

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: **June 30, 2023**
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 June 30, 2023:

Common shares	21,141,260
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 - (c.) Amount of debt outstanding (unpaid subscriptions): **None**
11. Are any or all of the securities listed in the Philippine Stock Exchange?
Yes No
12. Indicate by check mark whether the registrant:
 - (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
Yes No
 - (b) has been subject to such filing requirements for the past ninety (90) days.
Yes No

PART I – FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.

(An Open-End Mutual Fund Company)

INTERIM STATEMENTS OF FINANCIAL POSITION

	As of	
	June 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
ASSETS		
Cash in banks	₱6,807,901	₱5,421,590
Financial assets at fair value through profit or loss	2,140,200,348	2,200,286,703
Receivables	140,303	715,729
Other assets	-	265,848
TOTAL ASSETS	₱2,147,148,552	₱2,206,689,870
LIABILITIES AND EQUITY		
LIABILITIES		
Accounts payable and accrued expenses	₱1,768,565	₱2,168,603
EQUITY		
Capital stock	2,114,126,000	₱2,180,126,000
Additional paid-in capital	64,722,894	70,238,408
Deficit	(33,468,907)	(45,843,141)
	2,145,379,987	₱2,204,521,267
TOTAL LIABILITIES AND EQUITY	₱2,147,148,552	₱2,206,689,870

FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.

(An Open-End Mutual Fund Company)

INTERIM STATEMENTS OF COMPREHENSIVE INCOME

	For the Period Ended June 30 (Unaudited)		For the Quarter Ended June 30 (Unaudited)	
	2023	2022	2023	2022
INVESTMENT INCOME (LOSS)				
Trading and securities gain (loss)	(P26,720,409)	(P302,286,432)	(P9,461,240)	(P331,111,376)
Dividend income	48,828,706	27,742,974	16,473,296	8,830,236
Interest income	1,075	14,462	796	2,178
	22,109,372	(274,528,996)	7,012,852	(322,278,962)
OPERATING EXPENSES				
Management fees	6,158,059	6,150,922	3,064,036	3,026,467
Brokers' commission	1,012,778	2,063,639	79,967	108,624
Information technology expenses	523,664	322,497	242,290	162,139
Fund admin fees	462,954	416,739	279,084	320,206
Taxes and licenses	337,162	1,069,969	80,200	714,119
Regulatory and filing fees	303,392	303,392	152,534	152,534
Custodian and transfer agency fees	243,040	267,559	120,572	144,465
Directors' and officers' fees	181,992	192,992	91,499	102,499
Professional fees	44,354	44,354	22,300	22,300
Miscellaneous	427,414	217,618	114,062	168,529
	9,694,809	11,049,681	4,246,544	4,921,882
NET INVESTMENT INCOME (LOSS) BEFORE FINAL TAX	P12,414,563	(P285,578,677)	P2,766,308	(P327,200,844)
PROVISION FOR FINAL TAX	215	2,892	159	436
NET INVESTMENT INCOME (LOSS)/TOTAL COMPREHENSIVE INCOME (LOSS)*	P12,414,348	(P285,581,569)	P2,766,149	(P327,201,280)
EARNINGS (LOSS) PER SHARE	P0.5858	(P13.8462)	P0.1308	(P15.8880)

*There are no other comprehensive income items for the period ended June 30, 2023 and 2022.

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 (Deficit)	Total Equity
Balance at January 1, 2023	21,801,260	₱2,180,126,000	₱70,238,408	(₱45,843,141)	₱2,204,521,267
Total comprehensive income for the period	-	-	-	12,414,348	12,414,348
Shares issued during the period	320,000	32,000,000	410,477	(40,114)	32,370,363
Shares redeemed during the period	(980,000)	(98,000,000)	(5,925,991)		(103,925,991)
Balance at June 30, 2023	21,141,260	₱2,114,126,000	₱64,722,894	(₱33,468,907)	₱2,145,379,987
Balance at January 1, 2022	20,201,260	₱2,020,126,000	₱160,717,541	₱5,572,357	₱2,186,415,898
Total comprehensive loss for the period	-	-	-	(285,581,569)	(285,581,569)
Shares issued during the period	1,030,000	103,000,000	6,035,437	(1,049,129)	107,986,308
Shares redeemed during the period	(130,000)	(13,000,000)	(683,385)	-	(13,683,385)
Balance at June 30, 2022	21,101,260	₱2,110,126,000	₱166,069,593	(₱281,058,341)	₱1,995,137,252

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

INTERIM STATEMENTS OF CASH FLOWS

	For the Period Ended June 30	
	(Unaudited)	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net investment income (loss) before final tax	₱12,414,563	(₱285,578,677)
Adjustments for:		
Dividend income	(48,828,706)	(27,742,974)
Interest income	(1,075)	(14,462)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Financial assets at FVTPL	60,086,355	186,109,140
Receivables	2,006	(999,504)
Other assets	265,848	-
Increase (Decrease) in accounts payable and accrued expenses	(400,038)	1,143,510
Net cash provided by (used in) operations	23,538,953	(127,082,967)
Dividend received	49,402,126	28,441,238
Interest received	1,075	14,462
Income tax paid	(215)	(2,892)
Net cash provided by (used in) operating activities	₱72,941,939	(₱98,630,159)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment for shares redeemed	(₱103,925,991)	(₱13,683,385)
Proceeds from issuance of capital stock	32,370,363	107,986,308
Net cash provided by (used in) financing activities	(₱71,555,628)	₱94,302,923
NET INCREASE (DECREASE) IN CASH IN BANKS	₱1,386,311	(₱4,327,236)
CASH IN BANKS AT BEGINNING OF PERIOD	5,421,590	11,518,004
CASH IN BANKS AT END OF PERIOD	₱6,807,901	₱7,190,768

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 (10,000) shares. Shares of the Fund may be directly redeemed in exceptional circumstances as approved by the SEC. As of June 30, 2023, the minimum number of shares per creation unit is ten thousand (10,000) shares.

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 unaudited interim financial statements have been prepared in accordance with Philippine Accounting Standards (PAS) 34, Interim Financial Reporting. Accordingly, the unaudited 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 annual audited financial statements as of and for the year ended December 31, 2022.

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 (PFRS).

Presentation of Financial Statements

The Fund presents its statements of financial position in order of liquidity. As of June 30, 2023 and December 31, 2022, 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 the reporting date.

New Standards, Interpretations and Amendments

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2022. The Fund has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Fund.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

- *Amendments to PFRS 1, First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

- *Amendments to PFRS 9, Financial Instruments, Fees in the '10 percent' test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- *Amendments to PAS 41, Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash in banks consist of demand and savings deposits in banks.

Fair Value Measurement

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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.

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 assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on settlement date.

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 that do not meet the amortized cost or FVOCI criteria, or that meet the criteria, but the Fund has chosen to designate as FVTPL at initial recognition, are measured at fair value through profit or loss. Equity investments are classified as at FVTPL, unless the Fund designates an investment that is not held for trading as at FVOCI at initial recognition.

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 (SSPI) 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 June 30, 2023 and December 31, 2022, the Fund has no financial liabilities at amortized cost.

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 result from all possible default events over the expected life of the financial asset.

As of June 30, 2023 and December 31, 2022, 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 a decrease in future economic benefits related to decrease in an asset or an increase of a liability has arisen that can be measured reliably. Expenses are recognized as incurred.

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

Management fee and retainer's fee

Management fee is accrued over time at 0.50% of average daily NAV of the Fund. Retainer's fees are 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 at June 30, 2023 and December 31, 2022, 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 contracts 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 assets and the related income are recognized in the statement of income.

Segment Reporting

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

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

Events After the Reporting Date

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

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2023

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

Effective beginning on or after January 1, 2025

- 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 remains 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 incorporate 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 June 30, 2023 and December 31, 2022, 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 expectations, 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 June 30, 2023 and December 31, 2022, 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 its 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 June 30, 2023 and December 31, 2022, 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 a provisional defensive position during instances of market decline or overvaluation.

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

To meet the Fund's investment objectives, FAMI intends to manage the Fund using an index replication strategy, which involves investing in substantially all of the securities and in approximately the same weights as in the PSEi. When conditions permit, as determined by FAMI, FAMI may use a representative sampling indexing strategy, instead of full replication strategy, to manage the Fund. This would involve investing in a representative sample of securities that collectively has 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 the 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 June 30, 2023 and December 31, 2022, 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 FVTPL

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 June 30, 2023 and December 31, 2022, 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 0.32 million shares subscribed and 0.98 million shares redeemed during the period ended June 30, 2023.

- **Dividends**

There were no dividends declared and paid during the period ended June 30, 2023.

- **Material Events**

There were no material events that happened for the period ended June 30, 2023.

- **Subsequent Events**

There were no material subsequent events that took place after the period ended June 30, 2023.

- **Commitments and Contingent Accounts**

There were no commitments and contingent accounts for the period ended June 30, 2023.

- **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 shares issued and subscribed as of the date of the statements of financial position.

As of June 30, 2023 and December 31, 2022, NAV per share is computed as follows:

	June 30, 2023	December 31, 2022
Net asset value attributable to holders of		
redeemable shares (a)	₱2,145,379,987	₱2,204,521,267
Number of redeemable shares (b)	21,141,260	21,801,260
NAV per share (a/b)	₱101.4783	₱101.1190

- **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:

	June 30	
	2023	2022
a. Net Income (Loss)	₱12,414,348	(₱285,581,569)
b. Weighted average number of common shares	21,192,089	20,625,238
c. Earnings (loss) per share (a/b)	₱0.5858	(₱13.8462)

Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION (June 30, 2023 vs. December 31, 2022) AND RESULTS OF OPERATIONS (January 1 – June 30, 2023 vs. January 1 – June 30, 2022)

FINANCIAL POSITION

As of June 30, 2023, the Fund’s total assets stood at ₱2.15 billion, lower by ₱0.06 billion from ₱2.21 billion as of December 31, 2022. Total liabilities ended at ₱1.77 million from ₱2.17 million, lower by ₱0.40 million or 18.45% as of reporting period. 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 ₱6.81 million, increased by 25.57% or ₱1.39 million from ₱5.42 million mainly due higher cash in bank balances as of reporting date relative to the sale of securities during the period.

2. Financial assets at FVTPL

This consists of quoted equity securities held for trading. The decrease of ₱0.06 billion from ₱2.20 billion to ₱2.14 billion was mainly due to sale and result of changes in fair value of equity securities during the period.

3. Receivables

This account consists of dividends and other receivables. The decrease of 80.40% or ₱0.58 million from ₱0.72 million to ₱0.14 million was due to collection of dividend receivables during the period.

4. Other assets

This account ended nil and ₱0.27 million as of June 30, 2023 and December 31, 2022, respectively, and this pertains to other miscellaneous asset of the Fund.

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. The decrease of 18.45% or ₱0.40 million from ₱2.17 million to ₱1.77 million was mainly due to lower balances of accrued expenses payable as of reporting date.

6. Equity

The Fund’s equity is comprised of its capital stock, additional paid-in capital and retained earnings. The decrease of ₱0.06 billion from ₱2.20 billion to ₱2.14 billion was mainly due to the net redemption during the period.

Capital stock ended at ₱2.11 billion, a decrease of ₱0.07 billion from ₱2.18 billion, mainly due to redemptions during the period. The Fund’s authorized capital stock remained at ₱3.00 billion divided into 30.00 million redeemable shares with par value of ₱100.00 per share with each share carrying one vote. As of June 30, 2023 and December 31, 2022, the total issued and outstanding shares were 21,141,260 and 21,801,260, respectively, while the total number of holders of redeemable common shares is 3,289 and 3,288, respectively.

Additional paid-in capital declined by 7.85% or ₱5.52 million from ₱70.24 million to ₱64.72 million this year mainly due to net redemption during the period.

Deficit decreased by ₱12.37 million or 26.99% from ₱45.84 million to ₱33.47 million as of June 30, 2023 mainly due to the Fund's results of operation recognized during the period.

RESULTS OF OPERATIONS

For the period ended June 30, 2023, the Fund recognized a net income of ₱12.41 million, an increase of ₱297.99 million or 104.35% from the same period last year's net loss of ₱285.58 million. Detailed discussions of the changes in the 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 equity securities held for trading during the period. The reduction of ₱275.57 million or 91.16% in losses from ₱302.29 million loss to ₱26.72 million loss was mainly due to the result of changes in the fair value and trading of equity securities during the period.

2. *Dividend income*

This account totaled ₱48.83 million, an increase of 76.00% or ₱21.09 million from ₱27.74 million mainly due to higher cash dividends earned from shares held during the period.

3. *Interest income*

This account pertains to interest earned from cash in bank of the Fund. The decrease of 92.57% or ₱0.013 million from ₱0.014 million to ₱0.001 million was due to lower interest earned during the period.

4. *Management fees*

This account slightly increased by ₱0.01 million from ₱6.15 million to ₱6.16 million this year mainly due to the increase in management fees and other professional fees incurred by the Fund.

5. *Broker's commission*

This account decreased by 50.92% or ₱1.05 million from the same period last year's ₱2.06 million to ₱1.01 million mainly due to lower volume of rebalancing trades executed during the period.

6. *Information technology expenses*

This account totaled ₱0.52 million for the period ended June 30, 2023, which consists of Funds service acquired from prime portal service during the period. The increase of ₱0.20 million or 62.38% from ₱0.32 million for the same period last year was due to higher fees incurred by the Fund.

7. *Fund admin fee*

This account totaled ₱0.46 million which pertains to payment of the fund admin fee during the period. The increase of 11.09% or ₱0.04 million from ₱0.42 million was due to higher fees paid during the period.

8. *Taxes and licenses*

This account decreased by 68.49% or ₱0.73 million from the same period last year's ₱1.07 million to ₱0.34 million mainly due to lower documentary stamp taxes paid during the period.

9. *Regulatory and filing fees*

This account remained at ₱0.30 million for the period ended June 30, 2023 and 2022, which consists of Funds' listing and filing fees paid to regulatory bodies.

10. Custodian and transfer fees

This account pertains to charges incurred relative to the purchase and sale of securities. This account totaled ₱0.24 million and ₱0.26 million for the period ended June 30, 2023 and 2022, respectively resulting to ₱0.02 million or 9.16% decrease due to lower fees incurred during the period.

11. Directors' fees per diem

This account decreased by ₱0.01 million or 5.70% from ₱0.19 million for the same period last year to ₱0.18 million this year due to lower fees paid during the period, and this pertains to per diem paid to Fund's officers and directors during board meetings and annual stockholders' meeting.

12. Professional fees

This account remained at ₱0.04 million and this represents audit fees incurred by the Fund.

13. Miscellaneous expenses

This account increased by 96.41% or ₱0.21 million which includes membership fees and dues, bank charges and other miscellaneous expenses. This account ended at ₱0.43 million and ₱0.22 million for the period ended June 30, 2023 and 2022, respectively.

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 ₱2.11 billion as of June 30, 2023.

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

- *Net Asset Value Per Share* - Net Asset Value per share rose from ₱101.1190 as of December 31, 2022 to ₱101.4783 as of June 30, 2023, increased by ₱0.3593. The Fund's net asset value decreased by ₱0.06 billion from ₱2.20 billion as of December 31, 2022 to ₱2.14 billion as of June 30, 2023.
- *Sales for the period ended* - The Fund had total sales of ₱32.37 million for the period ended June 30, 2023. This is ₱75.62 million or 70.02% lower than ₱107.99 million total sales for the same period last year.
- *Redemptions for the period ended* - The Fund had redemptions of ₱103.92 million for the period ended June 30, 2023. This is 659.50% or ₱90.24 million higher than ₱13.68 million redemptions for the same period last year.
- *Net Income vs. Benchmark* - The Fund posted a net income of ₱12.41 million and net loss of ₱285.58 million for the period ended June 30, 2023 and 2022, respectively, decreased by 104.35% or ₱297.99 million.

- *Market Share vs. Benchmark* - As of June 30, 2023, the Fund garnered 3.11% share in the Equity Funds category in terms of net assets. On the basis of account holders, the Fund has 3,289 account holders or 0.40% 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 0.0415% and 0.0384% 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		
	June 30, 2023 (Unaudited)	June 30, 2022 (Unaudited)	December 31, 2022 (Audited)
Current ratio ^{1/}	121406.25%	32806.13%	102557.27%
Acid test ratio ^{2/}	121406.25%	32806.13%	102544.91%
Debt-to-equity ratio ^{3/}	0.08%	0.31%	0.10%
Asset-to-equity ratio ^{4/}	100.08%	100.31%	100.10%
Interest rate coverage ratio ^{5/}	N/A	N/A	N/A
Profitability ratios:			
Return on assets ^{6/}	1.14%	-27.25%	-5.91%
Return on equity ^{7/}	1.14%	-27.32%	-5.92%

^{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		
	June 30, 2023 (Unaudited)	June 30, 2022 (Unaudited)	December 31, 2022 (Audited)
Liquid/Semi liquid assets to total assets	100.00%	100.00%	99.99%
Total operating expenses to total net worth	0.45%	0.53%	0.94%
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 JUNE 30, 2023

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.	1,572,375	₱85,537,200	3.99%	0.03%
Aboitiz Power Corp.	874,538	33,625,986	1.57%	0.01%
ACEN Corp.	4,715,577	25,416,960	1.18%	0.01%
Alliance Global Group, Inc.	1,722,111	23,110,730	1.08%	0.02%
Ayala Corporation	187,835	117,396,875	5.47%	0.03%
Ayala Land, Inc.	4,274,128	103,861,310	4.84%	0.03%
Bank of the Philippine Islands	1,438,461	156,504,557	7.29%	0.03%
BDO Unibank, Inc.	1,376,524	189,547,355	8.84%	0.03%
Converge ICT Solutions Inc	1,338,500	14,616,420	0.68%	0.02%
DMCI Holdings, Inc.	2,051,574	18,587,260	0.87%	0.02%
Emperador Inc	1,870,359	39,838,647	1.86%	0.01%
Globe Telecom, Inc.	18,860	32,646,660	1.52%	0.01%
GT Capital Holdings, Inc.	56,305	28,997,075	1.35%	0.03%
International Container Terminal Services, Inc.	615,814	125,502,893	5.85%	0.03%
JG Summit Holdings, Inc.	1,787,594	79,458,553	3.70%	0.02%
Jollibee Foods Corporation	299,294	71,591,125	3.34%	0.03%
LT Group, Inc.	1,672,000	15,900,720	0.74%	0.02%
Manila Electric Company	174,135	58,335,225	2.72%	0.02%
Metro Pacific Investments Corporation	6,309,515	30,096,387	1.40%	0.02%
Metropolitan Bank & Trust Company	1,282,909	71,458,031	3.33%	0.03%
Monde Nissin Corp	4,270,883	34,209,773	1.59%	0.02%
PLDT, Inc.	48,797	64,021,664	2.98%	0.02%
Puregold Price Club Inc.	599,098	17,613,481	0.82%	0.02%
San Miguel Corporation	282,681	29,794,577	1.39%	0.01%
Semirara Mining and Power Corporation	606,266	16,975,448	0.79%	0.01%
SM Investments Corporation	348,591	322,446,675	15.03%	0.03%
SM Prime Holdings, Inc.	6,349,803	208,591,029	9.72%	0.02%
Union Bank of the Philippines	349,702	26,192,680	1.22%	0.01%
Universal Robina Corporation	569,595	78,319,313	3.65%	0.03%
Wilcon Depot, Inc.	828,395	20,005,739	0.93%	0.02%
	47,892,219	₱2,140,200,348	99.76%	

FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.
FORM AND CONTENT OF SCHEDULES
AS OF JUNE 30, 2023

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.	1,572,375	₱85,537,200	₱85,537,200	₱2,285,238
Aboitiz Power Corp.	874,538	33,625,986	33,625,986	1,616,733
ACEN Corp.	4,715,577	25,416,960	25,416,960	-
Alliance Global Group, Inc.	1,722,111	23,110,730	23,110,730	-
Ayala Corporation	187,835	117,396,875	117,396,875	634,256
Ayala Land, Inc.	4,274,128	103,861,310	103,861,310	-
Bank of the Philippine Islands	1,438,461	156,504,557	156,504,557	2,206,877
BDO Unibank, Inc.	1,376,524	189,547,355	189,547,355	2,050,453
Converge ICT Solutions Inc	1,338,500	14,616,420	14,616,420	-
DMCI Holdings, Inc.	2,051,574	18,587,260	18,587,260	1,481,008
Emperador Inc	1,870,359	39,838,647	39,838,647	544,367
Globe Telecom, Inc.	18,860	32,646,660	32,646,660	932,825
GT Capital Holdings, Inc.	56,305	28,997,075	28,997,075	168,423
International Container Terminal Services, Inc.	615,814	125,502,893	125,502,893	6,088,780
JG Summit Holdings, Inc.	1,787,594	79,458,553	79,458,553	712,468
Jollibee Foods Corporation	299,294	71,591,125	71,591,125	320,728
LT Group, Inc.	1,672,000	15,900,720	15,900,720	994,795
Manila Electric Company	174,135	58,335,225	58,335,225	1,912,509
Metro Pacific Investments Corporation	6,309,515	30,096,387	30,096,387	475,453
Metropolitan Bank & Trust Company	1,282,909	71,458,031	71,458,031	2,789,985
Monde Nissin Corp	4,270,883	34,209,773	34,209,773	-
PLDT, Inc.	48,797	64,021,664	64,021,664	2,869,583
Puregold Price Club Inc.	599,098	17,613,481	17,613,481	533,711
San Miguel Corporation	282,681	29,794,577	29,794,577	279,448
Semirara Mining and Power Corporation	606,266	16,975,448	16,975,448	2,127,311
SM Investments Corporation	348,591	322,446,675	322,446,675	2,604,788
SM Prime Holdings, Inc.	6,349,803	208,591,029	208,591,029	1,500,010
Union Bank of the Philippines	349,702	26,192,680	26,192,680	691,248
Universal Robina Corporation	569,595	78,319,313	78,319,313	851,166
Wilcon Depot, Inc.	828,395	20,005,739	20,005,739	303,882
	47,892,219	₱2,140,200,348	₱2,140,200,348	₱36,976,043

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
First Metro Securities Brokerage	P-	P32,370,363	P32,370,363	P-	P-	P-	P-

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.

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- ⁽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.

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- (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	21,141,260	–	5,384,909	7	The Fund issued 320,000 shares and redeemed 980,000 shares during the period.

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

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

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

Schedule I – Aging of Receivables as of June 30, 2023

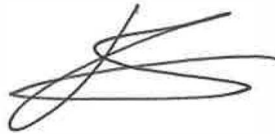
Description	Total	Current	0-30 days	31-60 days	61-90 days	More than 90 Days
Individual	₱-	₱-	₱-	₱-	₱-	₱-
Corporate	98,938	98,938	-	-	-	-
Total Trade Receivables, gross	₱98,938	₱98,938	₱-	₱-	₱-	₱-
Less: Allowance for Doubtful Accounts	-	-	-	-	-	-
Total Trade Receivables, net	₱98,938	₱98,938	₱-	₱-	₱-	₱-
Other receivables	41,365	41,365	-	-	-	-
Total trade and other receivables	₱140,303	₱140,303	₱-	₱-	₱-	₱-

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



MICHAEL G. SAY
President



MAURO B. PLACENTE
Treasurer

Date: August 8, 2023