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# SECURITIES AND EXCHANGE COMMISSION

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Company Information

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SEC Registration No. CS201300728  
Company Name FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.  
Industry Classification Investment Company Operation  
Company Type Stock Corporation

## Document Information

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SEC Registration Number

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

1 8 t h F l o o r , P S B a n k C e n t e r , 7 7 7 P a  
s e o d e R o x a s c o r n e r S e d e ñ o S t r e e t  
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

Month Day  
(Fiscal Year)

SEC Form-17Q

(Form Type)

2<sup>nd</sup> 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

File Number

LCU

Document ID

Cashier

STAMPS

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**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-Q**

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

1. For the quarterly period ended: **September 30, 2019**
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:  Only)
7. Address of issuer's principal office Postal Code  
**18<sup>th</sup> 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: September 30, 2019

Common shares	<b>13,821,260</b>
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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	
	September 30, 2019	December 31, 2018
<b>ASSETS</b>		
Cash in banks	<b>₱10,505,143</b>	₱16,371,132
Financial assets at fair value through profit or loss	<b>1,600,714,894</b>	1,518,497,746
Receivables	<b>15,665</b>	433,261
Other asset	<b>70,000</b>	—
<b>TOTAL ASSETS</b>	<b>₱1,611,305,702</b>	₱1,535,302,139
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	<b>₱1,773,580</b>	₱1,302,908
<b>EQUITY</b>		
Capital stock	<b>1,382,126,000</b>	1,385,126,000
Additional paid-in capital	<b>149,824,970</b>	152,213,370
Retained earnings (deficit)	<b>77,581,152</b>	(3,340,139)
	<b>1,609,532,122</b>	1,533,999,231
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱1,611,305,702</b>	₱1,535,302,139

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

**INTERIM STATEMENTS OF COMPREHENSIVE INCOME\***

	For the Period Ended September 30		For the Quarter Ended September 30	
	2019	2018	2019	2018
<b>INVESTMENT INCOME</b>				
Trading and securities gains (losses)	P66,406,962	(P238,644,050)	(P44,572,254)	P26,455,751
Dividend income	23,980,431	20,295,308	3,656,928	4,035,475
Interest income	27,731	27,679	10,049	13,484
	<b>90,415,124</b>	<b>(218,321,063)</b>	<b>(40,905,277)</b>	<b>30,504,710</b>
<b>OPERATING EXPENSES</b>				
Management fees	6,837,693	6,406,466	2,319,376	2,161,384
Custodian and transfer agency fees	646,178	754,959	212,697	217,801
Regulatory and filing fees	532,158	449,566	164,065	167,618
Information technology expenses	520,815	438,634	163,921	126,798
Directors' and officers' fees	274,496	289,455	92,504	97,545
Brokers' commission	250,089	398,920	35,828	-
Taxes and licenses	23,535	481,370	-	17,112
Miscellaneous	200,824	243,660	127,706	107,127
	<b>9,285,788</b>	<b>9,463,030</b>	<b>3,116,097</b>	<b>2,895,385</b>
<b>INVESTMENT INCOME (LOSS)</b>				
<b>BEFORE FINAL TAX</b>	<b>81,129,336</b>	<b>(227,784,093)</b>	<b>(44,021,374)</b>	<b>27,609,325</b>
<b>PROVISION FOR FINAL TAX</b>	<b>208,045</b>	<b>454,362</b>	<b>2,010</b>	<b>2,696</b>
<b>NET INVESTMENT INCOME (LOSS)</b>	<b>P80,921,291</b>	<b>(P228,238,455)</b>	<b>(P44,023,384)</b>	<b>P27,606,629</b>
<b>EARNINGS (LOSS) PER SHARE</b>	<b>P5.8587</b>	<b>(P17.4498)</b>	<b>(P3.2004)</b>	<b>P2.0189</b>

\*There are no other comprehensive income items for the period and quarter ended September 30, 2019 and 2018.

**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
<b>Balance at January 1, 2019</b>	13,851,260	P1,385,126,000	P152,213,370	(P3,340,139)	P1,533,999,231
Total comprehensive income for the period	-	-	-	80,921,291	80,921,291
Subscriptions during the period	370,000	37,000,000	5,989,481	-	42,989,481
Shares redeemed during the period	(400,000)	(40,000,000)	(8,377,881)	-	(48,377,881)
<b>Balance at September 30, 2019</b>	13,821,260	P1,382,126,000	P149,824,970	77,581,152	P1,609,532,122
<b>Balance at January 1, 2018</b>	10,942,000	P1,094,200,000	P92,152,483	P233,201,464	P1,419,553,947
Total comprehensive loss for the period	-	-	-	(228,238,455)	(228,238,455)
Stock dividends	409,260	40,926,000	6,372,833	(47,298,833)	-
Subscriptions during the period	3,170,000	317,000,000	68,258,653	-	385,258,653
Shares redeemed during the period	(1,150,000)	(115,000,000)	(16,796,145)	-	(131,796,145)
<b>Balance at September 30, 2018</b>	13,371,260	P1,337,126,000	P149,987,824	(P42,335,824)	P1,444,778,000

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

**INTERIM STATEMENTS OF CASH FLOWS**

	<b>For the Period Ended September 30</b>	
	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net investment income (loss) before final tax	<b>₱81,129,336</b>	(₱227,784,093)
Adjustments for:		
Net unrealized loss (gain) on changes in fair value of financial instruments at FVTPL	<b>(62,385,519)</b>	220,529,997
Dividend income	<b>(23,980,431)</b>	(20,295,308)
Interest income	<b>(27,731)</b>	(27,679)
Changes in operating assets and liabilities:		
(Increase) decrease in the amounts of:		
Financial assets at fair value through profit or loss	<b>(19,831,629)</b>	(235,153,081)
Receivables	-	(1,210)
Other assets	<b>(70,000)</b>	(87,112)
Increase (decrease) in accounts payable and accrued expenses	<b>470,672</b>	(40,647)
Net cash used in operations	<b>(24,695,302)</b>	(262,859,133)
Dividend received	<b>24,398,027</b>	20,588,691
Interest received	<b>27,731</b>	27,679
Income tax paid	<b>(208,045)</b>	(454,362)
Net cash used in operating activities	<b>(477,589)</b>	(242,697,125)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment for shares redeemed	<b>(48,377,881)</b>	(131,796,145)
Proceeds from issuance of capital stock	<b>42,989,481</b>	385,258,653
Net cash provided by (used in) financing activities	<b>(5,388,400)</b>	253,462,508
<b>NET INCREASE (DECREASE) IN CASH IN BANKS</b>	<b>(5,865,989)</b>	10,765,383
<b>CASH IN BANKS AT BEGINNING OF PERIOD</b>	<b>16,371,132</b>	12,064,174
<b>CASH IN BANKS AT END OF PERIOD</b>	<b>₱10,505,143</b>	₱22,829,557

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

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**NOTES TO INTERIM FINANCIAL STATEMENTS**

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**1. Corporate Information**

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

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

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

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

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**2. Summary of Significant Accounting Policies**

Basis of Financial Statement Preparation

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

Statement of Compliance

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

Presentation of Financial Statements

The Fund presents its statement of financial position in order of liquidity.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Fund has adopted the following new accounting pronouncements starting January 1, 2018.



Adoption of these pronouncements did not have any significant impact on the Fund's financial position or performance, unless otherwise indicated.

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

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

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

(a) *Classification and Measurement*

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

The classification and measurement requirements of PFRS 9 did not have significant impact on the Fund's financial statements. Cash and cash equivalents and dividend receivable classified as "Loans and receivables" as at September 30, 2019 under PAS 39 are held to collect contractual cash flows and give rise to cash flows that are SPPI. Accordingly, these financial assets are continued to be carried at amortized cost, and are classified as "Financial Assets at Amortized costs" starting January 1, 2018. The Fund's investments in quoted equity securities are continued to be carried at fair value and are classified as "Financial Assets at FVTPL".

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

(b) *Impairment*

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

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

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

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

### **Summary of Significant Accounting Policies**

#### **Cash and Cash Equivalents**

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

#### **Fair Value Measurement**

The Fund measures certain financial instruments at fair value at each statement of financial position date.

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

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

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

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

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

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

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

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

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

#### Financial Instruments - Initial Recognition and Subsequent Measurement

##### *Date of recognition*

The Fund recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument.

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

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

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

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

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

##### *Classification of financial assets*

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

##### *Contractual cash flows characteristics*

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

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

##### *Business model*

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

Relevant factors considered by the Fund in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that

business model are evaluated and reported to the Fund's key management personnel. The Fund also considers the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers, if any, of the business are compensated.

As of September 30, 2019 and December 31, 2018, the Fund has no financial assets at FVOCI.

#### *Financial assets at FVTPL*

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

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

#### *Financial assets at amortized cost*

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

#### *Reclassifications of financial instruments*

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

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

The Fund classifies its financial assets in the following categories: financial assets at FVTPL, AFS investments, held-to-maturity (HTM) investments, and loans and receivables. Financial liabilities are classified as financial liabilities at FVTPL or other liabilities carried at cost or amortized cost. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every statement of financial position date.

As of September 30, 2019 and December 31, 2018, the Fund has no financial assets at AFS and HTM investments.

#### *Loans and receivables*

These are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for credit losses, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that

are an integral part of the EIR. The amortization is recognized in profit or loss as 'Interest income' for the period. This accounting policy applies to the Fund's cash and cash equivalents, dividend receivable and accrued interest receivable.

#### *Financial assets at FVTPL*

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

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

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

As of September 30, 2019 and December 31, 2018, the Fund has no financial liabilities at FVTPL.

#### Derecognition of Financial Assets and Liabilities

##### *Financial asset (policy applicable before and after January 1, 2018)*

A financial asset is derecognized when:

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

##### *Financial liability (policy applicable before and after January 1, 2018)*

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

#### Impairment of Financial Assets

##### *Policy applicable on and after January 1, 2018*

##### *Expected credit loss*

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

As of September 30, 2019 and December 31, 2018, the Fund has no provision for expected credit losses.

#### *Staging assessment*

For non-credit-impaired financial instruments:

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

For credit-impaired financial instruments:

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

#### *Policy applicable prior to January 1, 2018*

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

As of September 30, 2019 and December 31, 2018, the Fund has no provision for credit losses.

#### *Loans and receivables*

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

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

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

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

#### Revenue recognition (outside the scope of PFRS 15)

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

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

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

#### *Dividend income*

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

### *Interest income*

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

### Expense Recognition

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

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

#### *Management fee and retainer's fee*

Management fee is accrued over time at 0.50% of average daily NAV of the Fund plus 12.00% value added tax (VAT). Retainer's fee is accrued upon receipt of monthly billings.

#### *Custodian and clearing fees*

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

#### *Brokers' commission*

Brokers' commission is recognized upon execution of trade.

#### *Taxes and licenses*

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

### Stock Transaction Tax

Stock transaction tax, amounting to 0.60% of gross selling price of stocks sold in 2019, respectively, is incurred on sale of equity securities listed and traded through the Philippine Stock Exchange (PSE).

### Income Taxes

#### *Current tax*

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

#### *Deferred tax*

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences, carryforward of unused tax credits and unused NOLCO can be utilized.

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

### Earnings Per Share

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

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

As at September 30, 2019 and December 31, 2018, there were no potential common shares with dilutive effect on the basic earnings (losses) per share of the Fund.

### Net Asset Value (NAV) per share

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

### Capital Stock Transactions

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

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

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

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

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

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

The issuance, acquisition and resale of redeemable shares are accounted for as equity transactions. Upon issuance of shares (or sale of treasury shares), the consideration received is included in equity.



Own equity instruments which are acquired (treasury shares) are deducted from equity and accounted for at amounts equal to the consideration paid, including any directly attributable incremental costs. No gain or loss is recognized in the statement of comprehensive income on the purchase, sale or issuance or cancellation of the Fund's own equity instruments. Redemptions are recorded as charges against equity.

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

#### Retained Earnings

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

#### Dividend Distribution

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

#### Provisions and Contingencies

Provisions are recognized when the Fund has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the statement of income.

#### Segment Reporting

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

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

#### Events After the Reporting Date

Post year-end events up to the date of the approval by the BOD of the financial statements that provide additional information about the Fund's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed in the notes when material to the financial statements.

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

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

*Effective beginning on or after January 1, 2019*

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

*Effective beginning on or after January 1, 2020*

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

*Deferred effectivity*

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

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### **3. Significant Estimates and Judgments**

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 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.

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### **4. Financial Risk Management Objectives and Policies**

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

The principal financial assets of the Fund are cash and cash equivalents, financial assets at fair value

through profit or loss, and receivables.

#### Risk Management Framework

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

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

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

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 Act.

#### *Credit Risk*

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

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

#### *Maximum Exposure to Credit Risk and Investment Risk*

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

As of September 30, 2019 and December 31, 2018, the Fund does not hold collateral nor has any other credit enhancements for the outstanding financial assets.

#### *Concentration of risks of financial assets with credit risk 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 September 30, 2019 and December 31, 2018, the Fund has no past due or impaired financial assets.

#### *Liquidity Risk*

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

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

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

### *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 September 30, 2019 and December 31, 2018, the Fund does not have debt instruments that would expose it to interest rate risk.

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

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

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

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

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

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

### *Equity price risk*

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

The Fund measures the sensitivity of its investment securities by using the PSEi fluctuations.

#### *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.

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## 5. Fair Value Measurement

As of September 30, 2019 and December 31, 2018, the carrying values of the Fund's financial assets and liabilities as reflected in the statements of financial position approximate their fair values. The methods and assumptions used by the Fund in estimating fair values of financial instruments are as follows:

#### *Financial assets at FVTPL*

Fair values are based on 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 September 30, 2019 and December 31, 2018, 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.

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## 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 First Metro and its subsidiaries that are qualified as Foreign Financial Institutions (FFI);
  - 2) Metrobank, being the Lead FFI, has created FATCA accounts for First Metro and the covered subsidiaries;
  - 3) First Metro has created a FATCA Compliance Ad Hoc Committee last December 27, 2013 to oversee the FATCA implementation requirements for First Metro and its subsidiaries;
  - 4) First Metro, through its Compliance Division, has registered last January 6, 2014 with the US IRS for FATCA purposes, including the covered subsidiaries. The IRS issued a Global Intermediary Identification Number (GIIN) for each of the following FFI:
    - a. First Metro Investment Corporation
    - b. First Metro Securities Brokerage Corporation
    - c. PBC Capital Investment Corporation
    - d. FMIC Equities, Inc.
    - e. Resiliency (SPC), Inc.
    - f. First Metro Asset Management, Inc.
    - g. First Metro Save and Learn Dollar Bond Fund, Inc.
    - h. First Metro Asia Focus Equity Fund, Inc.

- i. First Metro Philippine Equity Exchange Traded Fund, Inc.
  - j. First Metro Save and Learn Equity Fund, Inc.
  - k. First Metro Save & Fixed-Income Fund, Inc.
  - l. First Metro Save and Learn Balanced Fund, Inc.
  - m. First Metro Consumer Fund on MSCI Philippines, IMI, Inc.
  - n. First Metro Save and Learn Money Market Fund, Inc.
  - o. First Metro Save and Learn F.O.C.C.U.S. Dynamic Fund, Inc.
- 5) First Metro and its subsidiaries has conducted initial runs for search of US Indicia in their databases;
  - 6) First Metro has adopted the Metrobank template for Letters to Depositors and the Certification, Consent and Waiver Form for identified US Indicia accounts;
  - 7) First Metro is finalizing the establishment of the policies and procedures to identify US Indicia and tag the same in the company's systems for the pre-existing accounts and on-boarding procedures for new accounts;
  - 8) First Metro is rolling out training awareness on FATCA for all its employees, including the covered subsidiaries; and
  - 9) First Metro, through its Compliance Division, has continuously coordinated with its parent bank Metrobank and the Association of Bank Compliance Officers or ABCOMP to raise issues and queries on FATCA implementation.
- **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 subscriptions of 0.37 million shares and redemptions of 0.40 million shares during the period.
  - **Dividends**  
On March 16, 2018 and May 23, 2018, the BOD and Stockholders, respectively, approved the declaration of stock dividends equivalent to 3.00% of its outstanding capital stock for the stockholders of record as at June 8, 2018 and distributed the shares to the stockholders on July 4, 2018.
  - **Material Events**  
The stockholders approved the amendment of the prospectus during the annual stockholders' meeting on June 19, 2019 to reflect the following changes: (a) documentary stamp tax (DST) of the creation order shall be shouldered by the Fund instead of the investor; and (b) the minimum number of shares per creation unit will be reduced from 10,000 shares to 100 shares.
  - **Subsequent Events**  
There were no material subsequent events that took place after the period ended September 30, 2019.
  - **Commitments and Contingent Accounts**  
There were no commitments and contingent accounts for the period ended September 30, 2019.
  - **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 September 30, 2019 and December 31, 2018, the reconciliation between the Fund's equity and the NAV per share calculated using closing prices follows:

	<b>September 30, 2019</b>	December 31, 2018
Total equity calculated under PFRS	<b>₱1,609,532,122</b>	₱1,533,999,231
Adjustment from bid prices	-	-
Net asset value attributable to holders of redeemable shares (a)	<b>1,609,532,122</b>	1,533,999,231
Number of redeemable shares (b)	<b>13,821,260</b>	13,851,260
NAV per share (a/b)	<b>₱116.4534</b>	₱110.7480

- **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:

	<b>September 30</b>	
	<b>2019</b>	2018
a. Net Income (Loss)	<b>₱80,921,291</b>	(₱228,238,455)
b. Weighted average number of common shares	<b>13,812,066</b>	13,079,691
c. Earnings (Loss) per share (a/b)	<b>₱5.8587</b>	(₱17.4498)



**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION (September 30, 2019 vs. December 31, 2018) AND RESULTS OF OPERATIONS (January 1 – September 30, 2019 vs. January 1 – September 30, 2018)**

**FINANCIAL POSITION**

Total assets of the Fund reached ₱1.61 billion as of September 30, 2019, a growth of 4.95% or ₱0.08 billion from ₱1.54 billion as of December 31, 2018. Liabilities of the Fund went up to ₱1.77 million from ₱1.30 million during the nine-month period or an increase of 36.12% or ₱0.47 million. The changes in total assets and total liabilities are primarily due to the movements in the following accounts:

**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 35.83% or ₱5.87 million from ₱16.37 million in December 31, 2018 to ₱10.51 million in September 30, 2019 due to the purchases of equity securities relative to rebalancing of the Fund's Portfolio.

**2. Financial assets at FVTPL**

Financial assets at FVTPL grew by 5.41% or ₱0.08 billion as a result of higher fair market value of the investments held by the fund during the period. This consists of quoted equity securities held for trading amounting to ₱1.60 billion and ₱1.52 billion as of September 30, 2019 and December 31, 2018, respectively.

**3. Receivables**

Receivables consist of dividends and other receivables. This account is lower by ₱0.42 million or 96.38% from ₱0.43 million to ₱0.02 million as of December 31, 2018 and September 30, 2019, respectively, due to collection of dividends earned from investment in equity securities as of September 30, 2019.

**4. Other asset**

Other asset pertains to the prepayment made for the annual listing maintenance fee amounting to ₱0.07 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 went up by 36.12% from ₱1.30 million to ₱1.77 million, as of December 31, 2018 and September 30, 2019, respectively.

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 went up by ₱0.02 or 2.95% 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 September 30, 2019 and December 31, 2018, issued and fully paid shares amounted to ₱1.38 billion and ₱1.39 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.

7. ***Additional paid-in capital***  
Additional paid-in capital represents subscriptions received in excess of par of ₱100.00 per share.
8. ***Retained earnings***  
Retained earnings rose by ₱80.92 million from a deficit of ₱3.34 million as of December 31, 2018 to ₱77.58 million as of September 30, 2019. This is 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 September 30, 2019 earned a net income of ₱80.92 million, resulting to a growth of 135.45% or ₱309.16 million than last year's ₱228.24 million net loss.

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

1. ***Trading and securities gains (losses)***  
Trading and securities gains (losses) 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 ₱66.41 million gains and ₱238.64 million losses for the period ended September 30, 2019 and 2018, respectively. The growth of 127.83% or ₱305.05 million was mainly due to the improvements in the fair market value of equity securities during the period.
2. ***Dividend income***  
Dividend income totaled ₱23.98 million and ₱20.30 million for the period ended September 30, 2019 and 2018, respectively. This account went up by 18.16% or ₱3.69 million due to higher dividend declaration from investee companies.
3. ***Interest income***  
This account pertains to interest earned from cash in banks.
4. ***Management fee***  
Management fees amounting to ₱6.84 million consist of fees accrued and paid to the Fund's Investment Adviser. The increase of 6.73% or ₱0.43 million was due to higher level of asset under management during the third quarter of 2019 as compared to the same period last year.
5. ***Custodian and transfer fees***  
Custodian and transfer fees pertain to charges incurred relative to the purchase and sale of securities. Custodian fees are computed at 2.75 basis points of the Fund's net asset value. This account dropped by 14.41% or ₱0.11 million from ₱0.75 million to ₱0.65 million for the period ended September 30, 2019 and 2018, respectively. This is due to smaller volume of creation and redemption transactions during the period.
6. ***Regulatory and filing fees***  
This account consist of listing fees and filing fees charged by regulatory bodies amounting to ₱0.53 million to ₱0.45 million for the period ended September 30, 2019 and 2018, respectively. The increase of 18.37% or ₱0.08 million was due to higher payment of expense compared to previous year.

7. ***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. This account resulted to ₱0.52 million and ₱0.44 million for the period ended September 30, 2019 and 2018, respectively. A rise of 18.74% or ₱0.08 million was due to higher accrual of expense compared to the same period last year.
8. ***Directors' fees per diem***  
This account pertains to payment of directors' and officers' per diem and bonus for the period. The 5.17% decrease of this account is attributable to the attendance of the Directors in the meetings of the Board.
9. ***Broker's commission***  
Broker's commission declined by 37.31% or ₱0.15 million as a result of smaller volume of rebalancing trades that was executed during current period.
10. ***Taxes and licenses***  
This account consists of local taxes amounting to ₱0.02 million and is 95.11% or ₱0.46 million lesser compared to ₱0.48 million for the same period last year. The decline was primarily caused by the documentary stamp tax paid for the 3% stock dividend declaration last year.
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 ₱1.53 billion as of September 30, 2019.

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

- ***Net Asset Value Per Share*** - Net Asset Value per share went up from ₱110.7480 as of December 31, 2018 to ₱116.4534 as of September 30, 2019. The Fund's average daily net asset value is higher by 7.72% or ₱0.12 billion from ₱1.52 billion as of December 31, 2018 to ₱1.63 billion as of September 30, 2019.
- ***Sales for the period ended*** - The Fund had total sales of ₱42.99 million for the period ended September 30, 2019. This is ₱342.27 million or 88.84% lower compared to the ₱385.26 million sales for the same period in 2018.
- ***Redemptions for the period ended*** - The Fund had total redemptions of ₱48.38 million and ₱131.80 million for the period ended September 30, 2019 and 2018, respectively.

- *Net Income vs. Benchmark* - The Fund posted a net income of ₱80.92 million and incurred ₱228.24 million net losses for the period ended September 30, 2019 and 2018, respectively.
- *Market Share vs. Benchmark* - As of September 30, 2019, the Fund garnered 1.41% share in the Equity Funds category while 0.37% share among all mutual funds in terms of net assets. On the basis of account holders, the Fund has 1,288 account holders or 0.50% 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 0.039% 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		
	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)	December 31, 2018 (Audited)
Current ratio <sup>1/</sup>	90,850.47%	117,446.47%	117,836.57%
Acid test ratio <sup>2/</sup>	90,846.52%	117,439.40%	117,836.57%
Debt-to-equity ratio <sup>3/</sup>	0.11%	0.09%	0.08%
Asset-to-equity ratio <sup>4/</sup>	100.11%	100.09%	100.08%
Interest rate coverage ratio <sup>5/</sup>	n.a.	n.a.	n.a.
Profitability ratios:			
Return on assets <sup>6/</sup>	6.86%	(21.23%)	(12.80%)
Return on equity <sup>7/</sup>	6.86%	(21.25%)	(12.81%)

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

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

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

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

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

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

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

## OTHER RELEVANT PERCENTAGES

	As of		
	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)	December 31, 2018 (Audited)
Liquid/Semi liquid assets to total assets	0.65%	1.63%	1.09%
Total operating expenses to total net worth	0.59%	0.66%	0.83%
Total assets to total borrowing	n.a.	n.a.	n.a.

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

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

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

**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**  
**OTHER RATIOS REQUIRED FOR MUTUAL FUNDS**  
**AS OF SEPTEMBER 30, 2019**

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	219,680	₱213,309,280	13.25%	0.02%
Ayala Land, Inc.	3,157,900	156,158,155	9.70%	0.02%
SM Prime Holdings, Inc.	3,844,400	143,011,680	8.89%	0.01%
BDO Unibank, Inc.	823,800	117,803,400	7.32%	0.02%
Ayala Corporation	123,570	109,297,665	6.79%	0.02%
JG Summit Holdings, Inc.	1,235,680	89,586,800	5.57%	0.02%
Bank of the Philippine Islands	906,180	84,274,740	5.24%	0.02%
Universal Robina Corporation	411,880	64,253,280	3.99%	0.02%
Aboitiz Equity Ventures, Inc.	1,083,620	57,486,041	3.57%	0.02%
Metropolitan Bank & Trust Company	823,780	56,346,552	3.50%	0.02%
International Container Terminal Services, Inc.	425,630	51,245,852	3.18%	0.02%
Phil Long Distance Telephone Corporation	41,190	46,627,080	2.90%	0.02%
Jollibee Foods Corporation	205,950	45,720,900	2.84%	0.02%
Security Bank Corporation	192,200	37,863,400	2.35%	0.03%
Manila Electric Company	96,110	35,560,700	2.21%	0.01%
GT Capital Holdings, Inc.	41,172	34,666,824	2.15%	0.02%
Metro Pacific Investments Corporation	5,491,066	27,345,508	1.70%	0.02%
San Miguel Corporation	151,030	25,901,645	1.61%	0.01%
Globe Telecom, Inc.	13,730	25,125,900	1.56%	0.01%
Aboitiz Power Corp.	549,200	21,061,820	1.31%	0.01%
Megaworld Corporation	4,666,400	20,392,168	1.27%	0.01%
Robinsons Land Corporation	823,800	20,183,100	1.25%	0.02%
Bloomberry Resorts Corporation	1,648,800	17,905,968	1.11%	0.01%
Robinsons Retail Holdings, Inc.	219,680	17,354,720	1.08%	0.01%
LT Group, Inc.	1,235,700	17,225,658	1.07%	0.01%
Puregold Price Club Inc.	411,900	16,084,695	1.00%	0.01%
First Gen Corporation	549,200	13,510,320	0.84%	0.02%
Alliance Global Group, Inc.	1,235,700	13,469,130	0.84%	0.01%
DMCI Holdings, Inc.	1,510,300	12,550,593	0.78%	0.01%
Semirara Mining And Power Corporation	411,900	9,391,320	0.58%	0.01%
	<b>32,551,148</b>	<b>₱1,600,714,894</b>	<b>99.45%</b>	

**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**  
**FORM AND CONTENT OF SCHEDULES**  
**AS OF SEPTEMBER 30, 2019**

**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	219,680	₱213,309,280	₱213,309,280	₱2,003,482
Ayala Land, Inc.	3,157,900	156,158,155	156,158,155	822,848
SM Prime Holdings, Inc.	3,844,400	143,011,680	143,011,680	1,347,465
BDO Unibank, Inc.	823,800	117,803,400	117,803,400	741,420
Ayala Corporation	123,570	109,297,665	109,297,665	505,304
JG Summit Holdings, Inc.	1,235,680	89,586,800	89,586,800	450,812
Bank of the Philippine Islands	906,180	84,274,740	84,274,740	1,636,475
Universal Robina Corporation	411,880	64,253,280	64,253,280	1,253,148
Aboitiz Equity Ventures, Inc.	1,083,620	57,486,041	57,486,041	1,434,866
Metropolitan Bank & Trust Company	823,780	56,346,552	56,346,552	810,660
International Container Terminal Services, Inc.	425,630	51,245,852	51,245,852	2,134,350
Phil Long Distance Telephone Corporation	41,190	46,627,080	46,627,080	2,962,620
Jollibee Foods Corporation	205,950	45,720,900	45,720,900	254,057
Security Bank Corporation	192,200	37,863,400	37,863,400	268,140
Manila Electric Company	96,110	35,560,700	35,560,700	1,544,029
GT Capital Holdings, Inc.	41,172	34,666,824	34,666,824	103,125
Metro Pacific Investments Corporation	5,491,066	27,345,508	27,345,508	606,267
San Miguel Corporation	151,030	25,901,645	25,901,645	105,606
Globe Telecom, Inc.	13,730	25,125,900	25,125,900	935,253
Aboitiz Power Corp.	549,200	21,061,820	21,061,820	809,088
Megaworld Corporation	4,666,400	20,392,168	20,392,168	337,463
Robinsons Land Corporation	823,800	20,183,100	20,183,100	410,700
Bloomberry Resorts Corporation	1,648,800	17,905,968	17,905,968	247,500
Robinsons Retail Holdings, Inc.	219,680	17,354,720	17,354,720	157,723
LT Group, Inc.	1,235,700	17,225,658	17,225,658	371,790
Puregold Price Club Inc.	411,900	16,084,695	16,084,695	164,516
First Gen Corporation	549,200	13,510,320	13,510,320	303,380
Alliance Global Group, Inc.	1,235,700	13,469,130	13,469,130	-
DMCI Holdings, Inc.	1,510,300	12,550,593	12,550,593	727,056
Semirara Mining And Power Corporation	411,900	9,391,320	9,391,320	515,625
	<b>32,551,148</b>	<b>₱1,600,714,894</b>	<b>₱1,600,714,894</b>	<b>₱23,964,768</b>

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

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

- <sup>(i)</sup> Include in this column each type of obligation authorized.
- <sup>(ii)</sup> This column is to be totaled to correspond to the related balance sheet caption.
- <sup>(iii)</sup> Include in this column details as to interest rates, amounts or numbers of periodic instalments, and maturity dates.

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

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

- <sup>(i)</sup> 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.
- <sup>(ii)</sup> 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 G - Guarantees of Securities of Other Issuers**

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

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

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

**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	13,821,260	-	5,866,776	727	The Fund issued 370,000 shares and redeemed 400,000 shares during the period.

(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: November \_\_, 2019