31, 2017, respectively. The increase of 8.34% or ₱0.12 billion for the three-month period was mainly due to the following:

1. Cash in banks

Cash in banks represent the Fund's savings and checking accounts in local banks and bear annual interest of 0.25%. This account reduced by 31.92% or ₱3.85 million from ₱12.06 million in December 31, 2017 to ₱8.21 million in March 31, 2018 due to the higher expenses incurred in the beginning of the year including the buying of stocks for rebalancing of trades.

2. Financial assets at FVPL

Financial assets at FVPL increased by 8.32% or ₱0.12 billion as a result of additional investments made during the period. This consists of quoted equity securities held for trading amounting to ₱1.52 billion and ₱1.41 billion as of March 31, 2018 and December 31, 2017, respectively.

3. Receivables

Receivables consist of dividends and other receivables. This account is significantly higher by ₱5.0 million from ₱1.06 million to ₱6.06 million as of December 31, 2017 and March 31, 2018, respectively, due to the dividends earned from investment in equity securities but not yet received as of March 31, 2018.

4. Other asset

Other asset pertains to the prepayment made for the annual listing maintenance fee and annual business permit amounting to ₱0.26 million to be amortized over the remaining period.

5. Accounts payable and accrued expenses

This account is composed of payable to FAMI, custodian fees, withholding taxes payable and other accrued expenses. Accounts payable and other accrued expenses is up by 44.58% or ₱0.57 million from ₱1.27 million as of December 31, 2017 to ₱1.84 million as of March 31, 2018.

Payable to FAMI pertains to unpaid management fees as of reporting date. Accrual of management fee is based on the level of Fund's net assets. This account rose by ₱0.07 million relative to the increase in the Fund's net assets at the end of the period.

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.

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

Accrued expenses include professional fee and transfer agency fee.

6. Capital stock

The authorized capital of the Fund is ₱3.00 billion divided into 30.00 million redeemable shares of ₱100 par value with each share carrying one vote. As of March 31, 2018 and December 31, 2017, issued and fully paid shares amounted to ₱1.27 billion and ₱1.09 billion, respectively. The Fund's capital is represented by these redeemable shares. The shares are entitled to dividends when declared and to the payment of a proportionate share of the Fund's NAV on the redemption date or upon winding up of the Fund. The Fund's issued shares are redeemed at their NAV

calculated in accordance with redemption requirements.

The increment of 15.90% or ₱0.17 billion was due to the subscriptions during the period.

7. *Additional paid-in capital*

Additional paid-in capital represents subscriptions received in excess of par of ₱100.00 per share amounting to ₱140.63 million as of March 31, 2018 and ₱92.15 million as of December 31, 2017. The growth of ₱48.48 million primarily came from the subscriptions during the period.

8. *Retained earnings*

Retained earnings went down by 44.83% or ₱104.55 million from ₱233.20 million as of December 31, 2017 to ₱128.65 million as of March 31, 2018 mainly due to the Fund's results of operation for the period.

RESULTS OF OPERATIONS

The Fund's results of operations for the period ended March 31, 2018 resulted to a net loss of ₱104.55 million, resulting to a decline of 259.04% or ₱170.29 million than last year's ₱65.74 million net income.

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

1. *Trading and securities gains (loss)*

Trading and securities gains were derived from income realized in the sale of equity securities and the change in fair value of investments held by the Fund. This account resulted to a negative ₱109.47 million and ₱61.48 million gains for the period ended March 31, 2018 and 2017, respectively. The decrease of 278.07% or ₱170.94 million was mainly due to the weakening fair market value of equity securities during the period.

2. *Dividend income*

Dividend income totaled ₱7.8 million and ₱6.51 million for the period ended March 31, 2018 and 2017, respectively. This account rose by 19.91% or ₱1.30 million due to higher dividend declaration from investee companies.

3. *Interest income*

This account pertains to interest earned from cash in banks. This account increased to ₱5,625 from ₱179 as of March 31, 2018 and 2017, respectively. The rise was primarily due to the transfer of fund from non-interest earning to interest earning bank accounts.

4. *Management fee*

Management fees amounting to ₱2.08 million consist of fees accrued and paid to the Fund's Investment Adviser. The increase of 53.44% or ₱0.73 million was due to higher level of asset under management during the first quarter of 2018 as compared to the same period last year.

5. *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.

6. *Taxes and licenses*

This account consists of local taxes amounting to ₱0.03 million and is 51.57% or ₱0.03 million lesser compared to ₱0.06 million for the same period last year. This was generally caused by amortizing business permit for the entire year.

7. **Directors' fees per diem**
Directors and officer's fees amounted to ₱95.43 thousand and ₱103.56 thousand for the period ended March 31, 2018 and 2017 respectively. The reduction of 7.86% was due to decrease in the daily accrual of directors' fees per diem account.
8. **Broker's commission**
Broker's commission dropped by 67.93% or ₱0.09 million as a result of lower volume of rebalancing trades executed during the current period compared to the previous period last year.
9. **Regulatory and filing fees**
This account consists of listing fees and filing fees charged by regulatory bodies. A significant change of ₱0.04 million was due to higher accrual of expense compared to previous year.
10. **Custodian and transfer fees**
This account pertains to charges incurred relative to the purchase and sale of securities. Custodian fees are computed at 1.25 basis points of the Fund's net asset value.
11. **Miscellaneous expense**
Miscellaneous expense includes audit fees to external auditors, bank charges, and others.

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 ₱1.41 billion as of March 31, 2018.

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

- **Net Asset Value Per Share** - Net Asset Value per share declined from ₱129.7344 as of December 31, 2017 to ₱121.2338 as of March 31, 2018. The Fund's average daily net asset value went up by 26.67% or ₱0.32 billion from ₱1.19 billion as of December 31, 2017 to ₱1.51 billion as of March 31, 2018.
- **Sales for the period ended** - The Fund had total sales of ₱222.48 million for the period ended March 31, 2018. This is ₱113.87 million higher compared to the ₱108.61 million sales for the same period in 2017.
- **Redemptions for the period ended** - The Fund did not have any redemption for the period ended March 31, 2018 and 2017.
- **Net Income vs. Benchmark** - The Fund posted a net loss of ₱104.55 million for the period ended March 31, 2018 and ₱65.74 million net income for the same period last year.
- **Market Share vs. Benchmark** - As of March 31, 2018 the Fund garnered 1.54% share in the Equity Funds category while 0.54% share among all mutual funds in terms of net assets. On the basis of

account holders, the Fund has 893 account holders or 0.42% 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 0.06% and 0.05% respectively.

COMMITMENTS, MATERIAL EVENTS AND UNCERTAINTIES

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



FINANCIAL SOUNDNESS INDICATORS

Performance Indicators	As of		
	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)	December 31, 2017 (Audited)
Current ratio ^{1/}	83,708.92%	88,590.54%	111,712.96%
Acid test ratio ^{2/}	83,694.71%	88,578.40%	111,712.96%
Debt-to-equity ratio ^{3/}	0.12%	0.11%	0.09%
Asset-to-equity ratio ^{4/}	100.12%	100.11%	100.09%
Interest rate coverage ratio ^{5/}	n.a.	n.a.	n.a.
Profitability ratios:			
Return on assets ^{6/}	(28.25%)	27.63%	23.26%
Return on equity ^{7/}	(28.28%)	27.66%	23.28%

^{1/} Current Assets divided by Current Liabilities

^{2/} Quick Assets (Cash and cash equivalents, Financial assets at FVPL securities and Current receivables) divided by Current Liabilities

^{3/} Total Liabilities divided by Total Equity

^{4/} Total Assets divided by Total Equity

^{5/} Earnings Before Interest and Tax divided by Interest Expense

^{6/} Annualized Net Investment Income divided by Average Total Assets

^{7/} Annualized Net Investment Income divided by Average Total Equity

OTHER RELEVANT PERCENTAGES

	As of		
	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)	December 31, 2017 (Audited)
Liquid/Semi liquid assets to total assets	99.98%	99.99%	100.00%
Total operating expenses to total net worth	0.19%	0.23%	0.87%
Total assets to total borrowing	n.a.	n.a.	n.a.

**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.
OTHER RATIOS REQUIRED FOR MUTUAL FUNDS
AS OF MARCH 31, 2018**

Name of issuing entity and association of each issue (i)	Number of shares or principal amount of bonds or notes	Valued based on market quotation at balance sheet date	Percentage of Investment to Net Asset Value (i)	Percentage to Outstanding Shares of Investee Company (ii)
<i>Financial assets at fair value through profit or loss</i>				
SM Investments Corporation	214,710	₱196,889,070	12.81%	0.02%
Ayala Land, Inc.	3,031,200	124,582,320	8.10%	0.02%
SM Prime Holdings, Inc.	3,662,700	123,432,990	8.03%	0.01%
BDO Unibank, Inc.	783,080	108,848,120	7.08%	0.02%
Ayala Corporation	101,040	95,785,920	6.23%	0.02%
Bank of the Philippine Islands	770,430	90,140,310	5.86%	0.02%
JG Summit Holdings, Inc.	1,174,590	73,646,793	4.79%	0.02%
Aboitiz Equity Ventures, Inc.	1,010,420	68,203,350	4.44%	0.02%
PLDT, Inc.	44,205	64,981,350	4.23%	0.02%
Universal Robina Corporation	391,530	59,512,560	3.87%	0.02%
Jollibee Foods Corporation	189,450	56,645,550	3.68%	0.02%
Metropolitan Bank & Trust Company	618,890	53,100,762	3.45%	0.02%
Security Bank Corporation	176,820	42,436,800	2.76%	0.02%
International Container Terminal Services, Inc.	416,790	41,679,000	2.71%	0.02%
GT Capital Holdings, Inc.	31,575	36,911,175	2.40%	0.02%
Manila Electric Company	101,040	32,130,720	2.09%	0.01%
Metro Pacific Investments Corporation	5,304,600	27,796,104	1.81%	0.02%
Alliance Global Group, Inc.	1,768,200	23,340,240	1.52%	0.02%
LT Group, Inc.	1,136,700	21,369,960	1.39%	0.01%
Globe Telecom, Inc.	12,630	20,485,860	1.33%	0.01%
Aboitiz Power Corporation	505,200	19,551,240	1.27%	0.01%
Puregold Price Club Inc.	366,260	19,210,337	1.25%	0.01%
Robinsons Retail Holdings, Inc.	214,710	19,173,603	1.25%	0.02%
San Miguel Corporation	138,930	18,616,620	1.21%	0.01%
DMCI Holdings, Inc.	1,515,600	18,429,696	1.20%	0.01%
Robinsons Land Corporation	904,978	18,045,261	1.17%	0.02%
Megaworld Corporation	3,790,000	17,775,100	1.16%	0.01%
Semirara Mining and Power Corporation	505,200	15,307,560	1.00%	0.01%
First Gen Corporation	505,200	8,588,400	0.56%	0.01%
Petron Corporation	884,100	8,177,925	0.53%	0.01%
	30,270,778	₱1,524,794,696	99.17%	

FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.
FORM AND CONTENT OF SCHEDULES
AS OF MARCH 31, 2018

Schedule A - Financial Assets

Name of issuing entity and association of each issue (i)	Number of shares or principal amount of bonds or notes	Amount shown in the balance sheet (ii)	Value based on market quotation at end of reporting period (iii)	Income received and accrued
<i>Financial assets at fair value through profit or loss</i>				
SM Investments Corporation	214,710	P196,889,070	P196,889,070	P—
Ayala Land, Inc.	3,031,200	124,582,320	124,582,320	726,365
SM Prime Holdings, Inc.	3,662,700	123,432,990	123,432,990	—
BDO Unibank, Inc.	783,080	108,848,120	108,848,120	223,392
Ayala Corporation	101,040	95,785,920	95,785,920	—
Bank of the Philippine Islands	770,430	90,140,310	90,140,310	—
JG Summit Holdings, Inc.	1,174,590	73,646,793	73,646,793	—
Aboitiz Equity Ventures, Inc.	1,010,420	68,203,350	68,203,350	1,242,138
PLDT, Inc.	44,205	64,981,350	64,981,350	—
Universal Robina Corporation	391,530	59,512,560	59,512,560	1,164,965
Jollibee Foods Corporation	189,450	56,645,550	56,645,550	—
Metropolitan Bank & Trust Company	618,890	53,100,762	53,100,762	588,510
Security Bank Corporation	176,820	42,436,800	42,436,800	—
International Container Terminal Services, Inc.	416,790	41,679,000	41,679,000	—
GT Capital Holdings, Inc.	31,575	36,911,175	36,911,175	94,725
Manila Electric Company	101,040	32,130,720	32,130,720	782,628
Metro Pacific Investments Corporation	5,304,600	27,796,104	27,796,104	387,190
Alliance Global Group, Inc.	1,768,200	23,340,240	23,340,240	—
LT Group, Inc.	1,136,700	21,369,960	21,369,960	218,340
Globe Telecom, Inc.	12,630	20,485,860	20,485,860	271,408
Aboitiz Power Corp.	505,200	19,551,240	19,551,240	674,428
Puregold Price Club Inc.	366,260	19,210,337	19,210,337	—
Robinsons Retail Holdings, Inc.	214,710	19,173,603	19,173,603	—
San Miguel Corporation	138,930	18,616,620	18,616,620	—
DMCI Holdings, Inc.	1,515,600	18,429,696	18,429,696	698,688
Robinsons Land Corporation	904,978	18,045,261	18,045,261	—
Megaworld Corporation	3,790,000	17,775,100	17,775,100	—
Semirara Mining And Power Corporation	505,200	15,307,560	15,307,560	600,500
First Gen Corporation	505,200	8,588,400	8,588,400	—
Petron Corporation	884,100	8,177,925	8,177,925	127,365
	30,270,778	P1,524,794,696	P1,524,794,696	P7,800,640

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

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

Receivables from Directors, Officers, Employees, Related Parties and Principal Stockholders are subject to usual terms in the normal course of business.

Schedule C – Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

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

- (i) If collected was other than in cash, explain.
(ii) Give reasons to write-off.

Schedule D -- Intangible Assets -- Other Assets

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

⁽ⁱ⁾ The information required shall be grouped into (a) intangibles shown under the caption intangible assets and (b) deferrals shown under the caption Other Assets in the related balance sheet. Show by major classifications.

⁽ⁱⁱ⁾ For each change representing other than an acquisition, clearly state the nature of the change and the other accounts affected. Describe cost of additions representing other than cash expenditures.

⁽ⁱⁱⁱ⁾ If provision for amortization of intangible assets is credited in the books directly to the intangible asset account, the amounts shall be stated with explanations, including the accounts charged. Clearly state the nature of deductions if these represent anything other than regular amortization.

Schedule E - Long-Term Debt

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

⁽ⁱ⁾ Include in this column each type of obligation authorized.

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

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

Schedule F - Indebtedness to Related Parties (Long-Term Loans from Related Parties)

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

⁽ⁱ⁾ The related parties named shall be grouped as in Schedule C. The information called for shall be stated for any persons whose investments shown separately in such related schedule.

⁽ⁱⁱ⁾ For each affiliate named in the first column, explain in a note hereto the nature and purpose of any material increase during the period that is in excess of 10 percent of the related balance at either the beginning or end of the period.

Schedule H - Capital Stock

Title of Issue (i)	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties (ii)	Directors, officers and employees	Others (iii)
Common	30,000,000	12,682,000	-	5,292,664	557	-

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

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

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

SIGNATURES

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

FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.

Issuer



EDUARDO S. MENDIOLA

President



MARIE ARABELLA D. VERON

Treasurer

Date: May __, 2018