

# COVER SHEET

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SEC Registration Number

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(Company's Full Name)

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

<b>Edwin B. Valeroso</b>
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(Contact Person)

<b>8891-2860</b>
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(Company Telephone Number)

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Month      Day  
(Fiscal Year)

<b>SEC Form-17A</b>
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(Form Type)

<b>2<sup>nd</sup> Wednesday of May</b>
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(Annual Meeting)

<b>Investment Company</b>
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(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

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Amended Articles Number/Section

<b>3,288</b>
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Total No. of Stockholders

Total Amount of Borrowings

Domestic	Foreign

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To be accomplished by SEC Personnel concerned

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File Number

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**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-A**

**ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended: **December 31, 2023**
2. SEC Identification Number: **CS201300728**
3. BIR Tax Identification No.: **008-447-745**
4. Exact name of issuer as specified in its charter:  
**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**
5. Province, Country or other jurisdiction of incorporation or organization  
**Metro Manila, Philippines**
6. Industry Classification Code  (SEC Use Only)
7. Address of principal office Postal Code  
**18<sup>TH</sup> Flr., PSBank Center, Paseo de Roxas corner Sedeño St., Makati City** **1226**
8. Issuer's telephone number, including area code: **(632) 8891-2860**
9. Former name, former address, and formal fiscal year, if changed since last report: **Not Applicable**
10. Securities registered pursuant to Section 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding (Par Value ₱100.00)
<b>Common Stock</b>	<b>20,991,260 shares</b>

11. Are any or all of these securities listed on a Stock Exchange?

Yes []                      No []

Stock Exchange : **Philippine Stock Exchange**  
Class of Securities : **Common Shares**

12. Check whether the issuer:

(a) has filed all reports required to be filed by section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Section 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that 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 []

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant.  
**Not Applicable**

## **PART I – BUSINESS AND GENERAL INFORMATION**

### **Item 1. BUSINESS**

#### **Description of Business**

The First Metro Philippine Equity Exchange Traded Fund, Inc. (the Fund) was registered with the Securities and Exchange Commission (“SEC”) on January 15, 2013 as an open-end investment company under Republic Act No. 2629, otherwise known as the Investment Company Act and as an “Exchange Traded Fund” (“ETF”) under SEC Memorandum Circular No. 10, Series of 2012 otherwise known as the SEC Rules and Regulations on Exchange Traded Funds (the “SEC ETF Rules”). The Fund is engaged primarily in the business of investing, reinvesting, and trading in, and issuing and redeeming its shares of stock in creation units in exchange for a basket of securities representing an index.

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

The Fund aims to provide returns which would reflect the performance of the Philippine equities market by investing in a basket of securities which are included in the PSEi of the PSE (the “Underlying Index”). The portfolio of the Fund is to be rebalanced and reconstituted every six (6) months in order to adjust to the current composition of the PSEi. Price volatility of the constituent shares of stock can affect the market value of the assets of the Fund and cause the Fund’s Net Asset Value (“NAV”) to vary.

The Fund is the only mutual fund traded on the Philippine Stock Exchange (PSE) and the shares of the Fund is listed on the ETF Board of the PSE. The shares of the Fund may be bought and sold on the secondary market at the quoted market price in the PSE through the Trading Participants of the PSE which may require payment of brokerage commissions, stock transaction tax and/or other fees and charges (e.g. clearing house fees). However, shares of the Fund may be issued and redeemed only through Authorized Participants in creation units. Investors who are interested in creating or redeeming shares in creation units may contact any one of the Authorized Participants or request his or her existing registered broker/Trading Participant to place such an order with any of the Authorized Participants. Interested investors should be aware that the Authorized Participants and the Trading Participants are required to comply with Philippine general laws, rules and regulations including any “know-your-customer” requirements under existing regulations.

First Metro Investment Corporation (First Metro) is the Fund Sponsor. As Fund Sponsor, First Metro organized the Fund and has provided the initial capital of the Fund totaling ₱750 million.

The product being sold by the Fund is its shares of stock, being a mutual fund company. As of December 31, 2023, the registrant’s total sales were ₱74.08 million.

The Fund earned some awards and recognitions based on its performance from Philippine Investment Fund Association (PIFA) as shown below:

- In 2021, First Metro Exchange Traded Fund ranked 2<sup>nd</sup> place on both 1-year and 5-year return categories and 1<sup>st</sup> place on 3-year return category.
- In 2022, the Fund ranked 1<sup>st</sup> place in 1-year, 3-year and 5-year return categories.

## Contributions to Sales/Revenues

The Fund generates its revenue from trading activities, disposal of investment securities and changes in the fair values of financial instruments at FVTPL, dividend income from equity securities and interest income from cash and cash equivalent.

The following are the details of the Fund's revenue generating activities in terms of its total amount and percentage contribution for the last three years:

	2023		2022		2021	
	Amount	%	Amount	%	Amount	%
INVESTMENT INCOME						
Trading and securities gains (losses)	(₱29,192,833)	(67.14%)	(₱152,172,623)	141.20%	₱23,739,945	40.18%
Dividend income	72,553,429	166.85%	44,383,317	(41.18%)	35,338,087	59.81%
Interest income	2,325	0.01%	16,066	(0.02%)	7,371	0.01%
Miscellaneous income	120,474	0.28%	-	-	-	-
<b>TOTAL REVENUE</b>	<b>₱43,483,396</b>	<b>100.00%</b>	<b>(₱107,773,240)</b>	<b>100.00%</b>	<b>₱59,085,403</b>	<b>100.00%</b>

## Distribution Methods of Products and Services

First Metro Asset Management, Inc. ("FAMI") acts as the Fund Manager and Principal Distributor. FAMI aims to initially market the Fund and list the same in the PSE. FAMI will continue to perform all the functions of a Fund Manager with regard to the Fund as described under the SEC ETF Rules and in its Prospectus. As Principal Distributor, FAMI will market to and accept orders of the shares of the Fund in creation units from the Authorized Participants as described in the body of the Prospectus.

The Fund's Authorized Participants are First Metro Securities Brokerage Corporation ("FMSBC") and IGC Securities, Inc. ("IGC"). A creation fee, inclusive of documentary stamp tax and other charges, of approximately eighty basis points (0.80%) of the total value of the Creation Order or a redemption fee, inclusive of other charges, of approximately eighty basis points (0.80%) of the total value of the Redemption Order is charged by an Authorized Participant to each investor who places a Creation or Redemption Order. FMSBC is also the appointed Market Maker of the Fund. There are no fees charged by and payable to the Market Maker.

The Fund appointed Deutsche Bank AG Manila ("DB") as Custodian. As Custodian, DB shall hold in safe custody the assets of the Fund in accordance with the terms and conditions contained in the Custodian Agreement. DB shall charge an annual safe custody fee as per the agreed Tariff Schedule between FAMI and DB.

The Fund designated Interactive Data Corporation as Indicative Net Asset Value ("INAV") Calculator. The INAV Calculator shall provide INAV calculations every one (1) minute during the Trading Day, which shall be disclosed on the websites of the Fund and the PSE as well as the PSE's ETF Board.

The total fee payable by the Fund to FAMI is a monthly fee equivalent to fifty basis points (0.50%) per annum of the average NAV of the Fund, computed on a daily basis. The NAV of the Fund is the aggregate value of the Fund's assets as determined by the market value of its underlying securities holdings, including any cash in the portfolio, interest receivables, dividend receivables, less liabilities such as taxes, accrued fees and expenses computed after the close of trading hours of the PSE.

Up to 30,000,000 shares of the Fund shall be continuously offered to the public through the Authorized Participants who directly transact with the Fund for Creation Orders. The shares of the Fund may also be bought and sold in the secondary market, in board lots, through the PSE, and investors who wish to trade the shares of the Fund may contact his or her Trading Participant. The Fund's investments shall

be guided by investment guidelines and restrictions, which are set out in detail in the body of its Prospectus.

An application for listing of the shares of the Fund (comprising of all issued and outstanding, and unissued shares of the Fund) was approved on October 9, 2013 by the Board of Directors of the PSE, subject to the fulfillment of certain listing conditions. All issued and outstanding shares of the Fund shall be listed on the ETF Board of the PSE, while unissued shares of the Fund shall be subject to shelf listing in accordance with the PSE ETF Rules.

An application has been made to the SEC to register the shares under the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799) (the “SRC”).

### **Competition**

The competitive environment for the Fund’s products includes not only the products and services offered by the other Mutual Fund players, but all other investment instruments that the target market has access to. The Philippine mutual fund industry is still a relatively young industry compared to those of other countries. However, it is growing at a fast rate.

As of December 31, 2023, First Metro Philippine Equity Exchange Traded Fund, Inc. is the only Fund in exchange traded fund category.

### **Principal Suppliers and Major Clients**

The Fund has no raw materials for its business nor has any major existing supply contracts.

### **Dependence to a Single Customer or Few Customers**

First Metro Securities Brokerage Corporation (FMSBC) and IGC Securities (IGC) are the Authorized Participants (AP) of the Fund. The Authorized Participant is a registered broker-dealer and Trading Participant that entered into an Authorized Participant Agreement and participates in the creation and redemption of Shares of the Fund.

### **Transactions with and/or Dependence on Related Parties**

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.

Pursuant to the Amended Management and Distribution Agreement (the Agreement) dated November 2, 2022, as fund manager of the Fund, FAMI is entitled to receive an annual management fee of 0.50% of the average daily NAV of the Fund payable on a monthly basis. The average daily NAV shall be determined by computing the total value of the Fund’s assets less its liabilities.

The Agreement shall take effect for a period of two years and shall continue in effect from year to year, unless otherwise terminated or amended by the parties in accordance with specified terms and conditions. There were no changes made during the year.

The above fees accruing during each calendar month shall be paid to FAMI during the first week of the succeeding month. The Fund started to accrue management fees expense when it was listed with the PSE on December 2, 2013.

On September 5, 2013, the Fund entered into a stock transfer agency agreement with MBTC-TBG for a monthly fee amounting to ₱0.02 million. Transfer Agency fee totaled ₱0.17 million and ₱0.14 million for the year 2023 and 2022, respectively.

The following table shows related party transactions included in the financial statement:

December 31, 2023			
	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
<b>Ultimate parent company</b>			
Cash in banks	₱–	₱1,179,283	Savings account with 0.25% interest rate
Interest income	880	–	Income from cash in bank
Equity investments	–	66,153,556	Shares issued by MBTC
Dividend income	3,756,365	–	Income from dividend on equity securities issued by MBTC
Custodian fees	549,095	54,336	Fees paid as stock transfer agent
Retainer's fee/ accrued expenses	170,020	80,968	Stock and transfer agency fee
<b>Other related parties*</b>			
Management fees (Note 9)	12,034,075	885,023	0.50%; Monthly fee based on average NAV
Equity investments	–	33,381,020	Shares issued by GT Capital Holdings, Inc.
Dividend income	185,466	–	Income from dividend on equity securities issued by GT Capital Holdings, Inc.
Brokers' commissions	1,657,911	–	For purchases and sale of equity securities
<b>Key management personnel</b>			
Directors' and officers' fees	299,500	–	Per diems given to directors and officers during board meetings

\*Other related parties include FAMI, FMSBC, GT Capital Holdings

#### *Terms and conditions of transactions with related parties*

Outstanding balances at year-end are unsecured and settlement occurs in cash. There are no provisions for amounts due from related parties. There have been no guaranties provided or received for any related party receivables and payables.

Details of investments in the Fund by related parties as of December 31, 2023 are set out below:

	Number of shares held at January 1	% interest held at January 1	Number of shares acquired during the year	Number of shares disposed during the year	Number of shares held at December 31	% interest held at December 31
<b>2023</b>						
<b>First Metro</b>	5,384,902	24.70	7	–	5,384,909	25.65
<b>Directors and officers</b>	508	0.00	–	111	397	0.00

#### **Effective or Existing or Probable Governmental Regulation**

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.

### **Research and Development Costs**

The Fund has not undergone, and therefore has not incurred costs, into any research and development activities during the last five years.

### **Compliance with Environmental Laws**

The Fund is not required to comply with any environmental laws.

### **Compliance with Foreign Account Tax Compliance Act (FATCA)**

The Fund has complied with the registration in the US Internal Revenue Service (US IRS) pursuant to the requirements of FATCA.

### **Employees**

The Fund has no employees because all aspects of its operations and administration are subcontracted with third parties; hence, it has no risks as far as labor problems are concerned.

### **Major Risks Involved**

Various risk factors can affect the market value of the assets of the Fund and cause the Fund's net asset value to vary. Consequently, there are instances when redemption prices of redeemed shares may be less than the prices at which the shares were originally purchased. Investors who redeem their shares during this time may not recover the full cost of their investment.

The Fund has identified the following major risks involving each of its businesses and other operations:

***Market Risk.*** The Fund's investments in equity securities may decline in value due to factors affecting securities markets generally, or particular countries, segments, economic sectors, industries or companies within those markets. The value of a security may decline due to general economic and market conditions which are not specifically related to a particular issuer, such as real or perceived adverse economic conditions or changes in interest or currency rates. Fluctuations in the value of securities in which the Fund invests will cause the NAV of the Fund to fluctuate. Historically, the markets have moved in cycles, and the value of the Fund's securities and other financial instruments may fluctuate drastically from day to day.

***Stock Market Risk.*** Investing in shares of stock is generally riskier than investing in fixed-income securities, hence investors' money or principal may even be lost. 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 investment portfolio 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.

***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, which is rebalanced every six (6) 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.

***Liquidity Risk.*** Although the Underlying Index shall be comprised of securities included in the main index of the PSE, in certain circumstances, it may be difficult for the Fund to purchase and sell particular investments within a reasonable time at a fair price. In addition, the ability to assign an accurate daily value to certain investments may be difficult, and the Fund Manager may be required to fair value the investments.

***Tracking Error Risk.*** The tracking error is the divergence of the Fund's performance from that of the index it tracks. Tracking error may occur because of differences between the securities held in the Fund's portfolio and those included in the index, pricing differences, transaction costs, the Fund's holding of cash, differences in timing of the accrual of dividends, changes to the Underlying Index or the need to meet various new or existing regulatory requirements. This risk may be heightened during times of increased market volatility or other unusual market conditions. Tracking error also may result because the Fund incurs fees and expenses, while the index it tracks does not.

***Early Closing Risk.*** An unanticipated early closing of the PSE may result in a shareholder's inability to buy or sell shares of the Fund on that day.

***Trading Halt Risk.*** Secondary market trading in the shares of the Fund may be halted or suspended by the PSE because of market conditions or other reasons. If a trading halt or suspension occurs, a shareholder may temporarily be unable to purchase or sell shares of the Fund.

***Trading Risk.*** Shares may trade below their NAV. The NAV of the shares of the Fund will fluctuate with changes in the market value of the Fund's holdings. In addition, although the shares of the Fund are listed on the PSE, there can be no assurance that an active trading market for shares of the Fund will develop or be maintained.

The Philippine securities markets are substantially smaller, less liquid, and more volatile relative to major securities markets in the U.S. and other jurisdictions and may not be as highly regulated or supervised as some of these other markets. The NAVPS of the shares when issued may differ significantly from the price at which the shares will trade on the PSE.

***Interest Rate Risk.*** Interest rate movements may have a direct impact on the prices of assets of the Fund. Some assets are more sensitive to changes in interest rates while other assets may not. It is expected that interest rate movements may have a negative influence of the Fund's assets.

***Inflation Risk.*** Inflation risk is the risk that inflation may erode the real value of an investment by the Fund.

***Non-Diversification Risk.*** The Fund is considered non-diversified and can invest a greater portion of its assets in securities of individual issuers than a diversified fund. As a result, changes in the market value of a single security could cause greater fluctuations in the value of the shares of the Fund than would occur in a diversified fund.



***Passive Investment Risk.*** The Fund is not actively managed, and the Fund Manager does not attempt to take defensive positions in declining markets. Therefore, the Fund may be subject to greater losses in a declining market compared to a fund that is actively managed.

***Absence of Operating History.*** The Fund is a start-up company and may also be affected by risks associated with companies that do not have operating histories. However, people and companies behind the Fund have actual experience and a track record in mutual funds and other financial institutions.

The investors should be aware that their investment in exchange traded funds is not guaranteed by the Philippine Deposit Insurance Corporation. The Fund Manager is also not permitted by law to guarantee any yield to the investors in the Fund.

***Risk of Dilution.*** Because the Fund is an Open-end Investment Company, investors may effectively subscribe to any amount of Shares of the Fund. As such, investors face the risk of the percentage of their stockholding in the Fund being diluted as more investors subscribe to the Shares. The influence that the investors can exert over the control and management of the Fund decreases proportionally.

***Geographic Concentration Risk.*** The Fund's investments are primarily in shares of stock of publicly listed domestic corporations. Funds that are less diversified across countries or geographic regions are generally riskier than more geographically diversified funds. A fund that focuses on a single country or a specific region is more exposed to that country's or region's economic cycles, currency exchange rates, stock market valuations and political risks, among others, compared with a more geographically diversified fund.

***Delay in Issuance of ETF Shares Risk.*** In the event that the authorized capital stock of the Fund has been fully subscribed, the Fund will have to apply for an increase in its authorized capital stock with the SEC in order to accommodate additional creation orders. Due to the corporate actions and regulatory approvals that have to be complied with to increase the authorized capital stock of the Fund, there may be a delay in delivery of the Shares of the Fund to Authorized Participants which made such creation orders.

***Securities Lending Risk.*** The Fund bears the risk of loss of investing cash collateral and may be required to make payments to a borrower upon return of loaned securities if invested collateral has declined in value. Furthermore, because of the risks in delay of recovery, the Fund may lose the opportunity to sell the securities at a desirable price, and it may not have the right to vote securities while they are being loaned.

***Regulation and Taxation Risk.*** The Fund is subject to a number of national and local laws and regulations. These include industry laws and regulations relating to investment and publicly-owned companies, the PSE and applicable taxes. The Fund cannot assure prospective investors that changes in laws or regulations, including those related to investment and publicly-owned companies, the PSE and applicable taxes, will not result in the Fund or the investors in the Fund having to incur substantial additional expenditures in relation to the Fund's investments or investments in the Fund.

***Risks Relating to the Philippines.*** Substantially all of the Fund's Component Securities are shares of companies based in the Philippines, which exposes the Fund to the risks associated with the country, including the performance of the Philippine economy. Factors that may adversely affect the Philippine economy include: (1) decreases in business, industrial, manufacturing or financial activities in the Philippines, the Southeast Asian region or globally; (2) scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines, the Southeast Asian region or globally; (3) exchange rate fluctuations; (4) inflation or increases in interest rates; (5) levels of employment, consumer confidence and income; (6) changes in the Philippine government's fiscal and regulatory policies; (7) re-emergence of SARS, avian

influenza (commonly known as bird flu), or H1N1, or the emergence of another similar disease in the Philippines or in other countries in Southeast Asia; (8) natural disasters, including but not limited to tsunamis, typhoons, earthquakes, floods, fires and similar events; (9) political instability, terrorism or military conflict in the Philippines, other countries in the region or globally; and (10) other social, political or economic developments in or affecting the Philippines. There can be no assurance that the Philippines will achieve strong economic fundamentals in the future. Changes in the conditions of the Philippine economy could materially and adversely affect the performance of the Fund.

***Dependence on the Services of Third Parties.*** The Fund relies on the services of third parties such as the Authorized Participants, Principal Distributor, Fund Manager, Custodian, Stock and Transfer Agent, and INAV Calculator, among others, to run its operations. The loss of services of any of these third parties could materially impair the Fund's operations and performance, and the Fund may not immediately be able to replace such third party within a reasonable period of time, which could materially and adversely affect the Fund's operations and performance.

The Fund also relies on the PDTC as the securities depository of its shares. The PDTC may determine to discontinue providing its service with respect to the shares at any time by giving notice to the Fund, the Fund Manager, the Custodian and the Fund Sponsor and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, the Fund, the Fund Manager and Principal Distributor, the Custodian and/or the Fund Sponsor shall take action either to find a replacement for the PDTC to perform its functions at a comparable cost or, if such a replacement is unavailable, to terminate the Fund.

## **Item 2. DESCRIPTION OF PROPERTIES**

The Fund does not own any properties (such as real estate, plant and equipment, mines, patents, etc.).

## **Item 3. LEGAL PROCEEDINGS**

There are no pending material legal proceedings to which First Metro Philippine Equity Exchange Traded Fund is a party since its inception in 2013.

## **Item 4. SUBMISSION OF MATTER TO A VOTE OF SECURITY HOLDERS**

There are no matters submitted during the calendar year covered by this report to a vote of security holders, through the solicitation of proxies or otherwise.

## PART II – OPERATIONAL AND FINANCIAL INFORMATION

### Item 5. MARKET PRICE OF AND DIVIDENDS ON ISSUER’S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

#### Market Information

The Fund shares were traded in the Philippine Stock Exchange (PSE). Below is the history of NAVPS of the Fund for the first quarter of 2024 and the years ended 2023, 2022 and 2021.

Year		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2024	High	110.7042	-	-	-
	Low	101.9361	-	-	-
2023	High	109.2333	104.5962	104.7476	103.0212
	Low	98.7674	100.2981	95.1826	94.0111
2022	High	113.9473	109.7046	105.4378	104.3852
	Low	103.9081	93.1769	88.2491	88.2491
2021	High	110.0123	105.7854	106.6632	113.0064
	Low	96.7201	93.5272	95.0742	104.8360

#### Holders

As of December 31, 2023 there are 3,288\* account holders of the Fund’s outstanding common stock. In addition, FMETF is 91.86% owned by Filipinos and 8.14% by Non-Filipinos. Retail and Institutional investors owned 1.07% and 98.93%, respectively. Shown below are the top twenty (20) shareholders, including the number of shares and percentage of ownership held by each as of the same date.

No	Name of Owner	No. of Shares Held	Percent to Outstanding Shares
1	First Metro Securities Brokerage Corp.	9,911,905	47.22%
2	COL Financial Group, Inc.	4,391,539	20.92%
3	BDO Securities Corporation	1,186,829	5.65%
4	AB Capital Securities, Inc.	1,041,061	4.96%
5	BPI Securities Corporation	1,017,029	4.85%
6	China Bank Securities Corporation	766,470	3.65%
7	Unicapital Securities Inc.	412,817	1.97%
8	MBTC - Trust Banking Group	343,000	1.63%
9	Philstocks Financial Inc	305,610	1.46%
10	RCBC Trust & Investment Division	288,310	1.37%
11	First Integrated Capital Securities, Inc.	110,860	0.53%
12	AAA Southeast Equities, Incorporated	89,820	0.43%
13	Securities Specialists, Inc.	78,000	0.37%
14	Abacus Securities Corporation	75,816	0.36%
15	R. Nubla Securities, Inc.	54,362	0.26%
16	The Hongkong and Shanghai Banking Corp. Ltd. -Clients' A	52,000	0.25%
17	Citibank N.A.	51,413	0.24%
18	PNB Securities, Inc.	49,437	0.24%
19	Eastern Securities Development Corporation	48,200	0.23%
20	Regina Capital Development Corporation	47,339	0.23%

\*Total number of shareholders is derived from Authorized Participants’ records as well as PDTC’s PCD Nominee report.

## Dividends

The Board of Directors of the Fund may decide to declare dividends from the unrestricted retained earnings of the Fund at a time and percentage as the same Board may deem proper and in accordance with law.

The Fund may declare or pay dividends but limit those dividends to come from the Fund's accumulated undistributed net income, determined in accordance with PFRS and including profits or losses realized upon the sale of securities; or from the Fund's earned surplus so determined for the current or preceding fiscal year.

As provided for in the Fund's By-Laws, the Board of Directors may make arrangements with its stockholders whereby the amount of unrestricted retained earnings not declared as cash dividends and/or other distributions may be reinvested in the Fund's basket of securities in lieu of cash dividends to be paid to the stockholders. The arrangement with shareholders shall be such that the aforementioned amount of unrestricted retained earnings dividends to be reinvested in the Fund's basket of securities shall be declared as stock dividends in accordance with law and valued at the NAVPS of the Fund at the time said stock dividends are paid.

The Board of Directors of the Fund intends to declare, as cash dividends, a minimum of ten percent (10%) of the amount of the unrestricted retained earnings derived from the cash dividend income of the portfolio of the Fund based on the latest audited financial statements of the Fund; Provided, that the Board shall pass the appropriate Board resolution covering any dividend declaration, and such dividend declaration shall be disclosed to the SEC, the PSE and the Fund's website.

## Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The Fund's Statement of Financial Position and Statement of Comprehensive Income as of and for the years ended December 31, 2023, 2022 and 2021 are presented below.

### Statements of Financial Position

	As of December 31			Increase (Decrease)			
	2023	2022	2021	2023 vs. 2021		2022 vs. 2021	
				Amount	%	Amount	%
<b>ASSETS</b>							
Cash in banks	₱10,168,391	₱5,421,590	₱11,518,004	4,746,801	87.55%	(₱6,096,414)	(52.93%)
Financial assets at fair value through profit or loss	2,129,183,895	2,200,286,703	2,179,031,834	(71,102,808)	(3.23%)	21,254,869	0.98%
Receivables	2,070,195	715,729	822,744	1,354,466	189.24%	(107,015)	(13.01%)
Other assets	—	265,848	—	(265,848)	(100.00%)	265,848	100.00%
	₱2,141,422,481	₱2,206,689,870	₱2,191,372,582	(65,267,389)	(2.96%)	₱15,317,288	0.70%
<b>LIABILITIES AND EQUITY</b>							
<b>Liabilities</b>							
Accounts payable and accrued expense	₱1,655,852	₱2,168,603	₱4,956,684	(512,751)	(23.64%)	(₱2,788,081)	(56.25%)
<b>Equity</b>							
Capital stock	2,099,126,000	2,180,126,000	2,020,126,000	(81,000,000)	(3.72%)	160,000,000	7.92%
Additional paid-in capital	63,494,703	70,238,408	160,717,541	(6,743,705)	(9.60%)	(90,479,133)	(56.30%)
Retained earnings (deficit)	(22,854,074)	(45,843,141)	5,572,357	22,989,067	50.15%	(51,415,498)	(922.69%)
	2,139,766,629	2,204,521,267	2,186,415,898	(64,754,638)	(2.94%)	18,105,369	0.83%
	₱2,141,422,481	₱2,206,689,870	₱2,191,372,582	(65,267,389)	(2.96%)	₱15,317,288	0.70%

## Statements of Comprehensive Income

	Years Ended December 31			Increase (Decrease)			
				2023 vs 2022		2022 vs 2021	
	2023	2022	2021	Amount	%	Amount	%
<b>INVESTMENT INCOME (LOSS)</b>							
Trading gains (losses)	(₱29,192,833)	(₱152,172,623)	₱23,739,945	₱122,979,790	80.82%	(₱175,912,568)	(741.00%)
Dividend income	72,553,429	44,383,317	35,338,087	28,170,112	63.47%	9,045,230	25.60%
Interest income	2,325	16,066	7,371	(13,741)	(85.53%)	8,695	117.96%
Miscellaneous income	120,474	–	–	120,474	100.00%	–	–
	43,483,395	(107,773,240)	59,085,403	151,256,635	140.35%	(166,858,643)	(282.40%)
<b>EXPENSES</b>							
Management fees	12,034,075	12,097,836	11,408,679	(63,761)	(0.53%)	689,157	6.04%
Brokers' commissions	1,657,911	1,213,363	2,224,659	444,548	36.64%	(1,011,296)	(45.46%)
Information technology expenses	1,025,535	650,338	831,282	375,197	57.69%	(180,944)	(21.77%)
Fund Administration Fee	1,020,893	840,443	173,571	180,450	21.47%	666,872	384.21%
Taxes and licenses	775,737	3,719,969	3,436,494	(2,944,232)	(79.15%)	283,475	8.25%
Custodian and transfer agency fees	719,115	630,409	888,089	88,706	14.07%	(257,680)	(29.02%)
Regulatory and filing fees	611,813	611,813	611,813	–	–	–	–
Directors' and officers' fees	299,500	308,989	136,006	(9,489)	(3.07%)	172,983	127.19%
Professional fees	109,588	278,156	231,535	(168,568)	(60.60%)	46,621	20.14%
Miscellaneous	449,664	265,547	249,759	184,117	69.33%	15,788	6.32%
	18,703,831	20,616,863	20,191,887	(1,913,032)	(9.28%)	424,976	2.10%
<b>NET INVESTMENT INCOME (LOSS) BEFORE FINAL TAX</b>							
	24,779,564	(128,390,103)	38,893,516	153,169,667	119.30%	(167,283,619)	(430.11%)
<b>PROVISION FOR FINAL TAX</b>							
	645,664	1,612,873	1,474	(967,209)	(59.97%)	1,611,399	109321.51%
<b>NET INVESTMENT INCOME (LOSS) / TOTAL COMPREHENSIVE INCOME (LOSS)</b>							
	₱24,133,900	(₱130,002,976)	₱38,892,042	₱154,136,876	118.56%	(₱168,895,018)	(434.27%)

### 2023

#### Financial Position (December 31, 2023 vs. December 31, 2022)

The total resources of the Fund decreased by ₱0.07 billion from ₱2.21 billion at the beginning of the year to ₱2.14 billion as of December 31, 2023. Liability decreased by ₱0.51 million or 23.64% from last year's ₱2.17 million to ₱1.66 million as of December 31, 2023.

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

#### a) *Cash in banks*

Cash in banks went up by ₱4.75 million or 87.55% from ₱5.42 million on December 31, 2022 to ₱10.17 million as of December 31, 2023 mainly due to sale of equity securities. This account represents the Fund's savings and checking accounts in local banks and earns interest up to 0.125% in 2023 and 2022.

#### b) *Financial assets at fair value through profit or loss*

Financial assets at FVTPL consist of quoted equity securities held for investments amounting to ₱2.13 billion and ₱2.20 billion as of December 31, 2023 and 2022, respectively. This account went down by ₱0.07 billion due to sale of equity securities relative to net redemptions made during the year.

#### c) *Receivables*

Receivables consist of dividends and other receivables. This account went up by ₱1.35 million or 189.24% from last year's balance of ₱0.72 million to ₱2.07 million mainly due to the higher

dividend declaration made by Investee Companies as of December 31, 2023.

**d) Other assets**

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

**e) Accounts payable and accrued expenses**

This account is comprised of payable to FAMI, custodian fee payable, accounts payable, accrued expenses and withholding taxes payable. The decrease of ₱0.51 million or 23.64% from ₱2.17 million at the beginning of the year to ₱1.66 million as of December 31, 2023 pertains to lower accrued expenses as of reporting date.

**f) Equity**

*Capital Stock*

The Fund's authorized and issued capital stock are as follows:

	2023	2022
<b>Authorized</b>	<b>30,000,000 shares</b>	30,000,000 shares
<b>Issued</b>	<b>20,991,260 shares</b>	21,801,260 shares

The BOD approved and the stockholders ratified on April 16, 2013 the increase in authorized capital stock of the Fund from ₱1.00 billion (10.00 million redeemable common shares) to ₱3.00 billion (30.00 million redeemable common shares) with a par value of ₱100.00 per share. The increase in authorized capital stock and the registration statement was approved by the SEC on August 29, 2013 and November 27, 2013, respectively.

*Additional paid-in capital* amounted to ₱63.49 million and ₱70.24 million in 2023 and 2022, respectively. The decrease of ₱6.75 million or 9.60% was affected by the net redemptions position of the fund as of December 31, 2023.

*Deficit* decreased by ₱22.99 million or 50.15% mainly due to results of operations for the year.

**Results of Operations (January 1–December 31, 2023 vs. January 1–December 31, 2022)**

For the year ended December 31, 2023, the Fund posted a net income of ₱24.13 million or an increase of ₱154.13 million or 118.56% compared to ₱130.00 million net loss in 2022.

The highlights of the results of operations for the year ended December 31, 2023 are as follows:

**a) Trading and securities loss**

This account totaled ₱29.19 million loss this year, which consists of realized loss from the sale and unrealized loss on marking-to-market of equity securities. The decrease of ₱122.98 million or 80.82% from ₱152.17 million in 2022 was mainly due to the change in fair market value of equity securities during the year.

**b) Dividend income**

This is recognized when the Fund's right to receive a cash dividend is established. This account increased by ₱28.17 million or 63.47% from last year's ₱44.38 million to ₱72.55 million due to higher cash dividends received from equity securities during the year.

**c) Interest income**

The decrease of ₱0.014 million or 85.83% from ₱0.016 million in 2022 to ₱0.002 million this year was primarily due to lower interest earned during the year.

**d) Management fees**

Management fees amounting to ₱12.03 million and ₱12.10 million in 2023 and 2022, respectively, consist of fees accrued and paid to the Fund's Investment Adviser. The decrease of ₱0.07 million pertains to lower asset under management level in 2023.

**e) Brokers' commission**

Brokers' commission amounting to ₱1.66 million was incurred in 2023 relative to purchase and sale transactions of equity securities. This account is ₱0.45 million or 36.64% higher compared to last year's amount of ₱1.21 million due to the higher volume of rebalancing trades during the year.

**f) Information technology expenses**

Information technology increased by ₱0.38 million or 57.69% from ₱0.65 million to ₱1.03 million this year. This account pertains to prime portal services being used by the Fund and includes the license fee for the web hosting of the Fund's website and the calculation of its Indicative NAV during the trading day.

**g) Fund administration fee**

This account totaled ₱1.02 million in 2023 and pertains to the payment of the fund administration fee during the year. The increase of ₱0.18 million or 21.47% from ₱0.84 million last year was due to higher fees paid during the migration period of service provider made in 2023.

**h) Taxes and licenses**

This account went down by ₱2.94 million or 79.15% compared with last year's balance of ₱3.72 million to ₱0.78 million primarily due to lower documentary stamp tax paid during the year.

**i) Custodian and transfer agency fees**

This account increased by ₱0.09 million or 14.07% from ₱0.63 million to ₱0.72 million this year mainly due to higher transfer agency fee incurred and paid during the year.

**j) Regulatory and filing fees**

This account totaled ₱0.61 million for the years 2023 and 2022.

**k) Directors' and officers' fees**

This account pertains to the allowances and per diem of directors and officers during the meetings convened. The decrease of ₱0.01 million from last year's ₱0.31 million to ₱0.30 million this year was due to lower attendees on meetings during the year.

**l) Professional fees**

This account pertains to audit fees and other professional fees. The decrease of ₱0.17 million or 60.60% from ₱0.28 million to ₱0.11 million this year was due to lower audit fees paid during the year.

**m) Miscellaneous expense**

Miscellaneous expense consists of various operational expenses incurred by the Fund. This account increased by ₱0.18 million or 69.33% from ₱0.27 million to ₱0.45 million this year due to higher miscellaneous expenses during the year.

## **2022**

### **Financial Position (December 31, 2022 vs. December 31, 2021)**

The total resources of the Fund increased by ₱0.02 billion from ₱2.19 billion at the beginning of the year to ₱2.21 billion as of December 31, 2022. Liabilities decreased by ₱2.79 million or 56.25% from ₱4.96 million to ₱2.17 million as of December 31, 2022.

The changes in total assets and liabilities were primarily due to the movements in the following



accounts:

**a) Cash in banks**

Cash in banks went down by ₱6.10 million or 52.93% from ₱11.52 million on December 31, 2021 to ₱5.42 million as of December 31, 2022. This account represents the Fund's savings and checking accounts in local banks and earns interest up to 0.125% in 2022 and 2021.

**b) Financial assets at fair value through profit or loss**

Financial assets at FVTPL consist of quoted equity securities held for trading amounting to ₱2.20 billion and ₱2.18 billion as of December 31, 2022 and 2021, respectively. This account went up by ₱0.02 billion due to additional investment in equity securities relative to net subscription of shares made during the year.

**c) Receivables**

Receivables consist of dividends and other receivables. This account went down by ₱0.10 million or 13.01% from last year's balance of ₱0.82 million to ₱0.72 million mainly due to the lower dividend declaration made by Investee Companies as of December 31, 2022.

**d) Other assets**

This account ended at ₱0.27 million as of December 31, 2022 and this pertains to other miscellaneous asset of the Fund.

**e) Accounts payable and accrued expenses**

This account is composed of payable to FAMI, custodian fee payable, accounts payable, accrued expenses and withholding taxes payable. The decrease of ₱2.79 million or 56.25% from ₱4.96 million at the beginning of the year to ₱2.17 million as of December 31, 2022 pertains to lower accounts payable as of reporting date.

**f) Equity**

*Capital Stock*

The Fund's authorized and issued capital stock are as follows:

	2022	2021
<b>Authorized</b>	<b>30,000,000 shares</b>	30,000,000 shares
<b>Issued</b>	<b>21,801,260 shares</b>	20,201,260 shares

The BOD approved and the stockholders ratified on April 16, 2013 the increase in authorized capital stock of the Fund from ₱1.00 billion (10.00 million redeemable common shares) to ₱3.00 billion (30.00 million redeemable common shares) with a par value of ₱100.00 per share. The increase in authorized capital stock and the registration statement was approved by the SEC on August 29, 2013 and November 27, 2013, respectively.

*Additional paid-in capital* amounted to ₱70.24 million and ₱160.72 million in 2022 and 2021, respectively. The decrease of ₱90.48 million or 56.30% was affected by the net subscription position of the fund as of December 31, 2021.

*Deficit* decreased by ₱51.41 million or 922.69% mainly due to results of operations for the year.

**Results of Operations (January 1–December 31, 2022 vs. January 1–December 31, 2021)**

For the year ended December 31, 2022, the Fund posted a net loss of ₱130.00 million or a decrease of ₱168.89 million or 434.27% compared to ₱38.89 million income in 2021.

The highlights of the results of operations for the year ended December 31, 2022 are as follows:

- a) *Trading and securities gains (losses)***  
This account totaled ₱152.17 million loss this year, which consists of realized loss from the sale and unrealized loss on marking-to-market of equity securities. The decrease of ₱175.91 million or 741.00% from ₱23.74 million gain in 2021 was mainly due to the change in fair market value of equity securities during the year.
- b) *Dividend income***  
This is recognized when the Fund's right to receive a cash dividend is established. This account increased by ₱9.04 million or 25.60% from last year's ₱35.34 million to ₱44.38 million due to higher cash dividends received from equity securities during the year.
- c) *Interest income***  
The increase of ₱0.009 million or 117.96% from ₱0.007 million in 2021 to ₱0.016 million this year was primarily due to higher interest earned during the year.
- d) *Management fees***  
Management fees amounting to ₱12.10 million and ₱11.41 million in 2022 and 2021, respectively, consist of fees accrued and paid to the Fund's Investment Adviser. The increase of ₱0.69 million or 6.04% pertains to higher asset under management level in 2022.
- e) *Taxes and licenses***  
This account went up by ₱0.28 million or 8.25% compared with last year's balance of ₱3.44 million to ₱3.72 million primarily due to higher local taxes and DST paid during the year.
- f) *Brokers' commission***  
Brokers' commission amounting to ₱1.21 million was incurred in 2022 relative to purchase and sale transactions equity securities. This account is ₱1.01 million or 45.46% lower compared to last year's amount of ₱2.22 million due to the lower volume of rebalancing trades during the year.
- g) *Fund administration fee***  
This account totaled ₱0.84 million in 2022 and pertains to the payment of the fund administration fee during the year. The increase of ₱0.67 million or 384.21% from ₱0.17 million last year was due to higher asset under management of the Fund.
- h) *Information technology expenses***  
Information technology decreased by ₱0.18 million or 21.77% from ₱0.83 million to ₱0.65 million this year. This account pertains to prime portal services being used by the Fund and includes the license fee for the web hosting of the Fund's website and the calculation of its Indicative NAV during the trading day.
- i) *Custodian and transfer agency fees***  
This account decreased by ₱0.26 million or 29.02% from ₱0.89 million to ₱0.63 million this year mainly due to lower custody and transfer agency fees paid during the year.
- j) *Regulatory and filing fees***  
This account totaled ₱0.61 million for the years 2022 and 2021.
- k) *Directors' and officers' fees***  
This account pertains to the allowances and per diem of directors and officers during the meetings convened. The increase of ₱0.17 million or 127.19% from ₱0.14 million to ₱0.31 million this year was due to higher attendees on meetings during the year.
- l) *Professional fees***  
This account pertains to audit fees and other professional fees. The increase of ₱0.05 million or 20.14% from ₱0.23 million to ₱0.28 million this year was due to higher fees paid during the year.

**m) Miscellaneous expense**

Miscellaneous expense consists of various operational expenses incurred by the Fund. This account increased by ₱0.02 million or 6.32% from ₱0.25 million to ₱0.27 million this year due to higher miscellaneous expenses during the year.

**2021**

**Financial Position (December 31, 2021 vs. December 31, 2020)**

The total resources of the Fund increased by 15.84% or ₱0.30 billion from ₱1.89 billion at the beginning of the year to ₱2.19 billion as of December 31, 2021. Liabilities increased as well by ₱1.02 million or 25.69% from ₱3.94 million to ₱4.96 million during the year.

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

**a) Cash in banks**

Cash in banks went down by ₱2.02 million or 14.93% from ₱13.54 million in December 31, 2020 to ₱11.52 million as of December 31, 2021, mainly due to purchase of equity investments. This account represents the Fund's savings and checking accounts in local banks and earns interest up to 0.125% in 2021 and 2020.

**b) Financial assets at fair value through profit or loss**

Financial assets at FVTPL consist of quoted equity securities held for trading amounting to ₱2.18 billion and ₱1.88 billion as of December 31, 2021 and 2020, respectively. This account went up by ₱0.30 billion or 16.08% due to additional investment in equity securities relative to net subscription of shares made during the year.

**c) Receivables**

Receivables consist of dividends and other receivables. This account went down by ₱0.08 million or 8.46% from last year's balance of ₱0.90 million to ₱0.82 million this year mainly due to the lower dividend declaration made by Investee Companies as of December 31, 2021.

**d) Accounts payable and accrued expenses**

This account is composed of payable to FAMI, custodian fee payable, accounts payable, accrued expenses and withholding taxes payable. The increase of ₱1.02 million or 25.69% from ₱3.94 million at the beginning of the year to ₱4.96 million as of December 31, 2021 pertains to higher accrued expenses as of reporting date.

**e) Equity**

*Capital Stock*

The Fund's authorized and issued capital stock are as follows:

	<b>2021</b>	<b>2020</b>
<b>Authorized</b>	<b>30,000,000 shares</b>	30,000,000 shares
<b>Issued</b>	<b>20,201,260 shares</b>	17,551,260 shares

The BOD approved and the stockholders ratified on April 16, 2013, the increase in authorized capital stock of the Fund from ₱1.00 billion (10.00 million redeemable common shares) to ₱3.00 billion (30.00 million redeemable common shares) with a par value of ₱100.00 per share. The increase in authorized capital stock and the registration statement was approved by the SEC on August 29, 2013 and November 27, 2013, respectively.

*Additional paid-in capital* amounted to ₱160.72 million and ₱160.52 million in 2021 and 2020, respectively. The increase of ₱0.20 million was due to net subscriptions during the year.

*Retained Earnings (Deficit)* increased by ₱33.51 million or 119.95% mainly due to results of operations for the year.

### **Results of Operations (January 1–December 31, 2021 vs. January 1–December 31, 2020)**

For the year ended December 31, 2021, the Fund posted a net income of ₱38.89 million or an increase of ₱94.51 million or 169.92% compared to ₱55.62 million loss in 2020.

The highlights of the results of operations for the year ended December 31, 2021 are as follows:

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

This account totaled ₱23.74 million gain this year, which consists of realized income from the sale and unrealized income on marking-to-market of equity securities. The increase of ₱86.77 million or 137.66% from last year's ₱63.03 million loss was mainly due to the change in fair market value of equity securities during the year.

**b) *Dividend income***

This is recognized when the Fund's right to receive a cash dividend is established. This account increased by ₱8.54 million or 31.84% from last year's ₱26.80 million to ₱35.34 million due to higher cash dividends received from equity securities during the year.

**c) *Interest income***

The decrease of ₱0.01 million or 46.50% was primarily due to lower interest earned during the year.

**d) *Management fees***

Management fees amounting to ₱11.41 million and ₱8.82 million in 2021 and 2020, respectively, consist of fees accrued and paid to the Fund's Investment Adviser. The increase of ₱2.59 million or 29.30% pertains to higher asset under management level in 2021.

**e) *Taxes and licenses***

This account went down by ₱1.12 million or 24.71% compared with last year's balance of ₱4.56 million to ₱3.44 million primarily due to lower local taxes paid during the year.

**f) *Brokers' commission***

Brokers' commission amounting to ₱2.22 million was incurred in 2021 relative to purchase and sale transactions equity securities. This account is ₱0.73 million or 49.63% higher compared to last year's amount of ₱1.49 million due to the higher volume of rebalancing trades during the year.

**g) *Custodian and transfer agency fees***

This account decreased by ₱0.07 million or 7.65% from ₱0.96 million to ₱0.89 million this year mainly due to lower volume of rebalancing trades during the year.

**h) *Information technology expenses***

Information technology increased by ₱0.18 million or 27.82% from ₱0.65 million to ₱0.83 million this year. This account pertains to prime portal services being used by the Fund and includes the license fee for the web hosting of the Fund's website and the calculation of its Indicative NAV during the trading day.

**i) *Regulatory and filing fees***

This account went up by ₱0.09 million or 17.42% from ₱0.52 million to ₱0.61 million due to

higher asset under management which is the basis for the listing and filing fees charged by regulatory bodies.

**j) Professional fees**

This account pertains to audit fees and other professional fees. The decrease of ₱0.03 million or 10.69% from ₱0.26 million to ₱0.23 million this year was due to lower audit fees paid during the year.

**k) Fund administration fee**

This account totaled ₱0.17 million and pertains to the payment of the fund administration fee during the year.

**l) Directors' and officers' fees**

This account pertains to the allowances and per diem of directors and officers during the meetings convened. The decrease of ₱0.23 million or 62.94% from ₱0.37 million to ₱0.14 million this year was due to lower attendees on meetings during the year.

**m) Miscellaneous expense**

Miscellaneous expense consists of various operational expenses incurred by the Fund. This account increased by ₱0.06 million or 31.05% from ₱0.19 million to ₱0.25 million this year due to higher miscellaneous expenses during the year.

## **Plan of Action**

FAMI is the principal distributor of the Fund's shares of stock. It is licensed by SEC to act as the Investment Company Adviser/Manager, Administrator and Principal Distributor. It intends to increase its marketing network and accredit sub-dealers or agents to sell the Fund's share.

## **Subsequent Events**

There were no subsequent events that took place after the quarter ended December 31, 2023.

## **Other Matters**

The Fund Manager is not aware of any event and/or uncertainties that:

- will have a material impact on liquidity
- will trigger direct or contingent obligation that is material to the Fund including any default or acceleration of obligation
- will have an impact on all material off-balance sheet transactions, arrangement, obligations and other relationships of the Fund
- is a significant element of income or loss that did not arise from the Fund's continuing operations
- there are no material commitments for capital expenditures during the past year and in the subsequent year.

## **DISCUSSION OF KEY PERFORMANCE INDICATORS**

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

- *Net Asset Value Per Share* - Net Asset Value per share was higher from ₱101.1190 as of December 31, 2022 to ₱101.9361 as of December 31, 2023, representing 1.11% return on equity over a year. The Fund's net asset value decreased by ₱0.06 billion from ₱2.20 billion to ₱2.14 billion this year.

- *Sales for the year 2023* - The Fund had a total subscription of ₱74.08 million for the year 2023. This year's subscription is lower by ₱289.97 million or 79.65% compared to the ₱364.05 million sales in 2022.
- *Redemptions for the year 2023* – The Fund had a total redemption of ₱162.97 million in 2023, lower by ₱52.98 million or 24.53% compared to ₱215.95 million redemptions in 2022.
- *Net Income vs. Benchmark* – The Fund ended the year 2023 with a net income of ₱24.13 million, higher by 118.56% or ₱154.13 million compared to 2022 net loss of ₱130.00 million.
- *Market Share vs. Benchmark* – As of December 31, 2023 the Fund garnered 3.18% share in the Equity Funds category while 0.77% share among all mutual funds in terms of net assets. On the basis of account holders, the Fund has 3,288 account holders or 0.38% 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 five percent (5%). The tracking error during 2023 is 0.04%.

The following basic ratios measure the financial performance of the Company for the years ended 2023, 2022 and 2021:

<b>PERFORMANCE INDICATORS</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Return on average asset <sup>1/</sup>	1.11%	(5.91%)	1.91%
Return on average equity <sup>2/</sup>	1.11%	(5.92%)	1.92%
Cost-to-income ratio <sup>3/</sup>	43.01%	(19.13%)	34.17%
Net asset value per share <sup>4/</sup>	₱101.9361	₱101.1190	₱108.2317
Earnings (Loss) per share <sup>5/</sup>	₱1.1433	(₱6.1101)	₱2.2159

<sup>1/</sup> Average assets for year ended December 31 were computed based on the average of the beginning and ending balances, over the net income for the year.

<sup>2/</sup> Likewise, average equity for year ended December 31 was computed based on the average of the beginning and ending balances, over the net income for the year.

<sup>3/</sup> Operating expenses for the cost-to-income ratios do not include provision for probable losses and provision for income taxes.

<sup>4/</sup> Net asset value per share by deducting total liabilities from total assets to come up with the Net Assets and dividing with the outstanding number of shares for the year.

<sup>5/</sup> Net income divided by weighted average number of common shares.

## **Item 7. FINANCIAL STATEMENTS**

### **Statement of Management's Responsibility for Financial Statements**

Please refer to Exhibit 1.

### **Audited Financial Statements**

Please refer to Exhibit 2.

## **Item 8. CHANGES IN THE DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES**

The present auditor of the Fund is Sycip, Gorres, Velayo and Company. The reports of said auditors on the financial statements of the company for the year ended December 31, 2023 and 2022 contained unqualified opinions.

There are no disagreements with the auditors on any matter of accounting principles or practices, financial statement disclosures, auditing scope or procedures, which disagreements, if not resolved to their satisfaction, would have caused the auditors to make reference thereto in their respective reports on the financial statements for such years.

## PART III – CONTROL AND COMPENSATION INFORMATION

### Item 9. DIRECTORS AND EXECUTIVE OFFICERS

#### Incorporators

- Mr. Hector R. Villanueva
- Mr. Augusto M. Cosio, Jr.
- Amb. Romualdo A. Ong
- Dr. Bernardo M. Villegas
- Mr. Nilo L. Pacheco Jr.

#### Directors

Name of Beneficial Owners	Term Served	Age	Business Experience
Eduardo R. Carreon	10 years	75	Banking/Finance
Michael G. Say	10 years	64	Finance
Winston L. Peckson	10 years	71	Banking/Finance
Karen Liza M. Roa	2 years	55	Banking/Finance/Education
Atty. Abelardo V. Cortez	9 years	78	Banking/Finance/Law
Rhodora Angela F. Ferrer	1 year	56	Education
Fr. Rafael K. Eloriaga	5 years	60	Finance

The next set of directors will be elected during its Annual Stockholders' Meeting. Each director holds office until the corresponding Board of Directors' Meeting in the succeeding year, or until a successor is elected, appointed or shall have been qualified.

#### Executive Officers

Name of Beneficial Owners	Position	Age	Citizenship	Business Experience
Eduardo R. Carreon	Chairman	75	Filipino	Banking/Finance
Michael G. Say	President	64	Filipino	Finance
Mauro B. Placente	Treasurer	58	Filipino	Banking/Finance
Edwin B. Valeroso	Corporate Secretary / Corp. Information Officer	60	Filipino	Finance/Government
Jonathan T. Tabac	Compliance Officer	69	Filipino	Banking/Finance

**Mr. Eduardo R. Carreon**, 75, Filipino, term of office is one year.

Mr. Carreon has been serving as a member of the Board of Director of First Metro Philippine Equity Exchange Traded Fund, Inc. since June 2013, First Metro Save and Learn Money Market Fund, Inc. since June 2018, and First Metro Save and Learn FOCCUS Dynamic Fund, Inc. (since June 2022).

He is also the President of Jempan Development Corporation since 2009. He served in various positions with Maybank Philippines since 1999. He was Consultant (2008-2009), and prior, Senior Vice President of the Enterprise Financial Services (2003-2008). He was also Country Manager for Dow Jones Philippines (1995-1998); General Manager, Philippine Finance and Investment Company, Hong Kong (1979-1981); Assistant Vice President, PCIBank – 1974-1979; and Pro Manager, Citibank from 1970-1973.

Mr. Carreon graduated from the Ateneo de Manila University in 1969 with a Bachelor of Arts degree. He is also an MBA candidate from the Ateneo Graduate School of Business.



**Mr. Michael G. Say**, 64, Filipino, term of office is one year.

Mr. Say has been serving as a member of the Board of Director of First Metro Asia Focus Equity Fund, Inc., First Metro Consumer Fund, Inc., First Metro Philippine Equity Exchange Traded Fund, Inc., First Metro Save and Learn Money Market Fund, Inc. (Chairman), and First Metro Save and Learn Philippine Index Fund (SALPHIN), Inc. (Chairman).

He is currently Chairman of the following companies: Capitalwise Groups Ltd., (2008 to present), Atlantic Archers Achiever Corporation (2004 to present), Hiratsuka Int'l Corp., Londonstar Corporation, and White Knight Productions Corporation.

He was the former Chairman for the following companies: Poc and Poc Corporation (2010 to 2016), Chic Uniform, Inc. (2002 to 2013) and Tokagawa Global Corporation (2004 to 2013).

Mr. Say graduated from De La Salle University with a degree in Management of Financial Institutions.

**Mr. Winston L. Peckson**, 71, Filipino, term of office is one year.

Mr. Peckson has been serving as a member of the Board of Director of First Metro Philippine Equity Exchange Traded Fund, Inc. since June 2013 and First Metro Save and Learn Philippine Index Fund (SALPHIN), Inc. since June 2021.

He has more than 40 years of experience in the banking industry. Among his past positions were Chief Risk Officer and subsequently Consultant for Sustainability with GT Capital Holdings Inc. until August 2023. He was the Head of Treasury Marketing of Philippine National Bank (PNB) from 2009-2010; Vice President and General Manager of the Manila Offshore Branch of ABN-AMRO NV from October 1999-2009; VP and Corporate Treasury Advisor of Bank of America- Manila Branch from 1996-1999; CEO and Director of Danamon Finance Company (HK) from 1991-1996 and Manager Corporate Banking of Lloyds Bank PLC (HK) from 1986-1991, and VP (Commercial) at the Manila Offshore Branch.

Mr. Peckson obtained a Master's Degree in Business Management from the Asian Institute of Management in 1977, and he graduated from the Ateneo De Manila University in 1972 with a Bachelor of Arts Degree, minor in Business Administration.

**Ms. Karen Liza M. Roa**, 55, Filipino. term of office is one year.

Ms. Roa currently serves as director of First Metro Save and Learn Equity Fund, Inc. (since June 2022), First Metro Save & Learn Fixed Income Fund, Inc. (since June 2022), First Metro Save and Learn Balanced Fund, Inc. (since June 2022), First Metro Save and Learn Dollar Bond Fund, Inc. (since June 2022), First Metro Asia Focus Equity Fund, Inc. (since June 2022), First Metro Consumer Fund, Inc. (since June 2022), and First Metro Philippine Equity Exchange Traded Fund, Inc. (since June 2022).

She has over 25 years of expertise in the field of finance with a career that spans both domestic and international banking operations, she has a wealth of experience that fuels her financial skills. Has worked with some of the most renowned global companies in banking and asset management, such as Chase Manhattan Bank, SunGard Asia Pacific, trust banking groups of Philam Bank, and Citibank NA. She also served as President and CEO of Philam Asset Management, Inc. (PAMI). She was also a lecturer at the country's top universities, Ateneo de Manila and UP, teaching business courses on strategy, investment management, and financial services. She is the currently the President and CEO of First Metro Asset Management, Inc. (FAMI).

**Atty. Abelardo V. Cortez**, 78, Filipino citizen, member of the Philippine Bar Association.

Atty. Cortez has been serving as a member of the Board of Directors of First Metro Philippine Equity

Exchange Traded Fund, Inc. since May 2014 and First Metro Save and Learn FOCCUS Dynamic Fund, Inc. (since June 2022).

He has over 30 years of banking experience both in the local and international banking industry, concentrating in the treasury, trust, and private banking side of the business. Over this banking period, he held the following posts: Money Market Head- Rizal Banking Corporation (1978 to 1980); Vice President-Treasury Operations, Bank of the Philippine Island (1980 to 1986); Managing Director and CEO for 8 long years at BPI International Finance Ltd. (Hongkong) from 1987 to 1995; Vice President, Head/Private Banking Group- Bank of the Philippine Island (1995 to 1996); Director for Trust and Investments, ATR KimEng Capital Partners, Inc. (1996 to 2011); Independent Board Director, First Metro Investment Banking Corp. (2012)

He was national FINEX President in 2007 (the country's biggest associations of financial executives), and Co-Chairman of the country's Capital Market Development Council in 2008; he was a former director/trustee of FINEX Foundation.

At present, he is Board Director and Executive Committee member of IAFEI (International Association of Financial Institutes), in charge of the treasury. IAFEI is a more than 50-year-old global financial organization, largely based in Europe.

Currently, he sits as Independent Director of First Metro Securities Brokerage Corp.

Atty. Cortez earned his Bachelor of Laws degree from San Beda College of Law and was awarded the school's most outstanding student award (the Abbott's Award). He completed his other collegiate diploma (Bachelor of Arts) at San Beda College, first honor, cum laude.

Atty. Cortez writes by-monthly FINEX business columns both in the Businessworld and Manila Bulletin.

In 2008, San Beda College Alumni Association voted him Most Distinguished Bedan Awardee in the field of banking and finance.

**Ms. Rhodora Angela F. Ferrer**, 56, Filipino, term of office is one year.

Ms. Ferrer is an Independent Director of First Metro Philippine Equity Exchange Traded Fund, Inc. (since June 2023) First Metro Consumer Fund, Inc. (since 2019), and First Metro Save and Learn Balanced Fund, Inc. (since 2016).

Ms. Ferrer is currently the Executive Director of the Private Education Assistance Committee (PEAC), the Trustee of the Fund for Assistance to Private Education (FAPE). PEAC co-implements with the Department of Education, the JHS Education Service Contracting Program and the SHS Voucher Program with over 2 million grantees in the country.

Ms. Ferrer served as Executive Director for Catholic Educational Association of the Philippines (from 2010 to 2014); Asst. Professor, Education Department and Natural Science Department, St. Scholastica's College (since 2007); Trainer for Teacher-Training Programs, Foundation for Upgrading the Standards of Education (FUSE), since 2004. She also served as Chairperson of the Training Committee, Foundation for Upgrading the Standards of Education, Inc. (FUSE) (2009 to 2010); Associate Professor, College of Education at the University of the East (2009 to 2012).

Ms. Ferrer finished her BS degree in Physics for Teachers (Cum Laude) at the Philippine Normal University and took up Masters in Education, Major in Physics at De La Salle University. She is currently pursuing her Ph.D. in Educational Leadership and Management (Executive Program) at De La Salle University.

Ms. Ferrer finished Executive Courses in the areas of public policy and private sector development at

the Lee Kuan Yew School of Public Policy of the National University of Singapore.

**Fr. Rafael K. Eloriaga**, 60 years old, Filipino, term of office is one year. Fr. Eloriaga is also the Independent Director for First Metro Save and Learn Fixed Income Fund, Inc., First Metro Save and Learn Equity Fund, Inc., First Metro Save and Learn Money Market Fund, Inc., First Metro Philippine Equity Exchange Traded Fund, Inc. and First Metro Consumer Fund, Inc.

Fr. Eloriaga is currently the Vice-President for Financial Affairs of Adamson University (2016-present), a member of the Finance Committee, General Curia under the Congregation of the Mission (2013 to present) and joined as member of the Board of Trustees of the Universidad de Sta Isabel, Naga City (2016 to present). He was formerly the Cebu Business Center Head for Central and Eastern Visayas Senior Manager of BPI Family from 2005-2006 and the Provincial Econome, Philippine Province- Congregation of the Mission (2012- 2016).

Fr. Eloriaga took up his AB Philosophy and Letters at Dela Salle University in 1983 and his BS Accountancy at Fr. Saturnino Urios University in 1994. He finished the Curriculum of Ordained Ministry and Masters in Pastoral Theology at St. Vincent School of Theology.

**Mr. Mauro B. Placente**, 58 years old, Filipino.

He is a Vice President and Treasurer of First Metro Investment Corporation. He also serves as the Treasurer of First Metro Securities Brokerage Corporation, First Metro Asset Management, Inc., First Metro Save and Learn Equity Fund, Inc., First Metro Save and Learn Balanced Fund, Inc., First Metro Save & Learn Fixed Income Fund, Inc., First Metro Save and Learn Dollar Bond Fund, Inc., First Metro Asia Focus Equity Fund, Inc., First Metro Save & Learn Money Market Fund, Inc., First Metro Save and Learn FOCCUS Dynamic Fund, Inc., First Metro Philippine Equity Exchange Traded Fund, Inc., First Metro Consumer Fund, Inc. and First Metro Save & Learn Philippine Index Fund (SALPHIN), Inc.

He graduated from National College of Business and Arts with a degree of BSBA-Accounting; Certified Public Accountant.

Mr. Placente joined First Metro on September 1, 2000.

**Dr. Edwin B. Valeroso**, 60 years old, Filipino, Corporate Secretary and Corporate Information Officer, term of office is one year.

Dr. Valeroso serves as Director and President of First Metro Save and Learn F.O.C.C.U.S Dynamic Fund, Inc. since November 2018. He is First Vice President of First Metro Asset Management, Inc. He is the President of the Capital Markets Institute of the Philippines, Inc. (2018-present). Dr. Valeroso was the President of First Metro Save & Learn Balanced Fund, Inc. (Jan 2007 to June 2011), First Metro Save & Learn Fixed Income Fund, Inc. and First Metro Save & Learn Equity Fund, Inc. (from May 2005 to June 2011), and President of First Metro Save and Learn Dollar Bond Fund, Inc. (2008 to 2011). He is also the Chief Information Officer and Corporate Secretary of First Metro Philippine Equity Exchange Traded Fund, Inc. Dr. Valeroso is also the Corporate Secretary of First Metro Save and Learn Philippine Index Fund (SALPHIN), Inc. He was Vice President and Trustee of Philippine Investment Funds Association, Inc. (2006-2018) and Professorial Lecturer at De La Salle University- Graduate School of Business (2000-present). He was a Mutual Fund Strategist/Consultant at First Metro Investment Corp. (2004-2005).

Dr. Valeroso has a Bachelor's degree in Actuarial Mathematics from University of Santo Tomas, a Master of Science degree in Applied Mathematics from University of the Philippines-Diliman, and a Doctor of Business Administration degree from De La Salle University-Manila. He is also an alumnus of the Trust Institute Foundation of the Philippines, an Accredited Financial Analyst of American Academy of Financial Management, an SEC-Certified Investment Solicitor and a PRC-licensed Real Estate Broker.

**Mr. Jonathan T. Tabac**, 69 years old, Filipino, Compliance Officer.

Term of office is one year and has served as such from January 29, 2007 up to present. He is also the Compliance Officer of First Metro Securities Brokerage Corporation, First Metro Save & Learn Fixed-Income Fund, Inc., First Metro Save and Learn Equity Fund, Inc., First Metro Save and Learn Balanced Fund, Inc., First Metro Save and Learn Dollar Bond Fund, Inc., First Metro Asia Focus Equity Fund, Inc., First Metro Philippine Equity Exchange Traded Fund, Inc., First Metro Consumer Fund, Inc. and First Metro Asset Management, Inc. (from May 2005 to present). He was Vice President and Chief Compliance Officer of the investment banking arm of Metrobank. He served as AVP & Compliance Officer of Citystate Savings Bank (2002-2003), Vice President of Maybank Philippines (formerly PNB Republic Planters Bank)-1997-2001 and Chairman of the Board of RPB Provident Fund, Inc. (1997-2001). Mr. Tabac finished BSC-Accounting from University of Baguio. He is a Certified Public Accountant.

Principal Officers are appointed or elected annually by the Board of Directors at its first meeting following the Annual Meeting of Stockholders.

### **Significant Employees**

No person who is not an executive officer is expected by the Company to make a significant contribution to the business.

### **Family Relationships**

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among the directors and officers listed above.

### **Involvement in Certain Legal Proceedings**

The Company is not aware of any event that occurred during the year that is material to an evaluation of the ability or integrity of any of its directors, any nominees for election as directors or executive officers for the past five (5) years.

The Company has no material pending legal proceedings to which the registrant or any of its common affiliates is a party. No member of the Board of Directors is:

1. involved in any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time;
2. involved in or convicted by final judgment in any criminal proceeding, domestic or foreign, or subject to a pending criminal proceeding, foreign or domestic, excluding traffic violations and other minor offenses;
3. subject to any order, judgment, or decree not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
4. found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the said judgment has not been reversed, suspended or vacated.

## Item 10. EXECUTIVE COMPENSATION

### Compensation of Directors and Officers

	Amount		
	2023	2022	2021
Directors	₱260,000	₱276,989	₱104,006
Executive Officers	39,500	32,000	32,000
Aggregate Annual Per Diem	₱299,500	₱308,989	₱136,006

### Employment Contracts, Termination of Employment and Change-in Control Arrangements

There are no compensatory plans or arrangement with respect to any of its executive officers that can result to the resignation, retirement or any other termination of such executive officer's employment with the Fund, neither from a change in control of the registrant or a change in the named executive officer's responsibilities.

## Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

### Security Ownership of Certain Record and Beneficial Owners

The following stockholders own more than 5% of the common voting securities as of December 31, 2023:

Title of Class	Name and Address of Owner	Name of Beneficial Owner	Citizen	No. of Shares Held	Percent to Outstanding Shares
Common	<i>First Metro Securities Brokerage Corporation (FMSBC)</i> 8 <sup>th</sup> Floor PSBank Centre, 777 Paseo de Roxas Ave. cor. Sedeño St., Salcedo Village, Makati City, Philippines 1226	Various Clients	Filipino	9,911,905	47.22%
Common	<i>COL Financial Group, Inc.</i> 2403-B East Tower, PSE Center, Exchange Road Ortigas Center, Exchange Rd, Ortigas Center, Pasig, 1605 Kalakhang Maynila	Various Clients	Filipino	4,391,539	20.9 2%
Common	<i>BDO Securities Corporation</i> BDO Corporate Center, BDO South Tower, 20th, 1226 Makati Ave, Makati, Metro Manila	Various Clients	Filipino	1,186,829	5.65 %

First Metro Securities Brokerage Corp. (FMSBC), is the registered owner of the shares in the books of the Company. The Board of Directors of FMSBC has the right to appoint an actual person or persons acting individually or jointly to direct the voting or disposition of the shares held by the corporation. The person who will exercise the voting powers over the shares of FMSBC is Mr. Gonzalo Ordonez or Mr. Jose Patricio A. Dumlaog or any officers appointed by the Board.

COL Financial Group, Inc (COL), is the registered owner of the shares in the books of the Company. The Board of Directors of COL has the right to appoint an actual person or persons acting individually or jointly to direct the voting or disposition of the shares held by the corporation. The person who will exercise the voting powers over the shares of COL is Mr. Conrado F. Bate or any officers appointed by the Board.

BDO Securities Corporation, is the registered owner of the shares in the books of the Company. The Board of Directors of BDO Securities Corporation has the right to appoint an actual person or persons acting individually or jointly to direct the voting or disposition of the shares held by the corporation. The person who will exercise the voting powers over the shares of BDO Securities Corporation is Mr. Gabriel U. Lim or any officers appointed by the Board.

### Security Ownership of Management

Following are the securities owned by directors and officers of the Company as of December 31, 2023:

Title of Class	Name of Beneficial Owners	Amount and Nature of Ownership	Citizenship	Percent to Outstanding Shares
Common Shares	Eduardo R. Carreon	1	Filipino	0.00000%
Common Shares	Michael G. Say	1	Filipino	0.00000%
Common Shares	Rafael K. Eloriaga	1	Filipino	0.00000%
Common Shares	Rhodora Angela F. Ferrer	1	Filipino	0.00000%
Common Shares	Winston L. Peckson	1	Filipino	0.00000%
Common Shares	Abelardo V. Cortez	1	Filipino	0.00000%
Common Shares	Karen Liza M. Roa	1	Filipino	0.00000%

### Voting Trust Holders of 5% or More

There are no persons known to the registrant who owns more than 5% of a voting trust or similar arrangements.

### Changes in Control

The Fund is an open-end investment company engaged in the business of investing, reinvesting and trading in and issuing and redeeming its shares of stock in creation unit in exchange for basket of equity securities representing an index. The fund has an initial paid-up capitalization of ₱750.00 million that is paid by First Metro Investment Corporation. The fund's shares were listed with the Philippine Stock Exchange (PSE) on December 2, 2013. As of December 31, 2023, the majority of the shares are held by First Metro Securities Brokerage Corporation.

### Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

There has been no material transactions during the year nor is there any material transaction currently proposed to which the Fund was, or is a party, or in which any director or executive officer of the Fund, any nominee for election, any owner of more than five (5%) percent of the Fund's voting shares, or any member of the immediate family of any such director or officer, had or is to have a direct or indirect material interest.

## **PART IV – CORPORATE GOVERNANCE**

The Board approved the Fund's Corporate Governance Manual on June 19, 2013 to monitor and assess the level of the Fund's compliance with leading practices on good corporate governance as specified in Philippine SEC Circulars. Aside from establishing specialized committees to aid in complying with the principles of good corporate governance, the Manual also outlines specific investor's rights and protections and enumerates particular duties expected from the Fund's Board members, officers and employees. It also features a Disclosure System which highlights adherence to the principles of transparency, accountability and fairness. A Compliance Officer is tasked with the formulation of specific measures to determine the level of compliance with the Manual by the Fund's Board members, officers and employees. To date, the Fund has not encountered any deviation from the Manual's standards.

### **External Auditors**

The present auditor of the Fund is Sycip, Gorres, Velayo and Co. The reports of said auditors on the financial statements of the company for the years ended December 31, 2023 and 2022 contained unqualified opinions.

In compliance with SRC Rule 68, par. 3 (b)(iv), the signing partner of the auditing firm is rotated every after five (5) years of engagement.

The fees paid for the professional services rendered by SGV & Co. for the audit of our Financial Statements is ₱123,200, ₱92,169 and ₱115,500 for the year 2023, 2022 and 2021, respectively. These cover the following:

- a) the audit of the Fund's financial statements or services that are normally provided by SGV in connection with the statutory and regulatory filings or engagement.
- b) rendering of an opinion based on the examination and overall valuation of the financial statements, on a test basis. It also covers the assistance in preparing First Metro-ETF's annual income tax return based on audited financial statements.

There are no disagreements with the auditors on any matter of accounting principles or practices, financial statement disclosures, auditing scope or procedures, which disagreements, if not resolved to their satisfaction, would have caused the auditors to make reference thereto in their respective reports on the financial statements for such years.

SGV & Co. conducted the audit in accordance with auditing standards generally accepted in the Philippines to obtain reasonable assurance about whether the financial statements are free of material misstatements. Their audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation.

There are no tax fees paid for the last 2 years for professional services rendered by SGV & Co. for tax accounting compliance, advice, planning and any other form of tax service.

## **PART V - EXHIBITS AND SCHEDULES**

### **Exhibits**

<b>Exhibit No.</b>	<b>Description of Exhibit</b>
1	Statement of management responsibility
2	Audited financial statements
3	Index to Financial Statements and supplementary schedules (A to H)
4	Financial soundness indicators and other ratios



**SIGNATURES**

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of \_\_\_\_\_ on \_\_\_\_\_.

**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED, FUND, INC.**  
Company

By:



**EDUARDO R. CARREON**  
Chairman



**MICHAEL G. SAY**  
President



**MAURO B. PLACENTE**  
Treasurer




**EDWIN B. VALEROSO**  
Corporate Secretary

**SUBSCRIBED AND SWORN** to before me this APR 12 2024, affiants exhibiting to me their respective IDs, as follows:

<u>Name</u>	<u>ID No. / Date and Place of Issue</u>
Eduardo R. Carreon	TIN 160-247-790
Michael G. Say	TIN 140-421-505
Mauro B. Placente	TIN 123-192-044
Edwin B. Valeroso	TIN 134-188-958

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Book No. 8  
Series of 2024



**ATTY. ROGELIO J. BOLIVAR**  
NOTARY PUBLIC IN QUEZON CITY  
Commission No. Adm. Order No. NP 549 (2023-2024)  
IBP O.R. No. 180816 2023 & IBP O.R. No. 180816 2024  
PTR O.R. No. 4127771 D 01/03/2024 / Roll No. 33632 / TIN # 129-871-009-000  
MCLE No. 7&8 FROM APRIL 15, 2023 UNTIL APRIL 14, 2025  
Address: 31-F Harvard St. Cubao, Q.C.



March 22, 2024

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

The management of First Metro Philippine Equity Exchange Traded Fund, Inc. (the Fund) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, as of December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Funds' financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

SyCip, Gorres, Velayo & Co., the independent auditors, appointed by the stockholders, has audited the financial statements of the Fund in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

**Eduardo R. Carreon**  
Chairman

**Michael G. Say**  
President

**Mauro B. Placente**  
Treasurer

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of APR 12 2024, 20\_\_\_\_ affiants exhibiting to me their Identification Numbers, as follows:

<u>Name</u>	<u>Government ID /Passport No. / Date and Place of Issue</u>
Eduardo R. Carreon	TIN 160-247-790
Michael G. Say	TIN 140-421-505
Mauro B. Placente	TIN 123-192-044

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Series of 2024

Notary Public  
**ATTY. ROGELIO J. BOLIVAR**  
NOTARY PUBLIC IN QUEZON CITY  
Commission No. Adm. Matter No. NP 549 (2023-2024)  
IBP O.R. No. 180815 2023 & IBP O.R. No. 180815 2024  
PTR O.R. No. 4127771 D 01/03/2024 / Roll No. 33832 / TIN # 129-871-009-000  
MCLE No. 7&8 FROM APRIL 15, 2023 UNTIL APRIL 14, 2025  
Address: 31-F Harvard St. Cubao, Q.C.

# COVER SHEET

## for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	3	0	0	7	2	8
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### COMPANY NAME

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	.					

### PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

1	8	/	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	
.								M	a	k	a	t	i		C	i	t	y												

Form Type

A	A	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

Investment Company
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### COMPANY INFORMATION

Company's Email Address

None

Company's Telephone Number

8891-2860

Mobile Number

N/A

No. of Stockholders

3,288

Annual Meeting (Month / Day)

2nd Wednesday of May

Fiscal Year (Month / Day)

December/31

### CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Karen Liza M. Roa

Email Address

karen.roa@fami.com.ph

Telephone Number/s

(02) 8891 2860

Mobile Number

N/A

### CONTACT PERSON'S ADDRESS

18/Floor, PSBank Center, 777 Paseo de Roxas corner Sedeño St., Makati City

**NOTE 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**2:** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



## **INDEPENDENT AUDITOR'S REPORT**

The Stockholders and the Board of Directors  
First Metro Philippine Equity Exchange Traded Fund, Inc.  
18<sup>th</sup> Floor, PSBank Center  
777 Paseo de Roxas corner Sedeño Street  
Makati City

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of First Metro Philippine Equity Exchange Traded Fund, Inc. (the Fund), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2023, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2023 and 2022 and its financial performance and its cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards (PFRSs).

#### **Basis for Opinion**

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, are of most significance in our audit of the financial statements of the current period. We have determined that there is no key audit matter to communicate in our report.

#### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditor's report.



Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

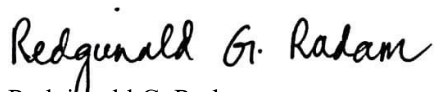
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on the Supplementary Information Required Under Revenue Regulations 15-2010**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 16 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of First Metro Philippine Equity Exchange Traded Fund, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Redgionald G. Radam.

SYCIP GORRES VELAYO & CO.



Redgionald G. Radam

Partner

CPA Certificate No. 118866

Tax Identification No. 249-000-259

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

BIR Accreditation No. 08-001998-141-2021, April 27, 2021, valid until April 26, 2024

PTR No. 10079995, January 6, 2024, Makati City

March 22, 2024



**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
Cash in banks (Notes 4, 6 and 14)	<b>₱10,168,391</b>	₱5,421,590
Financial assets at fair value through profit or loss (Notes 4, 7 and 14)	<b>2,129,183,895</b>	2,200,286,703
Receivables (Notes 4 and 8)	<b>2,070,195</b>	715,729
Other assets	<b>-</b>	265,848
	<b>₱2,141,422,481</b>	₱2,206,689,870
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses (Notes 4, 9 and 14)	<b>₱1,655,852</b>	₱2,168,603
<b>Equity</b>		
Capital stock (Note 10)	<b>2,099,126,000</b>	2,180,126,000
Additional paid-in capital	<b>63,494,703</b>	70,238,408
Deficit	<b>(22,854,074)</b>	(45,843,141)
	<b>2,139,766,629</b>	2,204,521,267
	<b>₱2,141,422,481</b>	₱2,206,689,870

*See accompanying Notes to Financial Statements.*



**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**  
**STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Years Ended December 31</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>INVESTMENT INCOME (LOSS)</b>			
Dividend income (Notes 7 and 14)	<b>₱72,553,429</b>	₱44,383,317	₱35,338,087
Trading and securities gains (losses) - net (Note 7)	<b>(29,192,833)</b>	(152,172,623)	23,739,945
Interest income (Notes 6 and 14)	<b>2,325</b>	16,066	7,371
Miscellaneous income	<b>120,474</b>	-	-
	<b>43,483,395</b>	(107,773,240)	59,085,403
<b>EXPENSES</b>			
Management fees (Note 14)	<b>12,034,075</b>	12,097,836	11,408,679
Brokers' commissions (Note 14)	<b>1,657,911</b>	1,213,363	2,224,659
Information technology expenses	<b>1,025,535</b>	650,338	831,282
Fund administration fee	<b>1,020,893</b>	840,443	173,571
Taxes and licenses	<b>775,737</b>	3,719,969	3,436,494
Custodian and transfer agency fees (Note 14)	<b>719,115</b>	630,409	888,089
Regulatory and filing fees	<b>611,813</b>	611,813	611,813
Directors' and officers' fees (Note 14)	<b>299,500</b>	308,989	136,006
Professional fees	<b>109,588</b>	278,156	231,535
Miscellaneous	<b>449,664</b>	265,547	249,759
	<b>18,703,831</b>	20,616,863	20,191,887
<b>NET INVESTMENT INCOME (LOSS)</b>			
<b>BEFORE FINAL TAX</b>	<b>24,779,564</b>	(128,390,103)	38,893,516
<b>PROVISION FOR FINAL TAX</b> (Note 12)	<b>645,664</b>	1,612,873	1,474
<b>NET INVESTMENT INCOME (LOSS) / TOTAL</b>			
<b>COMPREHENSIVE INCOME (LOSS)*</b>	<b>₱24,133,900</b>	(₱130,002,976)	₱38,892,042
<b>BASIC/DILUTED EARNINGS (LOSS)</b>			
<b>PER SHARE</b> (Note 11)	<b>₱1.1433</b>	(₱6.1101)	₱2.2159

\*There are no other comprehensive income items in 2023, 2022 and 2021.  
See accompanying Notes to Financial Statements.





**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**  
**STATEMENTS OF CHANGES IN EQUITY**

	Number of Shares Outstanding (Note 10)	Capital Stock (Note 10)	Additional Paid-in Capital	Retained Earnings (Deficit)	Total Equity
<b>Balances at January 1, 2023</b>	<b>21,801,260</b>	<b>₱2,180,126,000</b>	<b>₱70,238,408</b>	<b>(₱45,843,141)</b>	<b>₱2,204,521,267</b>
Net investment income	-	-	-	<b>24,133,900</b>	<b>24,133,900</b>
Subscriptions during the year	<b>750,000</b>	<b>75,000,000</b>	<b>394,307</b>	<b>(1,316,102)</b>	<b>74,078,205</b>
Shares redeemed during the year	<b>(1,560,000)</b>	<b>(156,000,000)</b>	<b>(7,138,012)</b>	<b>171,269</b>	<b>(162,966,743)</b>
<b>Balances at December 31, 2023</b>	<b>20,991,260</b>	<b>₱2,099,126,000</b>	<b>₱63,494,703</b>	<b>(₱22,854,074)</b>	<b>₱2,139,766,629</b>
Balances at January 1, 2022	20,201,260	₱2,020,126,000	₱160,717,541	₱5,572,357	₱2,186,415,898
Net investment loss	-	-	-	(130,002,976)	(130,002,976)
Subscriptions during the year	3,680,000	368,000,000	5,271,749	(9,218,291)	364,053,458
Shares redeemed during the year	(2,080,000)	(208,000,000)	(95,750,882)	87,805,769	(215,945,113)
Balances at December 31, 2022	21,801,260	₱2,180,126,000	₱70,238,408	(₱45,843,141)	₱2,204,521,267
Balances at January 1, 2021	17,551,260	₱1,755,126,000	₱160,522,917	(₱27,935,740)	₱1,887,713,177
Net investment income	-	-	-	38,892,042	38,892,042
Subscriptions during the year	3,420,000	342,000,000	8,007,506	(5,383,945)	344,623,561
Shares redeemed during the year	(770,000)	(77,000,000)	(7,812,882)	-	(84,812,882)
Balances at December 31, 2021	20,201,260	₱2,020,126,000	₱160,717,541	₱5,572,357	₱2,186,415,898

*See accompanying Notes to Financial Statements.*



**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**  
**STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net investment income (loss) before final tax	<b>₱24,779,564</b>	(₱128,390,103)	₱38,893,516
Adjustments for:			
Dividend income (Note 7)	<b>(72,553,429)</b>	(44,383,317)	(35,338,087)
Interest income (Note 6)	<b>(2,325)</b>	(16,066)	(7,371)
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Financial assets at FVTPL	<b>71,102,808</b>	(21,254,869)	(301,813,750)
Receivables	<b>43,371</b>	496	-
Other assets	<b>265,848</b>	(265,848)	-
Increase in accounts payable and accrued expenses	<b>(512,751)</b>	(2,788,081)	1,013,141
Net cash provided by (used in) operations	<b>23,123,086</b>	(197,097,788)	(297,252,551)
Dividends received	<b>71,155,592</b>	44,489,836	35,414,122
Interest received	<b>2,325</b>	16,066	7,371
Income tax paid (Note 12)	<b>(645,664)</b>	(1,612,873)	(1,474)
Net cash provided by (used in) operating activities	<b>93,635,339</b>	(154,204,759)	(261,832,532)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of capital stock	<b>74,078,205</b>	364,053,458	344,623,561
Payments for shares redeemed	<b>(162,966,743)</b>	(215,945,113)	(84,812,882)
Net cash provided by (used in) financing activities	<b>(88,888,538)</b>	148,108,345	259,810,679
<b>NET INCREASE (DECREASE) IN CASH IN BANKS</b>	<b>4,746,801</b>	(6,096,414)	(2,021,853)
<b>CASH IN BANKS AT BEGINNING OF PERIOD</b>	<b>5,421,590</b>	11,518,004	13,539,857
<b>CASH IN BANKS AT END OF PERIOD</b> (Notes 4, 6 and 14)	<b>₱10,168,391</b>	₱5,421,590	₱11,518,004

*See accompanying Notes to Financial Statements.*



**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**1. Corporate Information**

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

As a licensed ETF, the Fund offers to qualified trading participants, on a continuous basis, the shares of the Fund which are issuable and redeemable in predetermined creation units. The Board approved during its meeting on December 11, 2015, the reduction of the number of shares comprising one creation unit from the current Two Hundred Thousand (200,000) to Fifty Thousand (50,000) shares. On December 13, 2016, the Board approved to reduce further the number of shares per creation unit from Fifty Thousand (50,000) to Ten Thousand shares. Shares of the Fund may be directly redeemed in exceptional circumstances as approved by the SEC. As of December 31, 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.

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**2. Summary of Material 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.

Presentation of Financial Statements

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



### Statement of Compliance

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

### Presentation of Financial Statements

The Fund presents its statement of financial position in order of liquidity. An analysis regarding recovery (asset) or settlement (liability) within twelve (12) months after the reporting date (current) and more than twelve (12) months after the reporting date (noncurrent) is presented in Note 4.

### 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 2023. The Company 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 Company.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).



- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*

The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as ‘Pillar Two legislation’ and ‘Pillar Two income taxes’, respectively.

The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023.

## **Significant Accounting Policies**

### Cash in banks

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

### Fair Value Measurement

The Fund measures financial instruments such as financial assets at FVTPL at each reporting date. Also, fair values of financial instruments measured at amortized cost (AC) are disclosed (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 the 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 re-assessing 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 (see 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. 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 measured at fair value. Except for financial assets and financial liabilities valued at 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 FVTPL, fair value through other comprehensive income (FVOCI) and 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 as at FVTPL.

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

###### *Business model*

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



Relevant factors considered by the Fund in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Fund's key management personnel. The Fund also considers the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers, if any, of the business are compensated.

As of December 31, 2023 and 2022, the Fund has no financial assets at FVOCI.

*Financial assets at FVTPL*

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

As of December 31, 2023 and 2022, the Fund's financial assets at FVTPL consist of quoted equity investments.

*Financial assets at AC*

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 SPPI 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 an 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 AC consist of cash in banks and receivables.

*Financial liabilities at FVTPL*

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial liabilities at FVTPL are recorded in the statement of financial position at fair value. Interest incurred from debt securities is recorded as 'Interest expense' in the statement of profit or loss.

As of December 31, 2023 and 2022, the Fund has no financial liabilities at FVTPL.

*Financial liabilities at AC*

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 accrued expenses of the Fund.



*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.

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 expected credit losses (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.

*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.

In 2023 and 2022, the Fund did not recognize any provision for ECL (see Note 4).

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 EIR 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 fees*

Management fee is accrued over time at 0.50% of average daily NAV of the Fund.

*Custodian and transfer agency fees*

This includes custodian fees 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 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 any 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 December 31, 2023 and 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 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. 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, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current, Liabilities with Covenants*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7: *Disclosures: Supplier Finance Arrangements*

##### *Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of exchangeability*

##### *Deferred effectivity*

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



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### 3. Significant Estimates and Judgments

The preparation of the financial statements in compliance with PFRSs 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.

#### Judgments

##### *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 Transactions (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 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 (see Note 12), since management assessed that it is not probable that the benefits from these deferred tax assets will be realized in the future.

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### 4. Financial Risk Management Objectives and Policies

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

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

#### Risk Management Framework

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



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

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

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

The Compliance Division (CD) of First Metro also collaborates with the ROC. The main task of the CD is to monitor and assess compliance of the Fund with 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 and Investment Risk*

The maximum exposure to credit 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 December 31, 2023 and 2022, the Fund does not hold collateral nor any other credit enhancements for the outstanding financial assets.

*Concentration of risks of financial assets with credit risk exposure*

An analysis of concentrations of credit and investment risk by industry is shown below:

	December 31, 2023		
	Cash in banks	Receivables	Total
<b>Financial Intermediaries</b>	<b>₱10,168,391</b>	<b>₱-</b>	<b>₱10,168,391</b>
<b>Industrial companies</b>	-	<b>1,100,202</b>	<b>1,100,202</b>
<b>Holding firms</b>	-	<b>969,993</b>	<b>969,993</b>
	<b>₱10,168,391</b>	<b>₱2,070,195</b>	<b>₱12,238,586</b>

*The Fund does not have debt securities as of December 31, 2023.*

	December 31, 2022		
	Cash in banks	Receivables	Total
Holding firms	₱-	₱672,358	₱672,358
Financial Intermediaries	5,421,590	43,371	5,464,961
	<b>₱5,421,590</b>	<b>₱715,729</b>	<b>₱6,137,319</b>

*The Fund does not have debt securities as of December 31, 2022.*

As of December 31, 2023 and 2022, the Fund's financial assets are all located in the Philippines.

*Credit quality per class of financial assets*

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 December 31, 2023 and 2022, the Fund's financial assets at AC comprising of cash in banks and receivables are all assessed to be High Grade. Accordingly, the Fund assessed that the impact of recognizing ECL is insignificant as of December 31, 2023 and 2022.

*Liquidity Risk*

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

The Fund is also exposed to daily cash redemptions of redeemable shares. The Fund therefore invests the 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.

The table below, for the period indicated, shows the maturity profile of the financial assets at amortized cost and financial liabilities of the Fund based on contractual undiscounted cash flows. For financial assets at FVTPL, analysis of maturity groupings is based on the expected period these assets will be realized.

	December 31, 2023						Total
	On demand	Up to 1 month	More than 1 to 3 months	More than 3 to 6 months	More than 6 to 12 months	Beyond 1 year	
<b>Financial Assets</b>							
Cash in banks	₱10,168,391	₱-	₱-	₱-	₱-	₱-	₱10,168,391
Financial assets at FVTPL	-	2,129,183,895	-	-	-	-	2,129,183,895
Receivables	-	2,070,195	-	-	-	-	2,070,195
	<b>10,168,391</b>	<b>2,131,254,090</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,141,422,481</b>
<b>Financial Liabilities*</b>							
Payable to FAMI	-	885,023	-	-	-	-	885,023
Accrued expenses	-	568,262	-	-	-	-	568,262
Custodian fee and transaction charges payable	-	54,336	-	-	-	-	54,336
	-	<b>1,507,621</b>	-	-	-	-	<b>1,507,621</b>
<b>Net asset (liability)</b>	<b>₱2,139,352,286</b>	<b>₱562,574</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱2,139,914,860</b>

\*Excludes statutory obligations

	December 31, 2022						Total
	On demand	Up to 1 month	More than 1 to 3 months	More than 3 to 6 months	More than 6 to 12 months	Beyond 1 year	
<b>Financial Assets</b>							
Cash in banks	5,421,590	₱-	₱-	₱-	₱-	₱-	5,421,590
Financial assets at FVTPL	-	2,200,286,703	-	-	-	-	2,200,286,703
Receivables	-	715,729	-	-	-	-	715,729
	<b>5,421,590</b>	<b>2,201,002,432</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,206,424,022</b>
<b>Financial Liabilities*</b>							
Payable to FAMI	-	888,753	-	-	-	-	888,753
Accrued expenses	-	840,223	-	-	-	-	840,223
Custodian fee and transaction charges payable	-	86,471	-	-	-	-	86,471
	-	<b>1,815,447</b>	-	-	-	-	<b>1,815,447</b>
<b>Net asset (liability)</b>	<b>2,205,708,293</b>	<b>(1,099,718)</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>2,204,608,575</b>

\*Excludes statutory obligations





*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 December 31, 2023 and 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 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.

The following table sets forth the impact of changes in the PSEi on the Fund's unrealized gain (loss) on its financial assets at FVTPL in 2023, 2022 and 2021:

	2023		2022		2021	
<b>Changes in PSEi</b>	<b>16.49%</b>	<b>(16.49%)</b>	14.98%	(14.98%)	13.62%	(13.62%)
Changes in fair value of financial assets at FVTPL by industry classification:						
Holdings	₱125,261,636	(₱125,261,636)	₱127,019,314	(₱127,019,314)	₱109,799,739	(₱109,799,739)
Property	70,230,985	(70,230,985)	75,407,194	(75,407,194)	56,993,199	(56,993,199)
Financial	63,172,887	(63,172,887)	46,865,117	(46,865,117)	49,544,422	(49,544,422)
Industrial	48,174,545	(48,174,545)	41,850,183	(41,850,183)	36,046,965	(36,046,965)
Services	41,340,488	(41,340,488)	31,078,888	(31,078,888)	43,297,083	(43,297,083)
Mining and oil	4,211,479	(4,211,479)	2,587,769	(2,587,769)	-	-
<b>Total</b>	<b>₱352,392,020</b>	<b>(₱352,392,020)</b>	<b>₱324,808,465</b>	<b>(₱324,808,465)</b>	<b>₱295,681,408</b>	<b>(₱295,681,408)</b>
As a percentage of the Fund's net unrealized gain (loss) for the year	<b>(6,183.14%)</b>	<b>6,183.14%</b>	276.30%	276.30%	1,106.81%	(1,106.81%)

#### 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.

The table below provides an analysis of the effect on net assets and profit (loss) of the Fund due to a change in market index with all other variables held constant.

	2023	2022
Actual change in underlying index	<b>(1.77%)</b>	(7.81%)
Actual changes in net assets and profit or loss	<b>2,129,183,895</b>	2,200,286,703

## 5. Fair Value Measurement

As of December 31, 2023 and 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 inputs.

#### Financial assets and liabilities carried at AC

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 December 31, 2023 and 2022, the Fund has no financial instruments that are reported under levels 2 and 3 fair value measurements, and there were no transfers made among the three levels in the fair value hierarchy.



## 6. Cash in Banks

As of December 31, 2023 and 2022, the Fund's cash in banks amounted to ₱10.17 million and ₱5.42 million, respectively. This account represents the Fund's savings and checking accounts with local banks that bear annual interest rates of up to 0.25% and 0.125% in 2023 and 2022, respectively. Interest income on cash in banks amounted to ₱2,325, ₱16,066 and ₱7,371 in 2023, 2022 and 2021, respectively.

## 7. Financial Assets at FVPL

Financial assets at FVPL consist of quoted equity securities with net gains (losses) of:

	2023	2022	2021
Outstanding securities	<b>(₱5,697,626)</b>	(₱117,555,309)	₱26,714,731
Sold/disposed securities	<b>(23,495,207)</b>	(34,617,314)	(2,974,786)
	<b>(₱29,192,833)</b>	(₱152,172,623)	₱23,739,945

Dividend income earned from financial assets at FVPL amounted to ₱72.55 million, ₱44.38 million and ₱35.34 million in 2023, 2022 and 2021, respectively.

## 8. Receivables

This account consists of:

	2023	2022
Dividend receivable	<b>₱2,070,195</b>	₱672,358
Other receivable	-	43,371
	<b>₱2,070,195</b>	₱715,729

Other receivable pertains to amounts due from FAMI which are collectible within thirty (30) days. These are clients' subscriptions where the modes of payment are other than bills payment or bank transfer.

## 9. Accounts Payable and Accrued Expenses

This account consists of:

	2023	2022
Financial:		
Payable to FAMI (Note 14)	<b>₱885,023</b>	₱888,753
Accrued expenses	<b>568,262</b>	840,223
Custodian fee and transaction charges payable	<b>54,336</b>	86,471
	<b>1,507,621</b>	1,815,447
Nonfinancial:		
Withholding taxes payable	<b>148,231</b>	303,156
Documentary stamp tax payable	-	50,000
	<b>148,231</b>	353,156
	<b>₱1,655,852</b>	₱2,168,603



Payable to FAMI represents unpaid management fees.

Accrued expenses include professional fees, information technology fees, listing fees and retainer's fees.

Custodian fee payable represents unpaid fees to the Fund's custodian for daily fees charged based on transactions made and for safekeeping services of the Fund's cash and equity securities.

## 10. Equity

### Authorized Capital Stock

The Fund's authorized and issued capital stock follow:

	2023		2022	
	Shares	Amount	Shares	Amount
Authorized	30,000,000	₱3,000,000,000	30,000,000	₱3,000,000,000
Issued and outstanding:				
Balance at the beginning of the period	21,801,260	2,180,126,000	20,201,260	2,020,126,000
Subscriptions	750,000	75,000,000	3,680,000	368,000,000
Redemptions	(1,560,000)	(156,000,000)	(2,080,000)	(208,000,000)
Balance at the end of the period	20,991,260	₱2,099,126,000	21,801,260	₱2,180,126,000

The initial authorized capital of the Fund amounting to ₱1.00 billion divided into 10.00 million common redeemable shares of ₱100.00 par value with each share carrying one vote was approved by the SEC on January 15, 2013. The BOD approved and the stockholders ratified on April 16, 2013 the increase in authorized capital stock of the Fund from ₱1.00 billion (10.00 million redeemable common shares) to ₱3.00 billion (30.00 million redeemable common shares) with a par value of ₱100.00 per share. The increase in authorized capital stock and the registration statement was approved by the SEC on August 29, 2013 and November 27, 2013, respectively.

In December 2013, the Parent Company paid ₱750.00 million representing the minimum 25.00% subscribed and paid-up capital for the authorized capital stock of the Fund.

As of December 31, 2023 and 2022, the total number of shareholders owning at least one board lot (equivalent to 10 ETF shares) is 3,288.

### 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 December 31, 2023, 2022 and 2021, NAV per share is computed as follows:

	2023	2022	2021
Net assets (a)	₱2,139,766,629	₱2,204,521,267	₱2,186,415,898
Number of shares outstanding (b)	20,991,260	21,801,260	20,201,260
NAV per share (a/b)	₱101.9361	₱101.1190	₱108.2317

Securities Regulation Code Rule 68 requires mutual funds to disclose the net asset value per share in the face or in the notes of financial statements.



The shares of the Fund are listed in the PSE. The shares may be bought and sold through the secondary market at the quoted market price through the trading participants of the PSE. The quoted market price of the share may differ from its NAVPS which are disclosed in the PSE board. However, shares of the Fund may be issued and redeemed only through the authorized participants in creation units. The subscription or redemption of shares in creation units are based on the NAVPS on the date of creation or redemption of the units. The quoted market prices of the Fund's shares as of December 31, 2023, 2022 and 2021 amounted to ₱102.70, ₱101.00 and ₱108.30, respectively.

#### Capital Management

The Fund aims to provide returns which would reflect the performance of the Philippine equities market by investing in a basket of securities included in the PSEi. The portfolio of the Fund is to be rebalanced and reconstituted every six months in order to adjust to the current composition of the PSEi.

#### Minimum Capital Requirements

As an ETF registered with the SEC, the Fund must continually comply with the minimum subscribed and paid-up capital of ₱250.00 million. As of December 31, 2023 and 2022, the Fund has complied with the externally imposed capital requirement.

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### 11. Earnings (loss) Per Share

Basic EPS amounts are calculated by dividing the net income for the year by the weighted average number of common shares outstanding during the year (adjusted for stock dividends).

The following reflects the income and share data used in the basic earnings per share computations:

	2023	2022	2021
Net investment income (loss) (a)	<b>₱24,133,900</b>	(₱130,002,976)	₱38,892,042
Weighted average number of shares outstanding (b) *	<b>21,109,260</b>	21,276,657	17,551,260
Basic/diluted earnings (loss) per share (a/b)	<b>₱1.1433</b>	(₱6.1101)	₱2.2159

*\*Based on monthly average.*

In 2023, 2022 and 2021, there were no outstanding dilutive potential common shares.

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### 12. Income Taxes

Provision for final tax pertains to the 20.00% final withholding tax on interest income on peso-denominated deposits with local banks and stock transaction tax incurred on sale of equity securities listed and traded through the PSE amounting to 0.60% of gross selling price on stocks sold.

On March 26, 2021, Republic Act (RA) No. 11534, otherwise known as Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law. CREATE reduced the RCIT rate from 30.00% to 25.00% depending on the criteria set by the law effective July 1, 2020. With the implementation of this Act, interest expense allowed as deductible expenses shall be reduced by 20.00% of the interest income subject to final tax, compared to the 33.00% reduction prior to the Act.



The regulations also provide for an MCIT of 2.00% (prior to CREATE) and 1.00% from (July 2020 to June 30, 2023 before reverting to 2.00%) on modified gross income and allow a NOLCO. The MCIT and NOLCO may be applied against the Group’s and Parent Company’s income tax liability and taxable income, respectively, over a three-year period from the year of inception.

An Optional Standard Deduction (OSD) equivalent to 40.00% of gross income may be claimed as an alternative deduction in computing for the RCIT. The Fund has elected to claim itemized deductions for its 2023, 2022 and 2021 RCIT computations.

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of “Bayanihan to Recover As One Act” which states that NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2023, the Company has incurred NOLCO which can be claimed as deduction, as follows:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2020	₱5,347,281	₱–	₱5,347,281	2025
2021	20,191,887	–	20,191,887	2026
2022	20,616,863	–	20,616,863	2025
2023	18,703,832	–	18,703,832	2026
	<b>₱64,859,863</b>	<b>₱–</b>	<b>₱64,859,863</b>	

The Fund did not set up deferred tax assets on NOLCO for 2023 and 2022 amounting to ₱16.35 million and ₱11.54 million, respectively. The Fund believes that it is not probable that these temporary differences will be realized in the future.

Reconciliation of the statutory income tax to effective income tax for 2023, 2022 and 2021 follows:

	2023	2022	2021
Statutory income tax	<b>₱6,194,891</b>	(₱32,097,526)	₱9,723,379
Tax effect of:			
Tax paid and tax-exempt income	<b>(18,138,940)</b>	(11,099,846)	(8,836,365)
Movements in unrecognized			
deferred tax asset	<b>4,675,958</b>	5,154,216	(1,630,711)
Non-taxable income	<b>(30,118)</b>	–	–
Non-deductible expenses/losses	<b>7,943,873</b>	39,656,029	745,171
Effective income tax	<b>₱645,664</b>	₱1,612,873	₱1,474

### 13. Segment Information

For management purposes, the Fund is organized into one main operating segment, which invests in equity 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.

The Fund Manager (with its president as Chief Operating Decision Maker (CODM)) monitors and assesses the performance of the Fund based on the daily NAV and NAVPS (Note 10).



The segment's net assets reported to the CODM and net assets under PFRS as of December 31, 2023, 2022 and 2021 follow:

	2023	2022	2021
Financial assets at FVTPL	<b>₱2,129,183,895</b>	₱2,200,286,703	₱ 2,179,031,834
Cash in bank	<b>10,168,391</b>	5,421,590	11,518,004
Receivables	<b>2,070,195</b>	715,729	822,744
Other asset	<b>—</b>	265,848	—
Total segment assets	<b>2,141,422,481</b>	2,206,689,870	2,191,372,582
Total segment liabilities	<b>1,655,852</b>	2,168,603	4,956,684
Net assets reported to CODM and under PFRS	<b>₱2,139,766,629</b>	₱2,204,521,267	₱ 2,186,415,898

The table below analyzes the Fund's investment income (loss) per investment type:

	2023	2022	2021
Equity securities	<b>₱43,360,596</b>	(₱107,789,306)	₱59,078,032
Deposit placements	<b>2,325</b>	16,066	7,371
	<b>₱43,362,921</b>	(₱107,773,240)	₱ 59,085,403

The Fund's assets producing revenue are all located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

No investment income was derived from a single customer that constitutes 10% or more of the Fund's investment income (loss) in 2023, 2022 and 2021.

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#### 14. 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 other related parties as follows:

December 31, 2023			
	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
<b>Ultimate parent company</b>			
Cash in banks	P-	P1,179,283	Savings account with 0.25% interest rate
Interest income	880	-	Income from cash in bank
Financial Assets at FVTPL	-	66,153,556	Shares issued by MBTC
Dividend income	3,756,365	-	Income from dividend on equity securities issued by MBTC
Custodian fees	549,095	54,336	Fees paid as stock transfer agent
Transfer agency fees	170,020	80,968	Stock and transfer agency fee
<b>Other related parties*</b>			
Management fees (Note 9)	12,034,075	885,023	0.50%; Monthly fee based on average NAV
Financial Assets at FVTPL	-	33,381,020	Shares issued by GT Capital Holdings, Inc.
Dividend income	185,466	-	Income from dividend on equity securities issued by GT Capital Holdings, Inc.
Brokers' commissions	1,657,911	-	For purchases and sale of equity securities
<b>Key management personnel</b>			
Directors' and officers' fees	299,500	-	Per diems given to directors and officers during board meetings
<i>*Other related parties include FAMI, FMSBC, GT Capital Holdings</i>			
December 31, 2022			
	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
<b>Ultimate parent company</b>			
Cash in banks	P-	P505,594	Savings account with 0.125% interest rate
Financial assets at FVTPL	71,738,298	71,738,298	Shares issued by MBTC.
Dividend income	3,786,890	-	Dividend income from equity investments
Custodian and transfer agency fees	630,409	-	Fees paid as stock transfer agent
<b>Other related parties*</b>			
Management fees (Note 9)	12,097,836	888,753	0.50%; Monthly fee based on average NAV
Financial assets at FVTPL	25,355,715	25,355,715	Shares issued by GT Capital Holdings, Inc.
Brokers' commissions	1,213,363	-	Incurred for purchases and sales of equity
Dividend income	166,350	-	Dividend income from equity investments
<b>Key management personnel</b>			
Directors' and officers' fees	308,989	-	Per diems given to directors and officers during board meetings
<i>*Other related parties include FAMI, FMSBC, MBTC-TBG, GT Capital Holdings</i>			
December 31, 2021			
	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
<b>Ultimate parent company</b>			
Cash in banks	P-	P1,904,200	Savings account with 0.25% interest rate
Financial assets at FVTPL	71,343,624	71,343,624	Shares issued by MBTC.
Dividend income	4,749,388	-	Dividend income from equity investments
Custodian and transfer agency fees	888,089	-	Fees paid as stock transfer agent
<b>Other related parties*</b>			
Management fees (Note 9)	11,408,679	892,381	0.50%; Monthly fee based on average NAV
Financial assets at FVTPL	30,317,220	30,317,220	Shares issued by GT Capital Holdings, Inc.
Brokers' commissions	2,224,659	-	Incurred for purchases and sales of equity
Dividend income	160,437	-	Dividend income from equity investments
<b>Key management personnel</b>			
Directors' and officers' fees	136,006	-	Per diems given to directors and officers during board meetings
<i>*Other related parties include FAMI, FMSBC, MBTC-TBG, GT Capital Holdings</i>			





Pursuant to the Management and Distribution Agreement (the Agreement) dated April 17, 2013, as fund manager of the Fund, FAMI is entitled to receive an annual management fee of 0.50% of the average daily NAV of the Fund payable on a monthly basis. The average daily NAV shall be determined by computing the total value of the Fund's assets less its liabilities.

The Agreement shall take effect for a period of two years and shall continue in effect from year to year, unless otherwise terminated or amended by the parties in accordance with specified terms and conditions. There were no changes made during the year.

*Terms and conditions of transactions with related parties*

Outstanding balances at year-end are unsecured and settlement occurs in cash. There are no provisions for amounts due from related parties. There have been no guaranties provided or received for any related party receivables and payables.

Details of investments in the Fund by related parties are set out below:

	Number of shares held at January 1	% interest held at January 1	Number of shares acquired during the year	Number of shares disposed during the year	Number of shares held at December 31	% interest held at December 31
<b>2023</b>						
First Metro	5,384,902	24.70	7	-	5,384,909	25.65
Directors and officers	508	0.00	-	111	397	0.00
<b>2022</b>						
First Metro	9,782,003	26.65	-	4,487,101	5,384,902	24.70
FMSBC	16,985	0.00	-	16,985	-	0.00
FMSALEF	198	0.00	-	198	-	0.00
Directors and officers	7	0.00	501	-	508	0.00
<b>2021</b>						
First Metro	5,824,903	-	3,957,100	-	9,782,003	48.79
FMSBC	73,935	-	-	56,950	16,985	0.00
FMSALEF	16,410	-	-	16,212	198	0.00
Directors and officers	728	-	-	721	7	0.00

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**15. Approval for the Release of the Financial Statements**

The financial statements of the Fund were authorized and approved for issue by the BOD on March 22, 2024.

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**16. Supplementary Information Required Under Revenue Regulations 15-2010**

The Fund also reported and/or paid the following types of taxes during the year:

Taxes and licenses

In 2023, taxes and licenses of the Fund consist of the following:

Documentary Stamp Tax	₱750,000
Local business taxes	25,737
	₱775,737

Total remittances in 2023 of documentary stamp tax amounted to ₱800,000.



Withholding Taxes

Total remittances in 2023 and outstanding balance as of December 31, 2023 of withholding taxes follow:

	Total Remittances	Outstanding Balance
Expanded withholding taxes	₱1,972,560	₱148,231
Final withholding taxes	—	—
	₱1,972,560	₱148,231

Tax Contingencies

The Fund has no pending tax cases and/or assessment as of December 31, 2023.



## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
First Metro Philippine Equity Exchange Traded Fund, Inc.  
18<sup>th</sup> Floor, PSBank Center  
777 Paseo de Roxas corner Sedeño Street  
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of First Metro Philippine Equity Exchange Traded Fund, Inc. (the Fund) as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated March 22, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for the purpose of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Redginald G. Radam  
Partner

CPA Certificate No. 118866

Tax Identification No. 249-000-259

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

BIR Accreditation No. 08-001998-141-2021, April 27, 2021, valid until April 26, 2024

PTR No. 10079995, January 6, 2024, Makati City

March 22, 2024

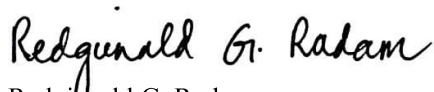


## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors  
First Metro Philippine Equity Exchange Traded Fund, Inc.  
18<sup>th</sup> Floor, PSBank Center  
777 Paseo de Roxas corner Sedeño Street  
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of First Metro Philippine Equity Exchange Traded Fund, Inc. (the Fund) as at December 31, 2023 and 2022, and for each of the three years in the period ended, and have issued our report thereon dated March 22, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Fund's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Fund's financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Redginald G. Radam

Partner

CPA Certificate No. 118866

Tax Identification No. 249-000-259

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

BIR Accreditation No. 08-001998-141-2021, April 27, 2021, valid until April 26, 2024

PTR No. 10079995, January 6, 2024, Makati City

March 22, 2024



**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**  
**INDEX TO THE FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY SCHEDULES**  
**DECEMBER 31, 2023**

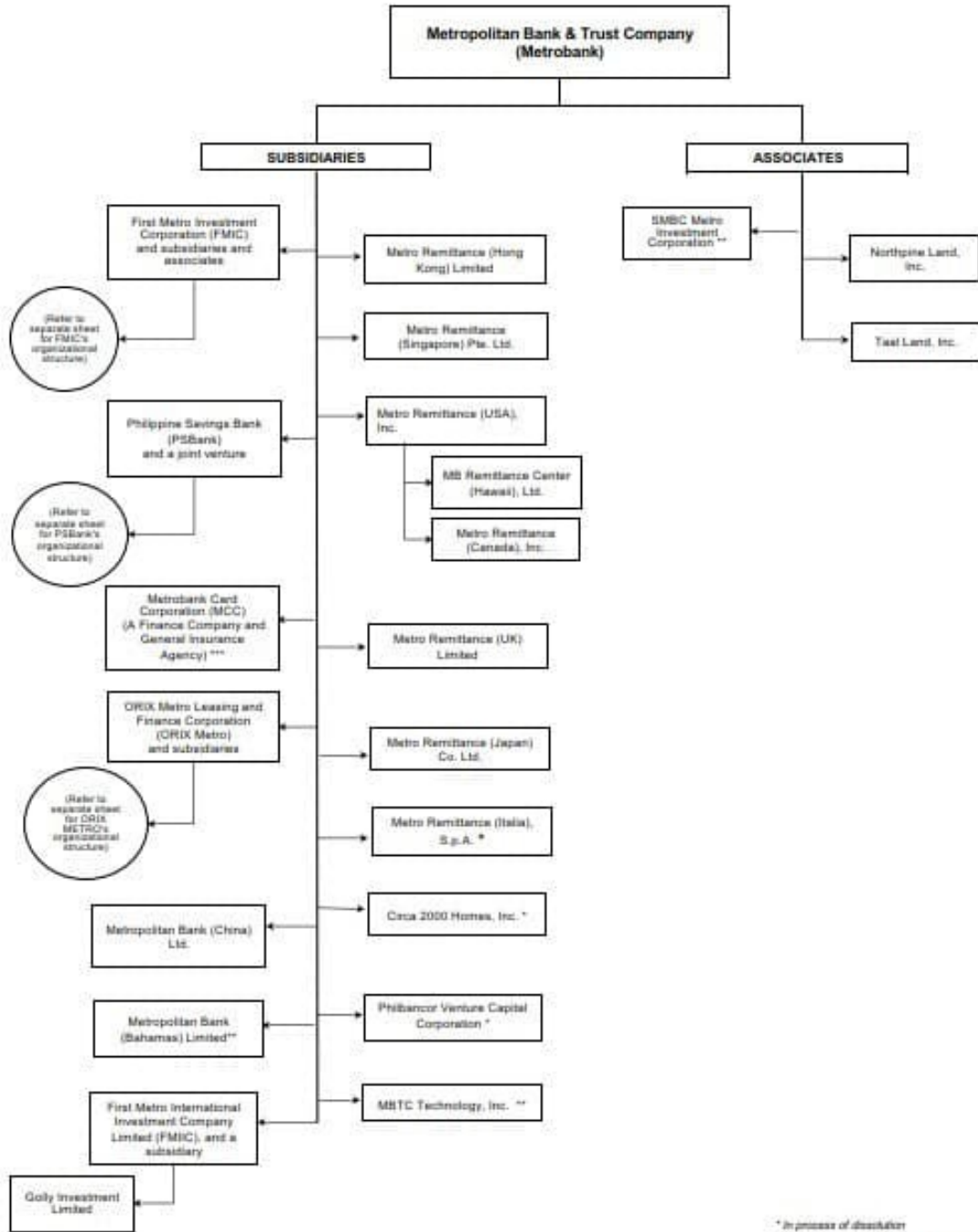
**Schedules Required under Securities Regulation Code Rule 68**

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**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**  
**SCHEDULE I**  
**RECONCILIATION OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**AS OF DECEMBER 31, 2023**

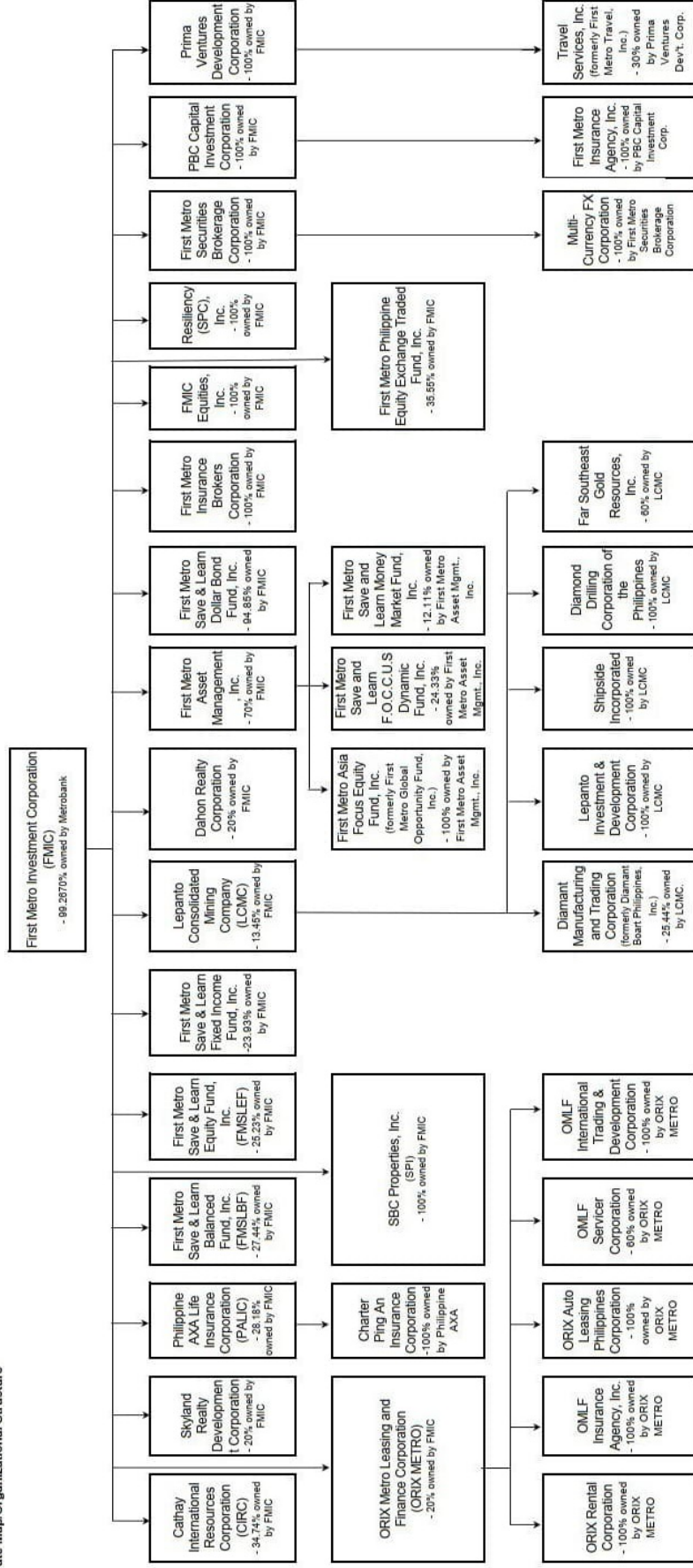
<b>Unappropriated Retained Earnings, as adjusted to available for dividend distribution,</b> <i>beginning</i>	<b>(163,398,450)</b>
Add: Net investment income in 2023	24,133,900
<b>Unappropriated Retained Earnings, as adjusted to available for dividend distribution,</b> <i>ending</i>	<b>(P139,264,550)</b>

**Metropolitan Bank & Trust Company  
Subsidiaries and Associates  
As of December 31, 2023**



\* In process of dissolution  
 \*\* In process of liquidation  
 \*\*\* The SEC approved the merger of MCC into the Bank effective January 3, 2020

**First Metro Investment Corp.**  
**Conglomerate Map/Organizational Structure**





**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**  
**Schedule A – Financial Assets**  
**December 31, 2023**

Name of issuing entity and association of each issue	Number of shares	Amount shown on the balance sheet	Valued based on market quotation at balance sheet date	Income received and accrued
Aboitiz Equity Ventures, Inc.	1,577,599	₱70,360,915	₱70,360,915	₱2,424,004
AC Energy	5,463,638	23,930,734	23,930,734	199,403
Alliance Global Group, Inc	1,674,231	18,885,326	18,885,326	251,375
Ayala Corporation	188,812	128,580,972	128,580,972	1,512,501
Ayala Land Inc.	4,286,294	147,662,828	147,662,828	1,967,275
Bank of the Philippine Islands	1,507,009	156,427,534	156,427,534	-
Banco de Oro Unibank, Inc	1,384,570	180,686,385	180,686,385	3,922,875
Blombery Resorts Corporation	2,207,600	21,722,784	21,722,784	-
Century Pacific Food Inc	719,700	22,274,715	22,274,715	-
Converge Information & Communication Tech.	1,345,657	11,276,606	11,276,606	-
DMCI Holdings, Inc.	2,061,969	20,145,437	20,145,437	-
Emperador, Inc.	1,879,912	39,196,165	39,196,165	399,727
Globe Telecom, Inc.	18,954	32,600,880	32,600,880	1,622,515
GT Capital Holdings Inc	56,578	33,381,020	33,381,020	185,466
International Container Terminal Services	619,007	152,770,928	152,770,928	5,689,580
JG Summit Holdings, Inc.	1,796,815	68,548,492	68,548,492	794,740
Jollibee Foods Corporation	301,009	75,673,663	75,673,663	670,913
LT Group, Inc.	1,680,533	15,091,186	15,091,186	1,830,695
Manila Electric Company	175,058	69,848,142	69,848,142	2,830,925

Name of issuing entity and association of each issue	Number of shares	Amount shown on the balance sheet	Valued based on market quotation at balance sheet date	Income received and accrued
Metropolitan Bank & Trust Co.	1,289,543	66,153,556	66,153,556	3,756,365
Monde Nissin Corporation	4,293,297	35,977,829	35,977,829	516,156
Nickel Asia Corporation	2,257,700	12,372,196	12,372,196	158,578
PLDT, Inc.	47,759	61,083,761	61,083,761	3,051,952
Puregold Price Club, Inc.	602,110	16,196,759	16,196,759	584,047
San Miguel Corporation	284,781	29,076,140	29,076,140	320,002
Semirara Mining and Power Corporation	609,376	18,433,624	18,433,624	4,241,454
SM Investment Corp.	350,641	305,758,952	305,758,952	2,612,385
SM Prime Holdings	6,382,730	209,991,817	209,991,817	1,510,488
Universal Robina Corporation	572,522	67,672,100	67,672,100	2,241,227
Wilcon Builder's Depot, Inc.	832,653	17,402,448	17,402,448	309,683
	46,468,057	P2,129,183,895	P2,129,183,895	P43,604,326

**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**  
**Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and**  
**Principal Stockholders (Other than Related Parties)**  
**December 31, 2023**

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

**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**  
**Schedule C – Amounts Receivable from Related Parties which are eliminated**  
**during the consolidation of financial statements**  
**December 31, 2023**

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.

**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**  
**Schedule D – Intangible Assets – Other Assets**  
**December 31, 2023**

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

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

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

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

**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**  
**Schedule E - Long-Term Debt**  
**December 31, 2023**

Title of issue and type of obligation <sup>(i)</sup>	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet <sup>(ii)</sup>	Amount shown under caption "Long-Term Debt" in related balance sheet <sup>(iii)</sup>	Interest Rate %	Maturity Date
--	--------------------------------	---	---	-----------------	---------------

None to report.

<sup>(i)</sup> Include in this column each type of obligation authorized.

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

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

**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**  
**Schedule F - Indebtedness to Related Parties**  
**(Long Term Loans from Related Companies)**  
**December 31, 2023**

Name of Related Parties <sup>(i)</sup>	Balance at beginning of period	Balance at end of period <sup>(ii)</sup>
--	--------------------------------	--

None to report.

<sup>(i)</sup> The related parties named shall be grouped as in Schedule C. The information called for shall be stated for any persons whose investments shown separately in such related schedule.  
<sup>(ii)</sup> For each affiliate named in the first column, explain in a note hereto the nature and purpose of any material increase during the period that is in excess of 10 percent of the related balance at either the beginning or end of the period.

**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**  
**Schedule G - Guarantees of Securities of Other Issuers**  
**December 31, 2023**

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

<sup>(i)</sup> 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.

<sup>(ii)</sup> 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.



**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**  
**Schedule H - Capital Stock**  
**December 31, 2023**

Title of Issue <sup>(i)</sup>	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 <sup>(ii)</sup>	Directors, officers and employees	Others <sup>(iii)</sup>
Common	30,000,000	20,991,260	—	5,384,909	397	The Fund issued 750,000 shares and redeemed 1,560,000 shares during the year.

<sup>(i)</sup> Include in this column each type of issue authorized

<sup>(ii)</sup> 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.

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

**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**  
**FINANCIAL SOUNDNESS INDICATORS**  
**AS OF DECEMBER 31, 2023 AND 2022**

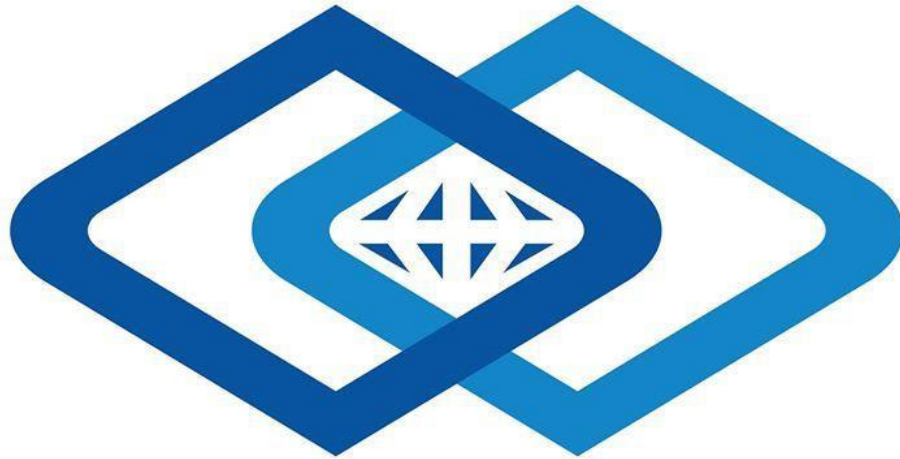
Below are the financial ratios that are relevant to the Fund for the year ended December 31, 2023 and 2022:

<b>Ratio</b>	<b>Formula</b>	<b>2023</b>	<b>2022</b>
Current ratio	$\frac{\text{Total current assets} \quad \text{₱2,141,422,481}}{\text{Total current liabilities} \quad \text{1,655,852}}$ = current ratio <span style="float: right;">1,293.2451</span>	1,293.2446	1,025.5727
Acid test ratio	$\frac{\text{Total quick assets}^* \quad \text{₱2,141,422,481}}{\text{Total current liabilities} \quad \text{1,655,852}}$ = current ratio <span style="float: right;">1,293.2451</span>	1,293.2446	1,025.4491
Debt-to-equity ratio	$\frac{\text{Total liabilities} \quad \text{₱1,655,853}}{\text{Total equity} \quad \text{2,139,766,629}}$ = Debt-to-equity ratio <span style="float: right;">0.0008</span>	0.0008	0.0010
Asset-to-equity ratio	$\frac{\text{Total assets} \quad \text{₱2,141,422,481}}{\text{Total equity} \quad \text{2,139,766,629}}$ = Asset-to-equity ratio <span style="float: right;">1.0008</span>	1.0008	1.0010
Return on average stockholder's equity	$\frac{\text{Net income (loss)} \quad \text{₱24,133,900}}{\text{Average stockholder's equity} \quad \text{2,172,143,948}}$ = Return on average stockholder's equity <span style="float: right;">0.0111</span>	0.0111	(0.0592)
Return on assets	$\frac{\text{Net income (loss)} \quad \text{₱24,133,900}}{\text{Average total assets} \quad \text{2,174,056,176}}$ = Return on average total assets <span style="float: right;">0.0111</span>	0.0111	(0.0592)

\*Total quick assets consist of Cash and cash equivalents, Financial assets at FVPTL securities and Accounts receivables

**FIRST METRO PHILIPPINE EQUITY EXCHANGE TRADED FUND, INC.**  
**OTHER RATIOS REQUIRED FOR MUTUAL FUNDS**  
**DECEMBER 31, 2023**

Name of issuing entity and association of each issue	Number of shares	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)
Aboitiz Equity Ventures, Inc.	1,577,599	₱70,360,915	3.29%	0.03%
AC Energy	5,463,638	23,930,734	1.12%	0.01%
Alliance Global Group, Inc	1,674,231	18,885,326	0.88%	0.02%
Ayala Corporation	188,812	128,580,972	6.01%	0.03%
Ayala Land Inc.	4,286,294	147,662,828	6.90%	0.03%
Bank of the Philippine Islands	1,507,009	156,427,534	7.31%	0.03%
Banco de Oro Unibank, Inc	1,384,570	180,686,385	8.44%	0.03%
Blombery Resorts Corporation	2,207,600	21,722,784	1.02%	0.02%
Century Pacific Food Inc	719,700	22,274,715	1.04%	0.02%
Converge Information & Communication Tech.	1,345,657	11,276,606	0.53%	0.02%
DMCI Holdings, Inc.	2,061,969	20,145,437	0.94%	0.02%
Emperador, Inc.	1,879,912	39,196,165	1.83%	0.01%
Globe Telecom, Inc.	18,954	32,600,880	1.52%	0.01%
GT Capital Holdings Inc	56,578	33,381,020	1.56%	0.03%
International Container Terminal Services	619,007	152,770,928	7.14%	0.03%
JG Summit Holdings, Inc.	1,796,815	68,548,492	3.20%	0.02%
Jollibee Foods Corporation	301,009	75,673,663	3.54%	0.03%
LT Group, Inc.	1,680,533	15,091,186	0.71%	0.02%
Manila Electric Company	175,058	69,848,142	3.26%	0.02%
Metropolitan Bank & Trust Co.	1,289,543	66,153,556	3.09%	0.03%
Monde Nissin Corporation	4,293,297	35,977,829	1.68%	0.02%
Nickel Asia Corporation	2,257,700	12,372,196	0.58%	0.02%
PLDT, Inc.	47,759	61,083,761	2.85%	0.02%
Puregold Price Club, Inc.	602,110	16,196,759	0.76%	0.02%
San Miguel Corporation	284,781	29,076,140	1.36%	0.01%
Semirara Mining and Power Corporation	609,376	18,433,624	0.86%	0.01%
SM Investment Corp.	350,641	305,758,952	14.29%	0.03%
SM Prime Holdings	6,382,730	209,991,817	9.81%	0.02%
Universal Robina Corporation	572,522	67,672,100	3.16%	0.03%
Wilcon Builder's Depot, Inc.	832,653	17,402,448	0.81%	0.02%
	46,468,057	₱2,129,183,895	99.51%	



FIRST METRO PHILIPPINE EQUITY  
EXCHANGE-TRADED FUND

## **SUSTAINABILITY REPORT 2023**

# Annex A: Reporting Template

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

## Contextual Information

Company Details	
Name of Organization	First Metro Asset Management, Inc.
Location of Headquarters	18 <sup>TH</sup> Flr., PSBank Center, Paseo de Roxas corner Sedeño St., Makati City
Location of Operations	Philippines
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	N/A
Business Model, including Primary Activities, Brands, Products, and Services	The First Metro Philippine Equity Exchange Traded Fund, Inc. (the Fund) was registered with the Securities and Exchange Commission (“SEC”) on January 15, 2013 as an open-end investment company under Republic Act No. 2629, otherwise known as the Investment Company Act and as an “Exchange Traded Fund” (“ETF”) under SEC Memorandum Circular No. 10, Series of 2012 otherwise known as the SEC Rules and Regulations on Exchange Traded Funds (the “SEC ETF Rules”). The Fund is engaged primarily in the business of investing, reinvesting, and trading in, and issuing and redeeming its shares of stock in creation units in exchange for a basket of securities representing an index.
Reporting Period	January 2023 – December 2023
Highest Ranking Person responsible for this report	President

*\*If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

## Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics. <sup>1</sup>
FMETF is registered as an Open-end Investment Company. First Metro Asset Management (FAMI) is FMETF’s fund manager and generally oversees and runs its operations. The content of this report is based on applicability given its nature.

<sup>1</sup> See [GRI 102-46](#) (2016) for more guidance.

# ECONOMIC

## **Economic Performance**

The Fund generates its revenue from trading activities, disposal of investment securities and changes in the fair values of financial instruments at FVTPL, dividend income from equity securities and interest income from cash and cash equivalent. FMETF generated income of Php43,483,395 in 2023. The Company relies on the service of third parties such as its Fund Manager to run its operations. Most of these operations will charge fee based on the FMETF' net assets. The total operating cost, by law, cannot exceed ten percent (10%) of the average investment fund or its net worth as indicated in its previous year's audited financial statements. The Fund may declare or pay dividends to come from the Fund's accumulated undistributed net income, determined in accordance with PFRS and including profits or losses realized upon the sale of securities or from the Fund's earned surplus so determined for the current or preceding fiscal year.

## **Procurement Practices**

The Fund has no raw materials for its business nor has any major existing supply contracts.

## **Anti-corruption**

FMETF directors and management are committed to the highest standards of integrity and ethical business conduct. FMETF and its Fund Manager conduct fair business transactions and guarantee their personal interest does not affect the exercise of their duties. Directors and officers shall not use their position to profit or acquire benefits or advantage for themselves or related interests. No significant corruption risks were identified for the year 2023. FMETF, its Fund Manager, Agents and Distributors conduct business in a manner designed to maintain a culture of honesty and opposition to fraud and corruption.

## Economic Performance

<b>Disclosure</b>	<b>Amount</b>	<b>Units</b>
Direct economic value generated (loss)	43,483,395	PhP
Direct economic value distributed:	0	PhP
a. Operating costs	17,628,594	PhP
b. Employee wages and benefits	299,500	PhP
c. Payments to suppliers, other operating costs	0	PhP
d. Dividends given to stockholders and interest payments to loan providers	0	PhP
e. Taxes given to government	1,421,401	PhP
f. Investments to community (e.g. donations, CSR)	0	PhP

Direct Economic Value Generated : PHP43,483,395

Direct Economic Value Distributed : PHP 0

## Climate-related risks and opportunities<sup>2</sup>

### Procurement Practices

#### Proportion of spending on local suppliers

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	Not applicable	%

### Anti-corruption

#### Training on Anti-corruption Policies and Procedures

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	Not applicable	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	Not applicable	%
Percentage of directors and management that have received anti-corruption training	100%	%
Percentage of employees that have received anti-corruption training	Not applicable	%

#### Incidents of Corruption

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Number of incidents in which directors were removed or disciplined for corruption	None	#
Number of incidents in which employees were dismissed or disciplined for corruption	Not applicable	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	Not applicable	#

<sup>2</sup> Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

# ENVIRONMENT

## **Resource Management**

Nothing to report. The company is registered as an Open-end Investment Company.

## **Environmental Impact Management**

Nothing to report. The company is registered as an Open-end Investment Company.

## **Solid and Hazardous Wastes**

Nothing to report. The company is registered as an Open-end Investment Company.

## **Environmental compliance**

The Company is not required to comply with any environmental laws.



## Resource Management

### Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	Not applicable	GJ
Energy consumption (gasoline)	Not applicable	GJ
Energy consumption (LPG)	Not applicable	GJ
Energy consumption (diesel)	Not applicable	GJ
Energy consumption (electricity)	Not applicable	kWh

### Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	Not applicable	GJ
Energy reduction (LPG)	Not applicable	GJ
Energy reduction (diesel)	Not applicable	GJ
Energy reduction (electricity)	Not applicable	kWh
Energy reduction (gasoline)	Not applicable	GJ

### Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	Not applicable	Cubic meters
Water consumption	Not applicable	Cubic meters
Water recycled and reused	Not applicable	Cubic meters

### Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
· renewable	Not applicable	kg/liters
· non-renewable	Not applicable	kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	Not applicable	%

### Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not applicable	
Habitats protected or restored	Not applicable	ha
IUCN <sup>3</sup> Red List species and national conservation list species with habitats in areas affected by operations	Not applicable	

<sup>3</sup> International Union for Conservation of Nature

## Environmental impact management

### Air Emissions

#### GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	Not applicable	Tonnes CO <sub>2</sub> e
Energy indirect (Scope 2) GHG Emissions	Not applicable	Tonnes CO <sub>2</sub> e
Emissions of ozone-depleting substances (ODS)	Not applicable	Tonnes

#### Air pollutants

Disclosure	Quantity	Units
NO <sub>x</sub>	Not applicable	kg
SO <sub>x</sub>	Not applicable	kg
Persistent organic pollutants (POPs)	Not applicable	kg
Volatile organic compounds (VOCs)	Not applicable	kg
Hazardous air pollutants (HAPs)	Not applicable	kg
Particulate matter (PM)	Not applicable	kg

### Solid and Hazardous Wastes

#### Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	Not applicable	kg
Reusable	Not applicable	kg
Recyclable	Not applicable	kg
Composted	Not applicable	kg
Incinerated	Not applicable	kg
Residuals/Landfilled	Not applicable	kg

#### Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	Not applicable	kg
Total weight of hazardous waste transported	Not applicable	kg

#### Effluents

Disclosure	Quantity	Units
Total volume of water discharges	Not applicable	Cubic meters
Percent of wastewater recycled	Not applicable	%

### Environmental compliance

#### Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	Not applicable	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	Not applicable	#
No. of cases resolved through dispute resolution mechanism	Not applicable	#

## SOCIAL

### **Employee Management**

FMETF has no employees since management of its operation is outsourced to a Fund Manager. Directors and key officers are chosen in accordance with the requirements of the SRC and ETF Rules. The Directors and Executive Officers are given per diems for each meeting. There is no employment contract between the Company and executive officers. There is no compensatory plan or arrangement, including payments to be received from the Company with respect to the executive officers, in the event of resignation, retirement or any other termination of such officer's employment with the Company. All employees of the Fund Manager are provided with adequate training on Anti-money Laundering, Act, Information Security, Data Privacy Act, as well as the policies and procedures established by the Company to ensure awareness and compliance.

### **Supply Chain Management**

The Fund has no raw materials for its business nor has any major existing supply contracts.

### **Relationship with Community**

Being a capital market participant, FMETF makes investing simple, accessible, and affordable. It offers professional management, diversification, liquidity, affordability, as well as strict compliance government regulation and full disclosure.

### **Customer Management**

FMETF ensures shareholders' access to accurate and adequate information about our company and its transactions. Through timely and accurate disclosures of material information, we aim to mitigate the negative effects of inadequate engagement in public relations. FMETF is committed to respecting the stockholders' right to information based on prescribed rules and regulations. Our company also aims to provide stockholders with accurate and timely information during the annual stockholders' meeting and quarterly briefings, and to achieve non-violation of disclosure rules. No incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications was incurred as of 2023. No complaints from customers that went through the organization's formal communication channels and no complaints were lodged to and acted upon by government agencies.

First Metro Asset Management, Inc. the fund manager of FMETF seeks to ensure that personal data of all investors are handled with utmost care and confidentiality, regardless of how it is created, viewed, processed, stored, used or destroyed and whether it is through electronic, print, written or any other possible form and medium. The organization ensures that the collection, storage, distribution, retention, and disposal of personal data shall be done in an appropriate manner for any investment transaction, and internal purposes. There were no complaints concerning breaches of customer privacy and losses of customer data for 2023.

## Employee Management

### Employee Hiring and Benefits

#### Employee data

Disclosure	Quantity	Units
Total number of employees <sup>4</sup>		
a. Number of female employees	Not applicable	#
b. Number of male employees	Not applicable	#
Attrition rate <sup>5</sup>	Not applicable	rate
Ratio of lowest paid employee against minimum wage	Not applicable	ratio

#### Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS		Not applicable	
PhilHealth		Not applicable	
Pag-ibig		Not applicable	
Parental leaves		Not applicable	
Vacation leaves		Not applicable	
Sick leaves		Not applicable	
Medical benefits (aside from PhilHealth))		Not applicable	
Housing assistance (aside from Pag-ibig)		Not applicable	
Retirement fund (aside from SSS)		Not applicable	
Further education support		Not applicable	
Company stock options		Not applicable	
Telecommuting		Not applicable	
Flexible-working Hours		Not applicable	
(Others)		Not applicable	

### Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees	Not applicable	
a. Female employees	Not applicable	hours
b. Male employees	Not applicable	hours
Average training hours provided to employees	Not applicable	
a. Female employees	Not applicable	hours/employee
b. Male employees	Not applicable	hours/employee

### Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	Not applicable	%
Number of consultations conducted with employees concerning employee-related policies	Not applicable	#

<sup>4</sup> Employees are individuals who are in an employment relationship with the organization, according to national law or its application ([GRI Standards 2016 Glossary](#))

<sup>5</sup> Attrition rate = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

### Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	Not applicable	%
% of male workers in the workforce	Not applicable	%
Number of employees from indigenous communities and/or vulnerable sector*	Not applicable	#

*\*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

### Workplace Conditions, Labor Standards, and Human Rights

#### Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	Not applicable	Man-hours
No. of work-related injuries	Not applicable	#
No. of work-related fatalities	Not applicable	#
No. of work related ill-health	Not applicable	#
No. of safety drills	Not applicable	#

#### Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	Not applicable	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor		Not applicable
Child labor		Not applicable
Human Rights		Not applicable

### Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy.

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	Not applicable	
Forced labor	Not applicable	
Child labor	Not applicable	
Human rights	Not applicable	
Bribery and corruption	Not applicable	

## Relationship with Community

### Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
	***	Not	applicable	***	

*\*Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available:

Certificates	Quantity	Units
FPIC process is still undergoing	Not applicable	#
CP secured	Not applicable	#

## Customer Management

### Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction		Not applicable

### Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	Not applicable	#
No. of complaints addressed	Not applicable	#

*\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

### Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	Not applicable	#

No. of complaints addressed	Not applicable	#
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*\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

#### Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	None	#
No. of complaints addressed	Not applicable	#
No. of customers, users and account holders whose information is used for secondary purposes	None	#

*\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

#### Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	None	#

## UN SUSTAINABLE DEVELOPMENT GOALS

### Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
FMETF shares	Helping investors to build wealth, providing financial stability, and meeting other financial goals.	The possibility to lose money by investing in the Fund.	FMETF aims to provide returns which would reflect the performance of the Philippine equities market by investing in a basket of securities included in the PSEi. Investors would be assured that through the Fund Manager and the Custodian, the Fund would strictly follow the investment policies and guidelines set forth in the Prospectus.

*\* None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*