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SECURITIES AND EXCHANGE COMMISSION

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Company Information

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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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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)

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

File Number

LCU

Document ID

Cashier

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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, 2017**
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: (SEC Use Only)
7. Address of issuer's principal office Postal Code
18th Floor, PSBank Center, Paseo de Roxas corner Sedefio 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, 2017 | | |
| | Common shares | 10,382,000 |
| (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, 2017	December 31, 2016
ASSETS		
Cash in banks	₱4,385,761	₱4,161,350
Financial assets at fair value through profit or loss	1,270,659,267	859,772,130
Receivables	18,402,303	680,484
Other asset	47,460	–
TOTAL ASSETS	₱ 1,293,494,791	₱864,613,964
LIABILITIES AND EQUITY		
LIABILITIES		
Accounts payable and accrued expenses	₱5,631,772	₱1,159,692
EQUITY		
Capital stock	1,038,200,000	765,000,000
Additional paid-in capital	77,775,384	8,502,216
Retained earnings	171,887,635	89,952,056
	1,287,863,019	863,454,272
TOTAL LIABILITIES AND EQUITY	₱1,293,494,791	₱864,613,964

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	
	2017	2016	2017	2016
INVESTMENT INCOME				
Trading and securities gains	₱195,546,606	₱101,127,222	₱55,475,188	(₱14,865,811)
Dividend income	16,623,242	17,103,715	5,118,941	3,929,881
Interest income	320	310	171	62
	212,170,168	118,231,247	60,594,300	(10,935,868)
OPERATING EXPENSES				
Management fees	4,792,050	4,391,240	1,762,744	1,301,263
Taxes and licenses	536,165	407,765	-	-
Custodian and transfer agency fees	675,168	448,848	285,349	115,546
Regulatory and filing fees	358,528	245,141	107,591	111,043
Information technology expenses	376,256	570,520	126,796	191,561
Brokers' commission	281,901	143,268	60,911	111,049
Directors' and officers' fees	289,451	315,288	97,541	105,863
Miscellaneous	184,608	155,693	37,231	34,083
	7,494,127	6,677,766	2,478,163	1,970,408
INVESTMENT INCOME BEFORE FINAL TAX	204,676,041	111,553,481	58,116,137	(12,906,276)
PROVISION FOR FINAL TAX	232,138	120,192	103,236	72,144
NET INVESTMENT INCOME	₱204,443,903	₱111,433,292	₱58,012,901	(₱12,978,420)
EARNINGS PER SHARE	₱21.6249	₱12.9788	₱5.6153	(₱1.8522)

*There are no other comprehensive income items for the period ended September 30, 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, 2017	7,650,000	₱765,000,000	₱8,502,216	₱89,952,056	₱863,454,272
Total comprehensive income for the period	—	—	—	204,443,903	204,443,903
Shares issued during the period	2,742,000	274,200,000	69,528,143	(122,508,324)	221,219,819
Shares redeemed during the period	(10,000)	(1,000,000)	(254,975)	—	(1,254,975)
Balance at September 30, 2017	10,382,000	₱1,038,200,000	₱77,775,384	₱171,887,635	₱1,287,863,019
Balance at January 1, 2016	11,800,000	₱1,180,000,000	₱85,665,585	₱74,747,905	₱1,340,413,490
Total comprehensive income for the period	—	—	—	111,433,292	111,433,292
Subscriptions during the period	200,000	20,000,000	1,109,930	—	21,109,930
Shares redeemed during the period	(5,000,000)	(500,000,000)	(86,775,515)	(4,720,060)	(591,495,575)
Balance at September 30, 2016	7,000,000	₱700,000,000	₱—	₱181,461,137	₱881,461,137

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

INTERIM STATEMENTS OF CASH FLOWS

	For the Period Ended September 30	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net investment income before final tax	₱ 204,676,041	₱111,553,484
Adjustments for:		
Net unrealized gains (losses) from changes in fair value of equity securities	188,928,142	(78,515,664)
Dividend income	(16,623,242)	(17,103,715)
Interest income	(320)	(310)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Financial assets at FVPL	(599,815,279)	544,135,130
Receivables	(18,402,303)	10,898
Other assets	(47,460)	(47,670)
Increase in accounts payable and accrued expenses	4,472,080	82,627
Net cash generated from (used in) operations	(236,812,341)	560,114,780
Dividend received	17,303,726	17,761,226
Interest received	320	310
Income tax paid	(232,138)	(120,192)
Net cash generated from (used in) operating activities	(219,740,433)	577,756,124
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment for shares redeemed	(1,254,975)	(591,495,575)
Proceeds from issuance of capital stock	221,219,819	21,109,930
Net cash provided by (used in) financing activities	219,964,844	(570,385,645)
NET INCREASE IN CASH IN BANKS	224,411	7,370,479
CASH IN BANKS AT BEGINNING OF PERIOD	4,161,350	2,907,564
CASH IN BANKS AT END OF PERIOD	₱4,385,761	₱10,278,043

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. On December 13, 2016, the Board of Directors (BOD) of the Fund approved the reduction of one 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. (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, 2016.

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.

Statement of Compliance

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

Presentation of Financial Statements

The Fund presents its statements of financial position in order of liquidity. As of September 30, 2017 and December 31, 2016, 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.

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, 2016. Adoption of these pronouncements did not have any significant impact on the Fund's financial position or performance unless otherwise indicated.

- *New and Amended Standards*
 - Amendments to PFRS 10, PFRS 12 and Philippine Accounting Standard (PAS) 28,
 - *Investment Entities: Applying the Consolidation Exception*
 - Amendments to PFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*
 - PFRS 14, *Regulatory Deferral Accounts*
 - Amendments to PAS 1, *Disclosure Initiative*
 - Amendments to PAS 16 and PAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization*
 - Amendments to PAS 16 and PAS 41, *Bearer Plants*
 - Amendments to PAS 27, *Equity Method in Separate Financial Statements*
- *Annual Improvements to PFRSs (2012 - 2014 Cycle)*
 - Amendment to PFRS 5, *Changes in Methods of Disposal*
 - Amendment to PFRS 7, *Servicing Contracts*
 - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 Condensed Interim Financial Statements*
 - Amendment to PAS 19, *Regional Market Issue Regarding Discount Rate*
 - Amendment to PAS 34, *Disclosure of Information 'Elsewhere in the Interim Financial Report'*

Summary of Significant Accounting Policies

Fair Value Measurement

The Fund measures financial instruments, such as financial assets at FVPL, 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.

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.

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. Purchases or sales of financial instruments that require delivery within the time frame established by regulation or convention in the marketplace are recognized on settlement 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 September 30, 2017 and December 31, 2016, the Fund has no AFS investments, HTM investments and financial liabilities at FVPL.

Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at FVPL. The Fund does not enter into derivative transactions. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets may be designated by management on initial recognition at FVPL when 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;
- 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; and
- 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 as 'Trading 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 non-derivative financial assets with fixed or determinable payments 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. Moreover, they are included in current assets, except for maturities greater than 12 months after the reporting date, which are then classified as non-current assets.

After initial measurement, receivables are subsequently measured at cost or amortized cost using the effective interest method, as applicable, 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, which are not designated at FVPL 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:

Dividend income

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

Trading gains (losses) - net

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

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.

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 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 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. 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 assets or liabilities, 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, and 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 profit will allow the deferred tax assets to be recovered.

Deferred tax assets and deferred tax 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 investment 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 September 30, 2017 and December 31, 2016, 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; and
- 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 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 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.

Provisions

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. Where 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 statement of comprehensive income, net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to time value of money is recognized as 'Interest expense'.

Contingencies

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic 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, 2017

- PAS 7, *Statement of Cash Flows - Disclosure Initiative* (Amendment)
- PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*) (Amendments)
- PAS 12, *Recognition of Deferred Tax Assets for Unrealized Losses* (Amendment)

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 16, *Leases*

Deferred effectivity

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

Pronouncements that has significant impact on the financial statements of the Fund is described below:

Effective beginning on or after January 1, 2018

- 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. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Fund's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Fund's financial liabilities. The Fund is currently assessing the impact of adopting this standard.

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 is represented by the carrying amounts of the financial assets that are carried in the statements of financial position.

As of September 30, 2017 and December 31, 2016, 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 September 30, 2017 and December 31, 2016, 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 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. 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 September 30, 2017 and December 31, 2016, the Fund does not have debt instruments that would expose it to interest rate risk.

The Fund's exposure to market risk results from 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.

Other price risk is the risk that the fair values of equities or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

The Fund's financial instruments comprise of 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 in 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% 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 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 September 30, 2017 and December 31, 2016, 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 September 30, 2017 and December 31, 2016, 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.
 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 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 2.74 million shares subscribed and 0.01 million shares redeemed during the period.
 - **Dividends**
On Mar 25, 2017, the Board of Directors approved the declaration of 10% stock dividend. The record and payment date were June 8, 2017 and June 20, 2017, respectively.
 - **Material Events**
There were no material events happened for the period ended September 30, 2017.
 - **Subsequent Events**
There were no material subsequent events that took place after the period ended September 30, 2017.
 - **Commitments and Contingent Accounts**
There were no commitments and contingent accounts for the period ended September 30, 2017.
 - **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, respectively.

As of September 30, 2017 and December 31, 2016, the reconciliation between the Fund's equity and the NAV per share calculated using closing prices follows:

	September 30, 2017	December 31, 2016
Total equity calculated under PFRS	₱1,287,863,019	₱863,454,272
Adjustment from bid prices to closing prices	-	-
Net asset value attributable to holders of		
redeemable shares (a)	1,287,863,019	863,454,272
Number of redeemable shares (b)	10,382,000	7,650,000
NAV per share (a/b)	₱124.0477	₱ 112.8698

The related NAVPS as of December 31, 2016 after the effect of the 10% stock dividends equivalent to 932,000 shares is ₱102.6089.

- **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:

	September 30	
	2017	2016
a. Net Income	P204,443,903	P111,433,292
b. Weighted average number of common shares	9,454,081	8,585,766
c. Earnings per share (a/b)	P21.6249	P12.9788

Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION (September 30, 2017 vs. December 31, 2016) AND RESULTS OF OPERATIONS (January 1 – September 30, 2017 vs. January 1 – September 30, 2016)

FINANCIAL POSITION

Total assets of the Fund reached P1.29 billion as of September 30, 2017, a growth of 49.60% or P0.43 billion from P0.86 billion as of December 31, 2016. Liabilities of the Fund significantly went up to P5.63 million from P1.16 million during the nine-month period or an increase of 385.63% or P4.47 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 slightly went up by 5.39% or P0.22 million from P4.16 million in December 31, 2016 to P4.39 million in September 30, 2017 due to dividends received during the period.

2. Financial assets at FVPL

Financial assets at FVPL increased by 47.79% or P0.41 billion as a result of additional investments made during the period and appreciation of value of equity securities on hand. This account consists of quoted equity securities held for trading amounting to P1.27 billion and P0.86 billion as of September 30, 2017 and December 31, 2016, respectively.

3. Receivables

Receivables consist of dividends, due from brokers and other receivables. This account is significantly higher by P17.72 million from P0.68 million to P18.40 million as of December 31, 2016 and September 30, 2017, respectively, mainly due from sale of equity securities not yet collected as of September 30, 2017.

4. Other asset

Other asset pertains to the prepayment made for the annual listing maintenance fee amounting to P0.09 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 ballooned by 385.63% or P4.47 million from P1.16 million as of December 31, 2016 to P5.63 million as of September 30, 2017, primarily due to unpaid purchases of equity securities as of September 30, 2017.

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 46.37% or ₱0.16 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 subscription and redemption, and due to broker.

Accrued expenses include professional fee, directors' and officers' fee, listing fee, information technology 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, 2017 and December 31, 2016, issued and fully paid shares amounted to ₱1.04 billion and ₱0.77 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 35.71% or ₱0.27 billion was mainly due to the issuance of 10% stock dividend on June 2017 and various subscription as of September 30, 2017.

7. Additional paid-in capital

Additional paid-in capital represents subscriptions received in excess of par of ₱100.00 per share amounting to ₱77.78 million as of September 30, 2017 and ₱8.50 million as of December 31, 2016. The significant growth of ₱69.27 million primarily came from the issuance of 10% stock dividend and various subscription during the period.

8. Retained earnings

Retained earnings went up by 91.09% or ₱81.94 million from ₱89.95 million as of December 31, 2016 to ₱171.89 million as of September 30, 2017 mainly due to the net effect of Fund's results of operation for the period and the issuance of the 10% stock dividends.

RESULTS OF OPERATIONS

The Fund's results of operations for the period ended September 30, 2017 resulted to a net income of ₱204.44 million, higher by 83.47% or ₱93.01 million than last year's ₱111.43 million net income.

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

1. Trading and securities gains

Trading and securities gains were derived from income realized in the sale of stock investments of the Fund and the change in fair value of equity securities during the period. This account resulted to ₱195.55 million and ₱101.13 million for the period ended September 30, 2017 and 2016, respectively. The significant increase of 93.37% or ₱94.42 million was mainly due to the growth of fair market value of equity securities during the period.

2. ***Dividend income***
Dividend income totaled ₱16.62 million and ₱17.10 million for the period ended September 30, 2017 and 2016, respectively. This account slightly dropped by 2.81% or ₱0.48 million due to the lower 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 ₱4.79 million consist of fees accrued and paid to the Fund's Investment Adviser. The increase of 9.13% or ₱0.40 million was due to higher level of asset under management for the period ended September 30, 2017 as compared to the same period last year.
5. ***Taxes and licenses***
This account consists of local taxes amounting to ₱0.54 million and is 31.49% or ₱0.13 million higher compared to ₱0.41 million for the same period last year primarily due to payment of documentary stamp tax in relation to the issuance of 10% stock dividend.
6. ***Custodian fees***
This account increased by 50.42% or ₱0.23 million as a result of the higher transaction charges incurred relative to the high volume of purchase and sale of securities during the period. Custodian fees are computed at 1.25 basis points of the Fund's net asset value.
7. ***Regulatory and filing fees***
This account consists of listing fees and filing fees charged by regulatory bodies. The ₱0.12 million or 46.25% increase in the amount was due the higher accrual for the current period.
8. ***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 dropped by 34.05% or ₱0.19 million due to the decrease in accrual for the current period.
9. ***Broker's commission***
Broker's commission increased by 96.76% or ₱0.14 million as a result mainly of higher volume of rebalancing trades performed during the current period as compared to the same period last year.
10. ***Directors' fees per diem***
Directors and officer's fees amounted to ₱0.29 million and ₱0.32 million for the period ended September 30, 2017 and 2016 respectively. This account is down by 8.19% or ₱0.03 million due to the lower accrual amount for the current period.
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 ₱1.12 billion as of September 30, 2017.

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

- *Net Asset Value Per Share* - Net Asset Value per share soared from ₱102.6089 as of December 31, 2016 to ₱124.0477 as of September 30, 2017. The Fund's average daily net asset value went up by 15.01% or ₱0.15 billion from ₱0.99 billion as of December 31, 2016 to ₱1.14 billion as of September 30, 2017.
- *Sales for the period ended* - The Fund had total sales of ₱221.22 million for the period ended September 30, 2017. This is ₱200.11 million higher compared to the ₱21.11 million sales for the same period in 2016.
- *Redemptions for the period ended* - The Fund had total redemption amounting to of ₱1.25 million for the period ended September 30, 2017. Total redemption for the period ended September 30, 2016 totaled ₱591.50 million.
- *Net Income vs. Benchmark* - The Fund posted a net income of ₱204.44 million for the period ended September 30, 2017 and ₱111.43 million net income for the same period last year.
- *Market Share vs. Benchmark* - As of September 30, 2017 the Fund garnered 1.22% share in the Equity Funds category while 0.44% share among all mutual funds in terms of net assets. On the basis of account holders, the Fund has 785 account holders or 0.43% 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 0.03%, 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, 2017 (Unaudited)	September 30, 2016 (Unaudited)	December 31, 2016 (Audited)
Current ratio ^{1/}	22,967.81%	84,513.36%	74,555.48%
Acid test ratio ^{2/}	22,966.97%	84,508.79%	74,555.48%
Debt-to-equity ratio ^{3/}	0.44%	0.12%	0.13%
Asset-to-equity ratio ^{4/}	100.44%	100.12%	100.13%
Interest rate coverage ratio ^{5/}	n.a.	n.a.	n.a.
Profitability ratios:			
Return on assets ^{6/}	25.26%	13.36%	1.81%
Return on equity ^{7/}	25.34%	13.37%	1.81%

^{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		
	September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)	December 31, 2016 (Audited)
Liquid/Semi liquid assets to total assets	100.00%	99.99%	100.00%
Total operating expenses to total net worth	0.70%	0.60%	0.77%
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 SEPTEMBER 30, 2017**

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	176,800	₱156,114,400	12.12%	0.01%
Ayala Land, Inc.	2,496,000	108,576,000	8.43%	0.02%
SM Prime Holdings, Inc.	3,016,200	103,908,090	8.07%	0.01%
BDO Unibank, Inc.	644,829	84,279,150	6.54%	0.01%
Ayala Corporation	83,200	80,704,000	6.27%	0.01%
JG Summit Holdings, Inc.	967,230	72,542,250	5.63%	0.01%
Aboitiz Equity Ventures, Inc.	873,510	64,028,283	4.97%	0.02%
Bank of the Philippine Islands	624,050	62,061,773	4.82%	0.02%
Philippine Long Distance Telephone Corp.	36,400	60,715,200	4.71%	0.02%
Universal Robina Corporation	322,400	49,262,720	3.83%	0.01%
Metropolitan Bank & Trust Company	509,630	44,082,995	3.42%	0.02%
Jollibee Foods Corporation	156,000	38,032,800	2.95%	0.01%
International Container Terminal Services, Inc.	343,200	35,692,800	2.77%	0.02%
Security Bank Corporation	145,600	35,409,920	2.75%	0.02%
GT Capital Holdings, Inc.	26,000	30,186,000	2.34%	0.01%
Metro Pacific Investments Corporation	4,368,000	29,265,600	2.27%	0.01%
Alliance Global Group, Inc.	1,456,000	23,354,240	1.81%	0.01%
Globe Telecom, Inc.	10,400	21,320,000	1.66%	0.01%
Manila Electric Company	72,830	20,610,890	1.60%	0.01%
DMCI Holdings, Inc.	1,248,000	19,468,800	1.51%	0.01%
Aboitiz Power Corporation	416,000	17,825,600	1.38%	0.01%
Semirara Mining And Power Corporation	374,460	17,487,282	1.36%	0.01%
LT Group, Inc.	936,000	16,454,880	1.28%	0.01%
Megaworld Corporation	3,121,500	16,325,445	1.27%	0.01%
Puregold Price Club Inc.	311,970	16,269,236	1.26%	0.01%
Robinsons Land Corporation	520,000	13,156,000	1.02%	0.01%
San Miguel Corporation	114,400	11,245,520	0.87%	0.00%
First Gen Corporation	415,200	7,855,584	0.61%	0.01%
Petron Corporation	728,000	7,629,440	0.59%	0.01%
Robinsons Retail Holdings, Inc.	68,630	6,794,370	0.53%	0.00%
	24,582,439	₱ 1,270,659,268	98.64%	

FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.
FORM AND CONTENT OF SCHEDULES
AS OF SEPTEMBER 30, 2017

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	176,800	₱156,114,400	₱156,114,400	₱1,362,625
Ayala Land, Inc.	2,496,000	108,576,000	108,576,000	1,139,976
SM Prime Holdings, Inc.	3,016,200	103,908,090	103,908,090	767,936
BDO Unibank, Inc.	644,829	84,279,150	84,279,150	554,945
Ayala Corporation	83,200	80,704,000	80,704,000	283,720
JG Summit Holdings, Inc.	967,230	72,542,250	72,542,250	267,170
Aboitiz Equity Ventures, Inc.	873,510	64,028,283	64,028,283	1,010,268
Bank of the Philippine Islands	624,050	62,061,773	62,061,773	553,500
Philippine Long Distance Telephone Corp.	36,400	60,715,200	60,715,200	2,679,880
Universal Robina Corporation	322,400	49,262,720	49,262,720	896,175
Metropolitan Bank & Trust Company	509,630	44,082,995	44,082,995	462,470
Jollibee Foods Corporation	156,000	38,032,800	38,032,800	147,680
International Container Terminal Services, Inc.	343,200	35,692,800	35,692,800	819,842
Security Bank Corporation	145,600	35,409,920	35,409,920	221,520
GT Capital Holdings, Inc.	26,000	30,186,000	30,186,000	105,750
Metro Pacific Investments Corporation	4,368,000	29,265,600	29,265,600	424,372
Alliance Global Group, Inc.	1,456,000	23,354,240	23,354,240	-
Globe Telecom, Inc.	10,400	21,320,000	21,320,000	631,995
Manila Electric Company	72,830	20,610,890	20,610,890	1,194,837
DMCI Holdings, Inc.	1,248,000	19,468,800	19,468,800	575,328
Aboitiz Power Corporation	416,000	17,825,600	17,825,600	574,600
Semirara Mining And Power Corporation	374,460	17,487,282	17,487,282	926,400
LT Group, Inc.	936,000	16,454,880	16,454,880	152,280
Megaworld Corporation	3,121,500	16,325,445	16,325,445	166,369
Puregold Price Club Inc.	311,970	16,269,236	16,269,236	-
Robinsons Land Corporation	520,000	13,156,000	13,156,000	182,736
San Miguel Corporation	114,400	11,245,520	11,245,520	74,995
First Gen Corporation	415,200	7,855,584	7,855,584	-
Petron Corporation	728,000	7,629,440	7,629,440	67,760
Robinsons Retail Holdings, Inc.	68,630	6,794,370	6,794,370	-
	24,582,439	₱ 1,270,659,268	₱ 1,270,659,268	₱16,245,129

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 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 ⁽ⁱ⁾	Amount owned by person of which statement is filed	Nature of guarantee ⁽ⁱⁱ⁾
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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	10,382,000	-	3,033,028	1,507	-

(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: _____