

COVER SHEET

C	S	2	0	1	3	-	0	0	7	2	8
---	---	---	---	---	---	---	---	---	---	---	---

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. Maricel L. Madrid

(Contact Person)

8891-2860

(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

--

Domestic

--

Foreign

To be accomplished by SEC Personnel concerned

--	--	--	--	--	--	--	--	--	--

File Number

_____ LCU

--	--	--	--	--	--	--	--	--	--

Document ID

_____ Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

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, 2021**
2. Commission identification number: **CS201300728**
3. BIR Tax Identification No.: **008-447-745-000**
4. Exact name of issuer as specified in its charter: **FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**
5. Province, country or other jurisdiction of incorporation or organization: **Metro Manila, Philippines**
6. Industry Classification Code: Use Only)
7. Address of issuer's principal office Postal Code
18th Floor, PSBank Center, Paseo de Roxas corner Sedeño St., Makati City **1200**
8. Issuer's telephone number, including area code: **(632) 8891-2860**
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, 2021.

Common shares	20,421,260
---------------	------------
 - (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, 2021	December 31, 2020
ASSETS		
Cash in bank	₱ 20,759,049	13,539,857
Financial assets at fair value through profit or loss	2,140,236,776	1,877,218,084
Receivables	2,148,581	898,779
Other asset	46,229	-
TOTAL ASSETS	₱ 2,163,190,635	1,891,656,720
LIABILITIES AND EQUITY		
LIABILITIES		
Accounts payable and accrued expenses	₱ 7,922,802	₱ 3,943,543
EQUITY		
Capital stock	₱ 2,042,126,000	1,755,126,000
Additional paid-in capital	163,432,515	160,522,917
Retained earnings	(50,290,682)	(27,935,740)
TOTAL LIABILITIES AND EQUITY	₱2,163,190,635	₱ 1,891,656,720

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	
	2021	2020	2021	2020
INVESTMENT INCOME (LOSS)				
Trading gains (losses) - net	(31,882,110)	(397,910,900)	19,038,303	(87,514,734)
Dividend income	29,950,615	23,243,758	7,411,767	4,954,146
Interest income	5,825	12,729	3,292	17
Miscellaneous income	-	-	-	-
	(1,925,670)	(374,654,413)	26,453,362	(82,560,571)
EXPENSES				
Management fees	8,284,739	6,321,943	2,949,493	2,195,807
Taxes and licenses	3,100,000	4,354,115	459,493	737,575
Custodian and transfer agency fees	436,756	232,653	223,806	(354,244)
Brokers' commissions	1,674,049	533,172	1,303,653	187,605
Regulatory and filing fees	657,211	510,766	239,003	153,789
Information technology expenses	486,417	486,865	74,442	163,473
Directors' and officers' fees	296,496	274,748	103,504	92,251
Miscellaneous	637,449	863,616	601,449	806,534
	15,573,118	13,577,879	5,954,844	3,982,791
NET INVESTMENT INCOME (LOSS) BEFORE FINAL TAX	(17,498,788)	(388,232,292)	20,498,518	(86,543,362)
PROVISION FOR FINAL TAX	1,165	355,433	(385,835)	-
		(388,587,725.0		(86,543,362.0
NET INVESTMENT INCOME (LOSS)	(17,499,953)	4)	20,884,353	4)
INCOME (LOSS) PER SHARE	(0.8931)	(16.0818)	1.1109	3.0105

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, 2021	17,551,260	₱ 1,755,126,000	₱ 160,522,917	₱ (27,935,740)	₱ 1,887,713,177
Total comprehensive income for the period	-	-	-	(17,499,953)	(17,499,953)
Shares issued during the period	3,100,000	310,000,000	26,884,724	(4,854,989)	332,029,735
Shares redeemed during the period	(230,000)	(23,000,000)	(23,975,126)		(46,975,126)
Balance at September 30, 2021	20,421,260	₱ 2,042,126,000	₱ 163,432,515	₱ (50,290,682)	₱ 2,155,267,833
Balance at January 1, 2020	14,241,260	₱ 1,424,126,000	₱ 156,647,593	₱ 84,798,323	₱ 1,665,571,916
Total comprehensive income for the period	-	-	-	(388,587,725)	(388,587,725)
Shares issued during the period	4,350,000	435,000,000	152,401,964	(44,501,610)	542,900,354
Shares redeemed during the period	(960,000)	(96,000,000)	(160,815,530)	-	(256,815,530)
Balance at September 30, 2020	17,631,260	₱1,763,126,000	₱ 148,234,027	₱ (348,291,012)	₱ 1,563,069,015

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	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net investment income (loss) before final tax	₱ (17,498,788)	₱ (301,688,930)
Adjustments for:		
Net unrealized gain (loss) from changes in fair value of equity securities	(26,347,045)	294,236,484
Dividend income	(6,706,858)	(18,289,612)
Interest income	(5,825)	(12,712)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Financial assets at FVTPL	(263,018,692)	(206,971,722)
Receivables		(42,822)
Other assets	(46,229)	-
Increase (decrease) in accounts payable and accrued expenses	3,979,259	664,051
Net cash generated from (used in) operations	(309,644,177)	₱ (232,105,264)
Dividend received	30,806,022	12,823,803
Interest received	(17,194)	12,712
Income tax paid	(1,165)	(355,433)
Net cash generated from (used in) operating activities	(278,856,514)	₱ (219,624,182)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment for shares redeemed	₱ (24,205,126)	₱ (97,827,578)
Proceeds from issuance of capital stock	310,280,832.00	315,473,217
Net cash provided by (used in) financing activities	₱ 286,075,706	₱ 217,645,639
NET INCREASE IN CASH IN BANKS	7,219,192	(1,978,543)
CASH IN BANKS AT BEGINNING OF PERIOD	13,539,857	10,341,369
CASH IN BANKS AT END OF PERIOD	₱ 20,759,049	₱ 8,362,827

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 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 shares. Shares of the Fund may be directly redeemed in exceptional circumstances as approved by the SEC.

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

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

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 statements of financial position in order of liquidity. As of September 30, 2021, and December 31, 2020, financial assets comprised of cash in banks, financial assets at FVTPL, receivables and other assets 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.

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, 2019. Adoption of these pronouncements did not have any significant impact on the Fund's financial position or performance, unless otherwise indicated.

- PFRS 16, *Leases*

The adoption of PFRS 16 did not have impact on the financial statements as the Fund does not have any lease arrangements.

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption of the Interpretation, the Fund has assessed that it has no uncertain tax treatments. Accordingly, the adoption of this Interpretation has no impact on the financial statements.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- 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*

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 (3) months or less from dates of placement and are subject to an insignificant risk of changes in value.

Fair Value Measurement

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 ask price, the price within the bid-ask spread is most representative of fair value in the circumstance shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy. The fair value measurement of a nonfinancial asset takes into account the market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

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

Initial recognition of financial instruments

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

Classification and Subsequent Measurement of financial instruments

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 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.

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 gain (loss)' 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.

Financial liabilities at amortized cost

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, 2021, and December 31, 2020, the Fund has no financial liabilities at FVTPL.

Derecognition of Financial Assets and Liabilities

Financial asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized generally when the rights to receive cash flows from the asset have expired.

Financial liability

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

Impairment of Financial Assets

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, 2021, and December 31, 2020, 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.

Forward looking information

A range of economic overlays are considered and expert credit judgment is applied in determining the forward-looking inputs to the ECL calculation.

Creditable Withholding Taxes

Creditable withholding taxes (CWT) represent prepayments of income tax by the Fund through its payors who withhold and pay the same to the Bureau of Internal Revenue (BIR). These are accounted for as assets deductible from income tax due on quarterly and annual income tax returns. In accordance with Section 2.58(B) of Revenue Regulations No. 2-1998, as amended, the Fund obtains from each payor the CWT certificate or BIR Form No. 2307 which serves as proof of withholding and is required to be attached to the income tax return. CWT is presented under 'Other assets' in the statements of financial position.

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

a. Interest income is recognized using the effective interest rate method

Interest income is recognized in profit or loss for all instruments measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

b. Other interest income

Interest income on all trading assets and financial assets mandatorily required to be measured at FVTPL is recognized using the contractual interest rate and is included under Interest Income on financial assets at FVTPL.

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 0.5% of average daily NAV of the Fund. Retainer's fee is being charged at a fixed amount and recognized as incurred.

Custodian and clearing fees

This includes custodian fee and transaction charges which are being charged at a fixed amount and recognized as incurred.

Brokers' commissions

Brokers' commissions are 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, 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 of September 30, 2021 and December 31, 2020, 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 shares.

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 redeemable shares.

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. Unless otherwise indicated, the Fund does not expect that the future adoption of the said pronouncements will 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, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform* –

Phase 2

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*
- Annual Improvements to PFRSs 2018-2020 Cycle
 - o Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards*,

Subsidiary as a first-time adopter

- o Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
- o Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*

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*

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 financial assets at FVTPL

The Fund classifies its financial assets depending on the business model for managing those financial assets and whether the contractual terms of the financial asset are SPPI on the principal amount outstanding. The Fund's financial assets comprise significantly of quoted equity securities, which are classified as held for trading under financial assets at FVTPL. In making the judgment on whether the financial assets are held for trading, the Fund evaluates whether its intention to sell or repurchase these financial assets in the near term remain appropriate.

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.

Estimate

Recognition of deferred tax asset

The Fund reviews the carrying amount of deferred tax assets at each reporting date and reduces it to the extent that it is no longer probable that sufficient income will be available to allow all or part of the deferred tax assets to be utilized. The Fund did not recognize certain deferred tax assets, since management assessed that it is not probable that the benefits from these deferred tax assets will be realized in the future.

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, 2021, and December 31, 2020, 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, 2021, and December 31, 2020, 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, 2021, and December 31, 2020, 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 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 as 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.

5. Fair Value Measurement

As of September 30, 2021 and December 31, 2020, the carrying values of the Fund's financial assets and liabilities as reflected in the statements of financial position and related notes 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 closing market prices as published by the PSE, which are considered as Level 1 input.

Financial assets and liabilities carried at amortized cost

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

As of September 30, 2021, and December 31, 2020, 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

- **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 3.1 million shares subscribed and 0.23 million shares redeemed during the period.

- **Dividends**

There were no dividends declared and paid during the period ended September 30, 2021.

- **Material Events**

There were no material events that happened for the period ended September 30, 2021.

- **Subsequent Events**

There were no material subsequent events that took place after the period ended September 30, 2021.

- **Commitments and Contingent Accounts**

There were no commitments and contingent accounts for the period ended September 30, 2021.

- **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.

7. Related Party Transactions

Parties are related if one party has the ability, directly or indirectly, to control the other parties or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence.

The Fund's related parties include:

- a. key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members, and
- b. its Ultimate Parent Company, Parent Company and other subsidiaries of its Parent Company and affiliates of Ultimate Parent Company.

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

As of and for the year ended September 30, 2021			
	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Ultimate parent company			
Cash in banks	P-	P 2,846,445.98	Savings account with 0.25% interest rate
Dividend income	4,909,825	-	Dividend income from equity investments
Interest income	7,868	-	Income from cash in banks
Custodian and transfer agency fees***	426,280.08	106,276.60	Fees paid as stock transfer agent

As of September 30, 2021, and December 31, 2020, the reconciliation between the Fund's equity and the NAV per share calculated using closing prices follows:

	September 30 2021	December 31 2020
Total equity calculated under PFRS	P 2,155,267,833	P1,887,713,177
Adjustment from bid prices		
Net asset value attributable to holders of redeemable shares (a)	P 2,155,267,833	P 1,887,713,177
Number of redeemable shares (b)	20,421,260	17,551,260
NAV per share (a/b)	P 105.5404	P 107.5543

- **Earnings (Loss) Per Share**

Earnings (loss) 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 2021	2020
a. Net Income (Loss)	(P17,499,952.61)	(P 388,587,725.04)
b. Weighted average number of common shares	19,594,886	24,163,147
c. Earnings (loss) per share (a/b)	(P0.8931)	(P16.0818)

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION (September 30, 2021 vs. December 31, 2020) AND RESULTS OF OPERATIONS (January 1 – September 30, 2021 vs. January 1 – September 30, 2020)

FINANCIAL POSITION

As of September 30, 2021, the Fund's total assets stood at ₱2.16 billion, higher by 14.35% or ₱0.22 billion from ₱1.89 billion as of December 31, 2020. Total liabilities ended at ₱7.92 million from ₱3.94 million, higher by 100.91% or ₱3.98 million during the year.

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

1. Cash in banks

This represents the Fund's savings and checking accounts in local banks and bear annual interest of 0.125% per annum. This account ended at ₱20.76 million, increased by 53.32% or ₱7.22 million from ₱13.54 million mainly due to the higher outstanding cash in bank balance this year.

2. Financial assets at FVTPL

This consists of quoted equity securities held for trading. The increase of 14.01% or ₱263.02 million from ₱1.88 billion to ₱2.14 billion was mainly due to result of changes in fair value of equity securities during the year.

3. Receivables

This account consists of dividends and other receivables. The increase of ₱0.85 million from ₱0.90 million to ₱0.046 million was due to lower dividends earned for the period.

4. Other asset

This account remained at ₱0.05 million which represents prepayment of Fund's annual listing maintenance fee.

5. Accounts payable and accrued expenses

This account consists of accounts payable, payable to FAMI, accrued expenses, withholding tax and documentary stamp tax (DST) payable. Payable to FAMI includes unpaid management fees while accrued expenses include professional fees, information technology fees, listing fees and retainer's fees. Accounts payable includes cash component for redemption. The increase of 47.60% or ₱1.87 million from ₱3.94 million to ₱5.82 million was mainly due to higher accounts and DST payable this year.

6. Equity

The Fund's equity is comprised of its capital stock, additional paid-in capital and retained earnings. The increase of 14.17% or ₱267.55 million from ₱1.89 billion to ₱2.16 billion was mainly due to the net effect of subscriptions and net loss recognized during the year.

Capital stock ended at ₱2.04 billion, an increase of 16.35% or ₱287.00 million from ₱1.76 billion last year, mainly due to subscriptions during the period. The Fund's authorized capital stock remained at ₱3.00 billion divided into 30.00 million redeemable shares with par value of ₱100.00 per share with each share carrying one vote. As of September 30, 2021, and December 31, 2020, the total issued and outstanding shares were 20,421,260 and 17,551,260, respectively, while the total number of holders of redeemable common shares is 2,964 and 2,087, respectively.

Additional paid-in capital rose by 1.81% or ₱2.91 million from ₱160.52 million to ₱163.43 million this year mainly due to net subscriptions during the period.

Retained earnings decreased by ₱22.35 million from ₱27.94 million to ₱50.29 million deficit as of September 30, 2021 mainly due to the Fund's results of operation recognized during the period.

RESULTS OF OPERATIONS

For the quarter ended September 30, 2021, the Fund recognized a net loss of ₱17.50 million, an increase of ₱371 million from last year's net loss of ₱388.59 million.

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

1. Trading and securities gain (loss)

This account represents realized gain (loss) from the sale and unrealized gain (loss) from changes in fair value of debt and equity securities held for trading during the year. The increase of ₱366.03 million from ₱397.91 million loss to ₱31.88 million loss was mainly due to the result of changes in the fair value of equity securities during the period.

2. Dividend income

This account totaled ₱29.95 million, an increase of 28.85% or ₱6.71 million from ₱23.24 million mainly due to higher cash dividends earned from shares held during the year.

3. Interest income

This account pertains to interest earned from cash in bank of the Fund. The decrease of 54.24% was due to lower cash in bank balance during the period.

4. Management fees

This account increased by 31.05% or ₱1.96 million from ₱6.32 million to ₱8.28 million this year mainly due to the increased in management fees relative to the increase in the Fund's net assets.

5. Taxes and licenses

This account decreased by ₱28.80 million from last year's ₱4.35 million to ₱3.1 million mainly due to higher documentary stamp taxes paid during the period.

6. Custodian and transfer fees

This account pertains to charges incurred relative to the purchase and sale of securities. The increase of 87.73% or ₱0.20 million from last year's ₱0.23 million to ₱0.44 million was mainly due to higher volume of creation and redemption transactions during the period.

7. Broker's commission

This account increased by 213.98% or ₱1.14 million from last year's ₱0.53 million to ₱1.67 million mainly due to higher volume of rebalancing trades executed during the period.

8. Regulatory and filing fees

This account totaled ₱657.31 million which consists of Funds' listing and filing fees paid to regulatory bodies.

9. Information technology expenses

This account decreased by 0.09% from last year's ₱0.48 million to ₱0.48 million mainly due to lower prime portal services fees incurred by the Fund during the period.

10. Directors' fees per diem

This account totaled ₱0.30 million which pertains to per diem paid to Fund's officers and directors during board meetings and annual stockholders' meeting.

11. Miscellaneous expenses

This account decreased by 26.19% or ₱0.23 million which includes audit fees, bank charges and other miscellaneous expenses.

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 ₱2.20 billion as of September 30, 2021.

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

- *Net Asset Value Per Share* - Net Asset Value per share dropped from ₱107.5543 as of December 31, 2020 to ₱105.5404 as of September 30, 2021. The Fund’s average daily net asset value increased by 25.70% or ₱0.40 billion from ₱1.57 billion as of December 31, 2020, to ₱1.98 billion as of September 30, 2021.
- *Sales for the period ended* - The Fund had total sales of ₱ 310.28 million for the period ended September 30, 2021. This is ₱73.66 million lower than ₱383.94 million total sales for the same period last year.
- *Redemptions for the period ended* - The Fund had redemptions of ₱24.21 million for the third quarter of 2021. This is ₱73.62 million lower than ₱97.83 million redemptions for the same period last year.
- *Net Income vs. Benchmark* - The Fund posted a net loss of ₱17.50 million for the period ended September 30, 2021, and ₱388.23 million net loss for the same period last year.
- *Market Share vs. Benchmark* - As of September 30, 2021, the Fund garnered 1.83% share in the Equity Funds category while 0.51% share in terms of net assets. On the basis of account holders, the Fund has 2,964 account holders or 1.04% 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 0.04% and 0.04% 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, 2021 (Unaudited)	September 30, 2020 (Unaudited)	December 31, 2020 (Audited)
Current ratio ^{1/}	37127.21%	29429.45%	47968.46%
Acid test ratio ^{2/}	37126.42%	29427.62%	47968.46%
Debt-to-equity ratio ^{3/}	0.27%	0.34%	0.21%
Asset-to-equity ratio ^{4/}	100.27%	100.34%	100.21%
Interest rate coverage ratio ^{5/}	n.a.	n.a.	n.a.
Profitability ratios:			
Return on assets ^{6/}	-0.65%	-96.07%	-3.13%
Return on equity ^{7/}	-0.65%	-96.29%	-3.13%

^{1/} Current Assets divided by Current Liabilities

^{2/} Quick Assets (Cash and cash equivalents, financial assets at FVTPL 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, 2021 (Unaudited)	September 30, 2020 (Unaudited)	December 31, 2020 (Audited)
Liquid/Semi liquid assets to total assets	0.96%	0.44%	0.76%
Total operating expenses to total net worth	0.77%	0.84%	1.00%
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, 2020

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>				
Aboitiz Equity Ventures, Inc.	1,590,970	₱ 77,321,142	3.59%	0.03%
Aboitiz Power Corp.	885,032	27,435,992	1.27%	0.01%
AC Energy Corp	1,856,407	19,120,992	0.89%	0.04%
Alliance Global Group, Inc.	3,677,672	41,484,140	1.92%	0.30%
Ayala Corporation	167,717	137,024,789	6.36%	0.00%
Ayala Land, Inc.	4,689,241	157,089,574	7.29%	0.10%
Bank of the Philippine Islands	1,329,827	108,314,409	5.03%	0.03%
BDO Unibank, Inc.	1,160,346	128,334,268	5.95%	0.01%
Bloomberry Resorts Corporation	2,221,531	13,195,894	0.61%	0.02%
Converge ICT Solutions Inc.	903,966	36,158,640	1.68%	0.01%
First Gen Corporation	410,973	13,952,533	0.65%	0.01%
Globe Telecom, Inc.	17,726	52,894,384	2.45%	0.01%
GT Capital Holdings, Inc.	56,925	29,031,750	1.35%	0.03%
International Container Terminal Services, Inc.	627,004	122,265,780	5.67%	0.03%
JG Summit Holdings, Inc.	1,809,207	117,598,455	5.46%	0.02%
Jollibee Foods Corporation	286,931	58,820,855	2.73%	0.03%
LT Group, Inc.	1,691,534	17,084,493	0.79%	0.02%
Manila Electric Company	169,603	50,541,694	2.35%	0.02%
Megaworld Corporation	6,317,471	18,004,792	0.84%	0.02%
Metro Pacific Investments Corporation	7,507,562	27,402,601	1.27%	0.02%
Metropolitan Bank & Trust Company	1,298,146	56,728,980	2.63%	0.03%
Phil Long Distance Telephone Corporation	49,359	82,923,120	3.85%	0.02%
Puregold Price Club Inc.	606,929	27,008,341	1.25%	0.02%
Robinsons Land Corporation	1,218,146	19,490,336	0.90%	0.02%
Robinsons Retail Holdings, Inc.	305,402	15,819,824	0.73%	0.02%
San Miguel Corporation	228,862	26,296,244	1.22%	0.01%
Security Bank Corporation	271,923	28,823,838	1.34%	0.04%
SM Investments Corporation	347,731	344,253,690	15.97%	0.03%
SM Prime Holdings, Inc.	6,251,765	204,745,304	9.50%	0.02%
Universal Robina Corporation	596,541	81,069,922	3.76%	0.03%
	48,552,449	2,140,236,776	99.30%	

FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.
FORM AND CONTENT OF SCHEDULES
AS OF September 30, 2021

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>				
Aboitiz Equity Ventures, Inc.	1,590,970	₱ 77,321,142	₱ 77,321,142	1,337,509.81
Aboitiz Power Corp.	885,032	27,435,992	27,435,992	659,719.00
AC Energy Corp	1,856,407	19,120,992	19,120,992	-
Alliance Global Group, Inc.	3,677,672	41,484,140	41,484,140	-
Ayala Corporation	167,717	137,024,789	137,024,789	598,849.88
Ayala Land, Inc.	4,689,241	157,089,574	157,089,574	592,555.15
Bank of the Philippine Islands	1,329,827	108,314,409	108,314,409	1,168,817.40
BDO Unibank, Inc.	1,160,346	128,334,268	128,334,268	1,015,589.40
Bloomberry Resorts Corporation	2,221,531	13,195,894	13,195,894	-
Converge ICT Solutions Inc.	903,966	36,158,640	36,158,640	-
First Gen Corporation	410,973	13,952,533	13,952,533	122,885.10
Globe Telecom, Inc.	17,726	52,894,384	52,894,384	1,389,474.00
GT Capital Holdings, Inc.	56,925	29,031,750	29,031,750	160,437.00
International Container Terminal Services, Inc.	627,004	122,265,780	122,265,780	3,046,344.74
JG Summit Holdings, Inc.	1,809,207	117,598,455	117,598,455	685,654.14
Jollibee Foods Corporation	286,931	58,820,855	58,820,855	219,038.04
LT Group, Inc.	1,691,534	17,084,493	17,084,493	784,431.12
Manila Electric Company	169,603	50,541,694	50,541,694	1,764,448.79
Megaworld Corporation	6,317,471	18,004,792	18,004,792	-
Metro Pacific Investments Corporation	7,507,562	27,402,601	27,402,601	795,388.86
Metropolitan Bank & Trust Company	1,298,146	56,728,980	56,728,980	4,749,388.00
Phil Long Distance Telephone Corporation	49,359	82,923,120	82,923,120	3,902,660.00
Puregold Price Club Inc.	606,929	27,008,341	27,008,341	235,575.00
Robinsons Land Corporation	1,218,146	19,490,336	19,490,336	301,461.75
Robinsons Retail Holdings, Inc.	305,402	15,819,824	15,819,824	572,266.62
San Miguel Corporation	228,862	26,296,244	26,296,244	154,948.50
Security Bank Corporation	271,923	28,823,838	28,823,838	354,205.50
SM Investments Corporation	347,731	344,253,690	344,253,690	1,442,535.00
SM Prime Holdings, Inc.	6,251,765	204,745,304	204,745,304	495,055.16
Universal Robina Corporation	596,541	81,069,922	81,069,922	1,960,588.20
	48,552,449	₱2,140,236,776	₱2,140,236,776	₱28,509,826

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
----------------	--------------------------------	-----------	-------------------	---------------------	---------	--------------	--------------------------

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
----------------	--------------------------------	-----------	-----------------------	--------------------------	---------	-------------	--------------------------

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
-----------------------------------	--------------------------	--	-------------------------------------	----------------------------------	--	-----------------------

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
---	---------------------------------------	--	--	------------------------	----------------------

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⁾
--	--------------------------------	--

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⁾
--	---	---	--	-------------------------------------

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 <small>(i)</small>	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 <small>(ii)</small>	Directors, officers and employees	Others <small>(iii)</small>
Common	30,000,000	20,421,260	–	5,915,976	728	–

(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


MARICEL MADRID
Treasurer

Date: November 12, 2021