

# PROSPECTUS

RELATING TO THE PUBLIC OFFER OF

200,000,000 Shares  
COMMON STOCK



AN OPEN-END INVESTMENT Company

**ISSUER**

The number of securities to be offered inclusive of what has already been subscribed to upon incorporation is Two Hundred Million (200,000,000) shares. Fifty Million (50,000,000) shares have been subscribed at incorporation at par value of P1.00 per share. The price at which the One Hundred Fifty Million (150,000,000) shares are to be offered is uncertain as it is based on the NAV per share computed on a daily basis. No share of the Issuer shall, however, be sold at less than its par value. The shares to be offered are unlisted and will be traded through the over-the-counter market.



**INVESTMENT COMPANY ADVISER, FUND ADMINISTRATOR, AND  
PRINCIPAL DISTRIBUTOR**

THIS PROSPECTUS IS DATED  
23 AUGUST 2005

Out of the authorized Two Hundred Million (200,000,000) shares at a par value of One peso (P1.00) per share, the number of shares to be offered by current stockholders is One Hundred Fifty Million (150,000,000) so that the total number of shares outstanding after the offering is Two Hundred Million (200,000,000). The gross proceeds from the sale of the shares of stock of the Fund estimated at P200,150,000 (50 million subscribed @ P1.00 per share (par value) plus 150 million unissued capital stock @ P1.0010 per share which is the NAVPS as of June 30, 2005.) shall be held by the Issuer's custodian bank.

The proceeds from the offering will be primarily invested in government securities, SEC-registered commercial papers, among other debt instruments. The assets of the Fund shall be structured based on the level of interest rates, market conditions, and liquidity needs of the Fund, where its investments, denominated in Philippine Pesos or foreign currencies, are to be of above-average credit quality and minimal risk, and the average maturity are to take into account any expectation of any changes in interest rates.

The Issuer is a domestic corporation, incorporated on June 3, 2005 as First Metro Save & Learn Fixed-Income Fund, Inc. (the "Fund"), with principal business office address at 20<sup>th</sup> Floor, G.T. Tower International, Ayala Ave., corner H.V. de la Costa St., 1227 Makati City, Philippines, and Telephone Numbers: (632) 8405751 to 56.

It was registered on September 6, 2005 with the Securities and Exchange Commission as an Open-End Investment Company or "mutual fund". It is engaged primarily in the business of investing, reinvesting and trading in securities and the sale of its shares of stock. As a licensed Mutual Fund, it offers to the public, on a continuous basis, redeemable shares of stock, at a price related to the net asset value of the Fund's portfolio.

While the Fund aims to provide a high level of current income that is consistent with the preservation of capital and liquidity, 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 can be instances where the redemption prices of redeemed shares will 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.

First Metro Asset Management, Inc. (FAMI) is the Investment Manager, Fund Administrator and Principal Distributor of the Fund

The shares issued by the Fund have not been publicly offered. Once the shares of stock issued by the Fund are offered to the public, the Fund intends to invest the proceeds from the sale of the shares of stock in a portfolio of above-average quality money market instruments issued by

corporations, banks and the Philippine government or its agencies and instrumentalities and repurchase agreements involving these instruments. The Fund's investments shall be guided by Investment Guidelines and Restrictions, which are set out in detail in the body of this Prospectus.

The total fee payable to First Metro Asset Management, Inc. (FAMI), is a monthly fee equivalent to one-and-three-fourths percent (1.75%) per annum of the average net asset value of the Fund's assets, computed on a daily basis. The "net asset value" shall be determined by computing the total value of the Fund's assets less its liabilities in accordance with the procedure used in computing the net asset value of each share of the Fund. In addition, as Investment Manager, FAMI shall be paid an incentive fee equivalent to one-tenth (1/10) of the realized appreciation in value of the Fund's net assets in excess of the "hurdle rate" defined at either: 12% *or* the average 91-day Treasury Bill rate for the applicable year (net of tax) plus a spread of 3% *whichever is higher*.

FAMI will also receive from the Fund a sales load fee based on the following schedule:

<b>Investment Amount (in Php)</b>	<b>Sales Load</b>	<b>VAT on sales Load (10%)</b>
5,000 to 100,000	2.0%	0.200%
100,001 to 500,000	1.5%	0.150%
500,001 to 2,000,000	1.0%	0.100%
Above 2,000,000	0.5%	0.050%

The Fund is authorized under its By-Laws to issue cash, property and stock dividends out of its unrestricted retained earnings whenever the condition of the Fund's finances will render it expedient to declare said dividends.

No dealer, selling agent and any other person has been authorized to give information or make any representation not contained in this Prospectus. This Prospectus does not constitute an offer to sell or a solicitation of an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction or to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The delivery of this Prospectus at any time does not imply that the information herein contained is correct as of any time subsequent to this date.

The information contained in this Prospectus has been supplied by First Metro Save & Learn Fixed-Income Fund unless otherwise stated. First Metro Save & Learn Fixed-Income Fund accepts full responsibility for the accuracy of the information given herein, and confirms that there are no omissions of fact that would make any statement in this Prospectus misleading. First Metro Asset Management, Inc., the Fund Administrator of First Metro Save & Learn Fixed-Income Fund, has exerted reasonable efforts to verify the information herein and does not make any representations or warranties as to the accuracy or completeness of the materials contained herein.

First Metro Save & Learn Fixed-Income Fund has filed Registration Statements with the Securities and Exchange Commission in accordance with the Investment Company Act and the Securities Regulation Code. The SEC has issued on September 6, 2005 an Order rendering effective the Registration Statement of the Company covering all of the common shares of the authorized capital stock and a Certificate of Permit to offer these securities for sale.

**ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN ARE TRUE AND CURRENT.**

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## Prospectus Summary

*The following summary is qualified in its entirety by the detailed information appearing elsewhere in this Prospectus.*

### Issuer

First Metro Save & Learn Fixed-Income Fund, Inc.

### Investment Objective

The investment objective of the Fund is categorized under the SEC rules governing investment companies as conservative or low-risk. The Fund seeks to provide as high a level of current income as is consistent with the preservation of capital and liquidity. The valuation method to be used to value the investments shall be mark-to-market consistent with Philippine Accounting Standards (PAS) 39. Mark-to-market valuation, assesses debt instruments on the current market price for that particular instrument so that any profit or loss is reflected immediately and the fund assets start the next day with a net position.

### Type of Issue

Open-end investment company.

### Shares Offered

Common stock.

### Par Value

One Peso (Php1.00) per share.

### Offering Price

At Net Asset Value (NAV) per share for the banking day, if payment is made within the daily cut-off time, plus a front-end sales load fee.

### Sales Load Fee

Investment Amount (in Php)	Sales Load
5,000 to 100,000	2.0%
100,001 to 500,000	1.5%
500,001 to 2,000,000	1.0%
Above 2,000,000	0.5%

### Minimum Investment

The minimum initial investment shall be 5,000.00 and the minimum additional investments shall be P1,000.00. All sales shall be on cash basis and installment sales are prohibited.

### **Redemption Price**

The price of securities surrendered for redemption within the daily cut-off time shall be the NAV per share of the next banking day while those surrendered after the daily cut-off time shall be deemed to have been received on the next banking day and will be processed accordingly. Payment shall be made no later than seven (7) banking days from receipt of redemption request.

### **Daily Cut-Off Time**

12:00 Noon.

### **Redemption Charge**

<u>Retention Period</u>	<u>Fee</u>
Less than 1 year	2.0%
1 year to less than 2 years	1.0%
Two years and beyond	nil

### **Risks of Investing**

An investment in the Fund is not insured or guaranteed by the Philippine Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of its investments, it is possible to lose money by investing in the Fund. The Fund's income will change as a result of movements in interest rates and market conditions. No single fund is intended to be a complete investment program, but individual funds, such as this Fund, can be an important part of a balanced and diversified investment program. Mutual funds have the following general risks: returns may vary, the investor may lose money, and the investor cannot be certain that the Fund will achieve its investment objective.

#### **Risk Factors**

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 instance where 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.

#### ***Interest rate risk.***

If interest rates rise, the prices at which the assets of the Fund can be sold may fall. The longer the maturity of the assets, the more sensitive the prices of the assets will be to changes in interest rates. In other words, a long-term investment (e.g. 5-year Retail Treasury Bond) will have higher



interest rate sensitivity than a short-term investment (e.g. 365-day Treasury Bill).

***Credit risk.***

Credit risk (also called default risk) is the risk that the issuer of the security will not be able to make principal and interest payment on a debt issue. The credit ratings of issuers can change and affect the Fund's returns.

***Inflation risk***

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

***Manager risk***

The performance of the Fund is dependent upon the investment manager's skill in making appropriate investments. As a result, the Fund may underperform the market or its peers. Also, the Fund could fail to meet its investment objectives.

No single fund is intended to be a complete investment program, but individual funds, such as this Fund, can be an important part of a balanced and diversified investment program. Mutual funds have the following general risks: returns may vary, the investor may lose money, and the investor cannot be certain that the Fund will achieve its investment objective.

***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 track record in mutual funds and other financial institutions.

The investors should be aware that their investment in mutual funds is not guaranteed by the Philippine Deposit Insurance Corporation (PDIC). The Investment Advisor is also not permitted by law to guarantee any yield to the investors of the Fund.

***Risk of dilution.*** Being an open-end mutual fund, investors may effectively subscribe any amount of shares of the Fund. As such, investors face the risk of their investments being diluted as more investors subscribe to shares. The influence that the investors can exert over the control and management of the Fund decreases proportionally.

***Adoption of PAS 39.*** Mark-to-market method of valuation of fixed-income instruments, assesses such instruments on the current market price for that particular instrument so that any profit or loss is reflected or booked

in the net assets of the Fund; hence the net asset value per share is affected. Despite this kind of risk, however, bonds and other debt instruments are still more senior than stocks and are considered more conservative investment vehicles.

Risks in fixed-income investments can be managed by proper portfolio diversification in terms of types of debt instruments. Interest rate risk can be further managed by spreading out the schedule of maturities or tenors. By diversifying its investments across different issuers, the Fund can manage credit or default risk. Additionally, the Investment Company Act requires that not more than 10% of the Fund's assets may be invested in one issuer.

Purchasing power risk will be managed by the Fund manager by attempting to invest in instruments that provide greater than the current inflation rate.

Prospective investors should carefully evaluate these risks as well as and in connection with the other information contained in this prospectus.

## Glossary

The following words or expressions used in this Prospectus, unless the context otherwise requires, shall have the corresponding meanings:

Act	Investment Company Act, Republic Act No. 2629
BSP	Bangko Sentral ng Pilipinas
Close-end Company	An investment company other than an open-end company
Custodian Bank	The Hongkong and Shanghai Banking Corp. Ltd.
Investment Application Form	The forms to be used by the Principal Distributor for investors to purchase the shares of stock of the Fund in accordance with the terms and conditions of the Fund as described in this Prospectus.
Investment Company	Any issuer which is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, re-investing or trading in securities, as defined in Section 4 of the Act.
Fund Manager	First Metro Asset Management, Inc. or (FAMI)
Fund Administrator and Principal Distributor	First Metro Asset Management, Inc. or (FAMI)
Investor	Any person, association, or corporation with the intention of investing in the shares of the Fund.
NAV	Net Asset Value
Open-end Company	An investment company which is offering for sale, or has outstanding, any redeemable security, of

	which it is the issuer.
P or Pesos	Philippine Pesos, lawful currency of the Republic of the Philippines
PSE or Stock Exchange or the Exchange	The Philippine Stock Exchange, Inc.
R.A. 2629	Republic Act No. 2629 or the Investment Company Act of 1960
SEC	Securities and Exchange Commission
Shareholder or Stockholder	Any natural or juridical person who has subscribed to the shares of the Fund.
Transfer Agent	Metrobank Trust Banking Group
VAT	Value Added Tax

**Summary Financial Information**

<b>Balance Sheet</b> as of June 30, 2005	
Total Assets*	P 50,048,888.89
Total Liabilities	P 0.00
Total Net Assets	P 50,048,888.89
Net Asset Value per Share (NAVPS) As of June 30, 2005	P1.0010

\* Total assets comprise of cash deposited with Metrobank.

<b>Statement of Income</b> as of June 30, 2005	
Interest Income	P 61,111.11
Less: Provision for income Tax- Final	P 12,222.22
Net Income	P 48,888.89

## Fund Features

Issuer	First Metro Save & Learn Fixed-Income Fund, Inc.
Type of Issue	Open-End Mutual Fund
Shares Offered	Common Stock
Par Value	One Peso (1.00) per share
Purchase Price	At NAV per share for the banking day, if payment is made within the daily cut-off time, plus a sales load fee.

Sales Load Fee

Investment Amount (in Php)	Sales Load
5,000 to 100,000	2.0%
100,001 to 500,000	1.5%
500,001 to 2,000,000	1.0%
Above 2,000,000	0.5%

Daily Cut-Off Time

12:00 noon

Minimum Investment

Minimum initial Investment of Php5,000.00 and a minimum of Php1,000.00 worth of shares for additional purchases. All sales shall be on cash basis and installment sales are prohibited.

Redemption Price

The price of securities surrendered for redemption within the daily cut-off time shall be the NAV per share of the next banking day while those surrendered after the daily cut-off time shall be deemed to have been received on the next following day and will be processed accordingly. Payment shall be made by the Custodian Bank no later than seven (7) banking days from receipt of redemption request.

Redemption Charge

Retention Period	Fee
Less than 1 year	2.0%
1 year to less than 2 years	1.0%
2 years and beyond	nil

## The Fund

### Background and Purpose

First Metro Save & Learn Fixed-Income Fund is an open-end investment company, which was incorporated on June 3, 2005 and subsequently registered under R.A. 2629 on September 6, 2005. It is principally engaged in the sale of its shares of stock and in the investment of the proceeds from these sales into a portfolio of quality fixed-income instruments. The Fund's main objective is to provide small investors with the opportunity to access the capital markets and enable them to reap modest but satisfactory returns on their investments through the prudent selection of securities, and the professional management and supervision of the Fund.

### Description of Securities

#### Capitalization and Ownership

The Fund's authorized capital is TWO HUNDRED MILLION PESOS (Php200,000,000.00), composed of Two Hundred Million (200,000,000) unclassified common shares with a par value of Php1.00 per share.

The Company had an initial paid-up capital of FIFTY MILLION PESOS (Php50,000,000.00), which was subscribed by the following:

<b>Name</b>	<b>National ity</b>	<b>Number of shares subscribed</b>	<b>Amount subscribed(in Php)</b>	<b>Perce ntage (%)</b>
1. FirstMetro Investment Corporation	Filipino	49,999,991	49,999,991.00	100.00
2. Victor C. Macalincag	Filipino	1	1.00	0
3. Antonio M. Bernardo	Filipino	1	1.00	0
4. Francisco G. Co	Filipino	1	1.00	0
5. Roberto Juanchito T. Dispo	Filipino	1	1.00	0
6. Manuel V. De Leon, FMS	Filipino	1	1.00	0
7. Gloria C. Garrovillo	Filipino	1	1.00	0
8. Eduardo A. Mendoza	<b>Filipino</b>	1	<b>1.00</b>	<b>0</b>
9. Nimfa B. Pastrana	<b>Filipino</b>	1	<b>1.00</b>	<b>0</b>
10. Edwin B. Valeroso	<b>Filipino</b>	1	<b>1.00</b>	<b>0</b>
<b>TOTAL</b>		<b>50,000,000</b>	<b>50,000,000.00</b>	<b>100.00</b>

Pursuant to Article IV, Section 4.4 of the SEC's rules and regulations governing R.A. 2629, the incorporators of the Fund agreed not to sell, transfer, convey, encumber or otherwise dispose of their shares in the Fund within twelve (12) months from the registration date of the Fund.

Each share of stock of the Fund is a voting stock with voting rights equal to every other outstanding shares of stock and subject to the following:

- **Right of Redemption** – The holder of any shares of stock of the Fund, upon presentation to the Fund or to any of the Fund's duly authorized representatives of the Confirmation Receipt or stock certificate, and upon filing of the duly accomplished redemption form, shall receive by way of redemption approximately his proportionate share in the Fund's current net assets or the cash equivalent thereof, i.e., the net current asset value per share, subject to existing laws and the By-Laws of the Fund.
- **Waiver of Pre-emptive Rights** – No stockholder shall, because of his ownership of stock, have a pre-emptive or other right to purchase, subscribe for, or take any part of any stock or of any other securities convertible into or carrying options or warrants to purchase stock of the Fund. The Fund's Articles of Incorporation further provide that any part of such stock or other securities may at any time be issued, optioned for sale, and sold or disposed of by the Fund pursuant to the resolution of its Board of Directors, to such persons and upon such terms as the Board may deem proper, without first offering such stock or securities or any part thereof to existing stockholders.
- **Restrictions on Transfer** – No transfer of stock of the Fund's stock, which would reduce the stock ownership or equity interest of Filipino citizens to less than the percentage required by applicable laws or regulations shall be caused or allowed to be recorded in the books of the Fund.
- **Distribution of Dividends** - As provided for in the Fund's By-laws, the Board of Directors may make arrangements with its stockholders whereby dividends and/or other distributions may be reinvested in the Fund's securities in lieu of cash to be paid to the stockholders. The arrangement with shareholders shall be such that the dividends to be reinvested shall be valued at the net asset value per share of the Fund at the time said dividends are paid.

## **Properties**

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

## **Market Information**



There is no principal market where the Fund's shares will be traded, not even in the Philippine Stock Exchange due to its nature as an open-end investment company. The Fund's shares shall be sold through its appointed Principal Distributor and sub-distributors.

## **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 limits those dividends to come from the Fund's accumulated undistributed net income, determined in accordance with good accounting practice 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.

## **Determination of Offering Price During Initial Selling Period**

The fixed offering price of One Peso (P1.00) per share during the initial thirty (30) –day selling period is a marketing plan to attract a critical mass of investors to the Fund, similar to an initial public offering involving equity securities. The offering price of One Peso (P1.00) per share is based on the par value of the Fund. The thirty (30)-day initial selling period was based on a similar initial offerings made by other Philippine mutual funds.

## **Affiliated Companies**

The following firms are affiliated with the Fund:

- First Metro Investment Corporation (FMIC) is affiliated with the Fund, being its majority founding shareholder. On the other hand, FMIC, CEAP and Marist Brothers own FAMI 75%, 15% and 15%, respectively.

## **Management's Discussion of Plan of Operations**

The FAMI shall be the principal distributor of the Fund's shares. FAMI shall receive from the Fund a distribution fee based on the NAV of the Fund's assets, computed on a daily basis. In addition, FAMI shall receive the sales load.

In the near future, FAMI plans to distribute and administer a family of funds starting with Save & Learn Fixed-Income Fund. With

FAMI's pool of seasoned professionals and the strategic partnership with the Catholic Educational Association of the Philippines (CEAP) and Marist Brothers, it hopes to tap principally CEAP member-schools and its constituents, including religious congregations and dioceses.

The Fund will rely on the services of third parties to run its operations (i.e., management, distribution, administration, custodian, transfer agent and others). Most of these operations will charge fees based on the Fund's net assets. The total operating cost, by law, cannot exceed ten percent of the net assets of a mutual fund as indicated in its previous year's audited financial statements. The Fund does not expect any significant changes in the number of its employees due to the fact that third parties run its operations.

As of June 30, 2005, the total net assets of the Fund (which comprise cash in bank) is P50,048,888.89. With 50 million shares subscribed and paid-up, the net asset value per share is P1.0010.

#### Directors and Officers of the Fund

As of the date of this Prospectus, the Board of Directors and the officers of the Fund are as follows:

- **Mr. Victor C. Macalincag**- 69 years old, Filipino, Chairman of the Board. Independent Director. Term of office is one year and has served as director from the time of the Fund's incorporation up to present. Mr. Macalincag is Chairman of South WaterFord Distance Education Programs, AZ Development Managers, Inc., Superius Corporation and Macalincag, Miranda & Associates, Inc. He is a Director of D.M. Consunji, Inc.(DMCI), Semirara Mining Corporation, Merchants Bank, Anchor Steel Industries, Inc., New-Tech Development & Trading, Inc. and Crown Equities. He is also a Consultant of First Metro Investment Corporation. Mr. Macalincag was President of Philguarantee, Director of Home Guaranty Corporation and Philippine Overseas Construction Board. He is a committee member of the Export Industry Modernization of the Technology and Livelihood Resource Center, Industrial Guarantee and Loan Fund and Industry Development Council. He attended numerous trainings and seminars both foreign and local pertaining to Finance, Investments and Economics. He is a CPA and a Fellow of the World Bank Economic Development Institute, Washington, D.C. World Bank. He finished his Bachelor's degree in Business Administration and completed the academic requirements for a Master of Arts in Economics from University of the East.
- **Mr. Edwin B. Valeroso** - 41 years old, Filipino, President, Director. Term of office is one year and has served as director from the time of the Fund's incorporation up to present. He is a Mutual Fund Strategist at First Metro Investment Corp, Chairman of MJR Bros Insurance Associates and Lecturer at De LaSalle University-

Graduate School of Business. He was President of Emergent Fund, Inc. (formerly Abacus Growth Fund, Inc.), Emergent Asset Management, Inc., Vice President & General Manager of ECC Asset Management, Inc., Director of Investment Company Association of the Philippines (ICAP) and Chairman & CEO of Amacon Financial Management Corp. Mr. Valeroso finished the requirements for the degree Doctor of Business Administration at De LaSalle University-Manila. He has a Master of Science degree in Applied Mathematics from University of the Philippines and a BS Actuarial Mathematics from the University of Santo Tomas. He is also an alumnus of the Trust Institute Foundation of the Philippine.

- **Atty. Antonio M. Bernardo** - 51 years old, Filipino, Independent Director. Term of office is one year and has served as director from the time of Fund's incorporation up to present. He is the owner of The Law Firm of Antonio M. Bernardo. Among his past positions during the last five years, he was the Commissioner of the Bureau of Customs, Undersecretary and Chief of Staff of both Department of Finance and Department of Energy, Officer-in-charge of Social Security System, Vice-Chairman and Executive Vice President of Plutus Holding Corporation, Managing partner at Villanueva Bernardo & Gabionza law firm, President of VBG Holdings, Inc. and President of Pacific Union Insurance Company. Mr. Bernardo has a Bachelor of Science degree in Mathematics and a Bachelor of Laws degree (class valedictorian and Bar Exam 2<sup>nd</sup> Placer) both from Ateneo de Manila University.
- **Bro. Manuel V. de Leon, FMS-** 47 years old, Filipino, Director. Term of office is one year and has served as director from the time of Fund's incorporation up to present. He is the Provincial Superior of Marist Brothers of Schools (Philippines) and a member of Marist Int'l. Commission for Education (Italy). He is the Founding President of SAGIP KA 2000 Foundation, Inc. He was a Director of Catholic Educational Association of the Philippines (CEAP-NCR), Treasurer of CEAP, Board Member of COCOPEA and accreditor of PAASCU. He is a member of the Board of Notre Dame of Dadiangas College, Notre Dame of Kidapawan College, Notre Dame of Cotabato, Marist Asia Pacific and Assumption College. He was also President of Marist School-Marikina. He was awarded one of the Ten Outstanding Young Men (TOYM) in 1992. He has a master's and doctorate degrees in Education from University of the Philippines.
- **Ms. Gloria C. Garrovillo** – 60 years old, Filipino, Director. Term of office is one year and has served as director from the time of Fund's incorporation up to present. She is the Finance Director of Miriam College in Quezon City, a member of the CEAP Retirement Plan Commission and Consultant of Country Rural Bank of Taguig,

Inc. She was Consultant of Mobil Asia Pacific-Singapore and Manager of Mobil Philippines Inc. Ms. Garrovillo took up the Ateneo-Regis MBA program (Candidate) at Ateneo de Manila University. She finished her Bachelor of Science degree at the University of the Philippines. She took up various courses in banking, information technology and marketing from different institutions here and abroad. Ms. Garrovillo is also a Certified Public Accountant.

- **Mr. Danilo G. Olondriz**, 51 years old, Filipino, Chief Financial Officer. Term of office is one year and has served as such from the time of Fund's incorporation up to present. He is Senior Vice President/Controller of First Metro Investment Corp. (FMIC). He holds the following positions in the various FMIC subsidiaries and affiliates: Director of PBC Capital Investment Corporation and First Metro Insurance Brokers Corporation; Director/Controller of Saleage Insurance Agency, Inc. and Vice President/Controller of First Metro Insurance Agency, Inc. He is also the Controller of Manila Medical Services, Inc. Prior to his stint with FMIC, he was a Bank Examiner at the Bangko Sentral ng Pilipinas for almost a decade. He is a product of the Ateneo Graduate School of Business and PSBA where he completed the academic requirements leading to a Master's degree and a Bachelor's degree in Business Administration, respectively. He is a CPA.
- **Atty. Nimfa B. Pastrana**, 43 years old, Filipino, Corporate Secretary. Term of office is one year and has served as such from the time of Fund's incorporation up to present. She is Vice President and Asst. Corporate Secretary of FMIC and Corporate Secretary of First Metro Save & Learn Equity Fund. Atty. Pastrana was Head of Documentation Research and Consultancy Division of Global Bank, Director of Global Business Holdings and Corporate Secretary of Panay Power Corp. She graduated from the University of the Philippines with a degree A.B. Philosophy and from San Beda College with a Bachelor of Laws degree.
- **Mr. Jonathan T. Tabac**, 50 years old, Filipino, Compliance Officer. Term of office is one year and has served as such from the time of Fund's incorporation up to present. He is also the Compliance Officer of First Metro Investment Corporation, PBC Capital Investment Corp. and First Metro Asset Management, Inc. He was AVP & Compliance Officer of Citystate Savings Bank, Vice President of Maybank Philippines (formerly PNB Republic Planters Bank) and Chairman of the Board of RPB Provident Fund, Inc. Mr. Tabac finished BSC-Accounting from University of Baguio and MBA units from the University of Santo Tomas. He is a CPA.

Extent of Participation or Ownership of Members of the Board of Directors

<u>Name of Subscriber</u>	<u>No. of Shares</u>	<u>Amount Subscribed</u>
Mr. Victor C. Macalincag	1	P 1.00
Atty. Antonio M. Bernardo	1	1.00
Bro. Manuel V. de Leon	1	1.00
Ms. Gloria C. Garrovillo	1	1.00
Mr. Edwin B. Valeroso	1	1.00

Holders

The incorporators, directors and FMIC are the current owners of the Fund:

<b>Name</b>	<b>Shares subscribed</b>	<b>Amount paid (in Php)</b>
1. First Metro Investment Corporation	49,999,991	49,999,991.00
2. Victor C. Macalincag	1	1.00
3. Antonio M. Bernardo	1	1.00
4. Francisco G. Co	1	1.00
5. Roberto Juanchito . Dispo	1	1.00
6. Manuel V. De Leon, FMS	1	1.00
7. Gloria C. Garrovillo	1	1.00
8. Eduardo A. Mendoza	1	1.00
9. Nimfa B. Pastrana	1	1.00
10. Edwin B. Valeroso	1	1.00
Total	50,000,000	50,000,000.00

Significant Employee

There is no significant employee who is expected by the registrant to make a significant contribution to the business.

Family Relationship

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers or persons

nominated or chosen by the Registrant to become directors or executive officers.

#### Executive Compensation

The members of the Board of Directors Fund shall receive per diem for their attendance in regular or special meetings of the Board in the amount of P5,000 per Director for every actual meeting attended. The estimated total amount of per diem for the year 2005 is P75,000.

There is no employment contract between the Registrant and a named executive officer. There is no compensatory plan or arrangement, including payments to be received from the Registrant, with respect to a named executive officer in the event of resignation, retirement or any other termination of such officer's employment with the Registrant and its subsidiaries.

#### Legal Proceedings

The Registrant has no material pending legal proceedings to which it is a party. None of the Board of Directors is:

1. involved in any legal proceeding the past five (5) years that are material to an evaluation of the ability or integrity of any director, any nominee for election as director, executive officer, underwriter, or control person of the Registrant;
2. 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;
3. 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;
4. 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
5. 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.

## Security Ownership of Certain Record and Beneficial Owners

<b>Title of Class</b>	<b>Name/Address of Owner/Relationship with Issuer</b>	<b>Name of Beneficial Owner &amp; Relationship w/ Record Owner</b>	<b>Citizenship</b>	<b>Number of Shares Held</b>	<b>Percent of Class</b>
Common	First Metro Investment Corp./ 20F GT Tower Ayala Ave. Makati City/Stockholder	First Metro Investment Corp.	Filipino	49,999,991	99.999%

The person who will exercise the voting powers over the shares of First Metro Investment Corporation is Mr. Francisco C. Sebastian.

The original proponents have agreed not to sell, transfer, convey, encumber or otherwise dispose of their shares of the Fund within twelve (12) months from its registration.

## Security Ownership of Management

<b>Title of Class</b>	<b>Name of Record Owner</b>	<b>Name of Beneficial Owner</b>	<b>Citizenship</b>	<b>Number of Shares &amp; Nature of Beneficial Ownership</b>	<b>Percent of Class</b>
Common	Victor C. Macalincag	FMIC	Filipino	1, assignment	0.00%
Common	Antonio M. Bernardo	FMIC	Filipino	1, assignment	0.00%
Common	Francisco G. Co	FMIC	Filipino	1, assignment	0.00%
Common	Roberto Juanchito T. Dispo	FMIC	Filipino	1, assignment	0.00%
Common	Manuel V. De Leon, FMS	FMIC	Filipino	1, assignment	0.00%
Common	Gloria C. Garrovillo	FMIC	Filipino	1, assignment	0.00%
Common	Eduardo A. Mendoza	FMIC	Filipino	1, assignment	0.00%
Common	Nimfa B. Pastrana	FMIC	Filipino	1, assignment	0.00%
Common	Edwin B. Valeroso	FMIC	Filipino	1, assignment	0.00%

## Certain Relationships and Related Transactions

There are no material transactions with or involving the Fund or any of its subsidiaries in which a director, executive officer, or stockholder owns ten percent (10%) or more of the total outstanding shares, and any member of their immediate family had or is to have a direct or indirect material interest.

There are no transactions during the last two (2) years or proposed transactions, to which the Registrant was or is to be a party in which any of the Fund's directors, executive officers or stockholders had or is to have a direct or indirect material interest.

There are no transactions by any security holder named in response to Part IV, paragraph C of Securities Regulation Code.

There are no transactions with promoters and there are no transactions that involve the nature and amount of anything of value (including money, property, contracts, options or rights of any kind) received or to be received by each promoter, directly or indirectly, from the Issuer and the nature and amount of any assets, services or other consideration received or to be received by the Registrant. There are no transactions as to any acquired or to be acquired from a promoter.

**Interest of Named Experts and Independent Counsel.** Direct or Indirect Interest in Registrant

There are no experts or independent counsels hired on a contingent basis and who received a direct or indirect interest in the Fund.

Compliance with the Investment Company Act. In compliance with the requirements of the R.A. No. 2629, otherwise known as the Investment Company Act of 1960 or ICA, the Fund is organized as a stock corporation. All the members of the Board of Directors of the Fund are Filipino citizens and all shares of its capital stock are common and voting shares. The Articles of Incorporation of the Fund provide for the waiver of pre-emptive rights of stockholders.

Investment Policy. The Fund is an open-end mutual fund that seeks to provide as high a level of current income as is consistent with preservation of capital and liquidity.

### Investment Guidelines and Restrictions

The Fund has investment objectives classified as low risk. ICA Rule 35-1 provides that an investment company shall not change its investment objective without prior approval of a majority of its shareholders. For liquidity purposes, unless otherwise prescribed by the Commission, at least 10% of the fund shall be invested in liquid/semi-liquid assets such as those enumerated below. The Fund shall not change its investment objectives without prior approval of a majority of its shareholders.



The assets of the Fund shall be structured based on the level of interest rates, market conditions, and liquidity needs of the Fund, where its investments, denominated in Philippine Pesos or foreign currencies, are to be of above-average credit quality and minimal risk, and the average maturity are to take into account any expectation of any changes in interest rates.

Specifically, the Fund shall invest in any of the following

- Government securities<sup>1</sup> such as Treasury Bills, Fixed Rate Treasury Notes or FXTNs, Retail Treasury Bonds, Progress Bonds and Small-Denominated Treasury Bonds or SDT Bonds and repurchase agreements involving these instruments
- Certificates of Deposits
- SEC-registered commercial papers and bonds, with a rating of at least “PRS 2” for short-term and “PRS Aaa” for long-term tenors; and,
- Bankers' acceptances
- Other allowed fixed-income instruments both Peso and Dollar denominated

Moreover-

1. The maximum investment of the Fund in any single enterprise shall be limited to ten percent (10%) of the Fund's NAV, except for investments in securities of the Philippine Government or its instrumentalities and, in no case, shall the total investment of the Fund exceed 10% of the outstanding securities of any one investee company;
  2. Pursuant to the governing rules and regulations of the SEC, the Fund shall not invest in any of the following: margin purchases of securities; commodity futures contracts; precious metals; unlimited liability investments; short-selling of currencies; short-selling of investments; and, other investments as the SEC shall, from time to time, prescribe;
  3. The Fund shall not incur any further debt or borrowing, unless at the time it is incurred or immediately thereafter, there is asset coverage of at least three hundred percent (300%) for all its borrowings. In the event that such asset coverage shall at any time fall below 300%, the Fund shall within three (3) days thereafter, reduce the amount of borrowings to an extent that the asset coverage of such borrowings shall be at least 300%;
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4. The Fund shall not participate in an underwriting or selling group in connection with the public distribution of securities, except for its own capital stock;
5. The Fund shall not invest in real estate properties and developments;
6. The Fund shall not invest in any company for the purpose of exercising control or management;
7. The Fund shall not invest in the securities of other investment companies;
8. The Fund shall not purchase from or sell to any of its officers or directors or the officers or directors of its investment adviser/s, manager or distributor/s or firm/s of which any of them are members, any security other than the capital stock of the Fund;
9. The total operational expenses of the Fund shall not exceed ten percent (10%) of its total investment fund or total net worth as shown in the previous year's audited financial statements;
10. The Fund shall focus on industries and enterprises with strong growth potentials or profitable historical financial performance. There may be concentration on certain industries at various points in time, depending on the overall condition of the financial and capital markets;
11. The Fund shall not engage in lending operations without prior approval of the Board of Directors. Such approval shall be limited only to corporations or other entities, public or private, determined to be financially sound by the Board of Directors;
12. The Fund anticipates a gradual turnover in portfolio with the aim of ensuring the preservation of capital and liquidity.

### Use of Proceeds

The net proceeds from the sale of the shares of stock of the Fund estimated at P199,777,250\* will be used in accordance with the policies set forth in the sections headed "Investment Policy" and "Investment Guidelines and Restrictions."

No material amount of the proceeds is to be used to acquire assets or finance the acquisition of other business. The proceeds will not be used to discharge debt or reimburse any officer, director, employee or shareholder for services rendered, assets previously transferred, money loaned or advanced or otherwise or any expenses.

The proceeds derived by the Fund from the sale of its shares including the payments for original subscriptions during incorporation shall be deposited and held by the Fund's Custodian Bank.

\* Gross proceeds estimated at P200,150,000 (50 million subscribed @ P1.00 per share (par value) plus 150 million unissued capital stock @ P1.0010 per share which is the NAVPS as of June 30, 2005.) minus expenses estimated at P372,750 (composed of registration fees, prospectus printing, publication, management fees)

**Expenses to be deducted from the Gross Proceeds**

The expenses that shall be paid out of the gross proceeds are composed of investment management fee, distribution fee and administration fee (1.75%), Stock and Transfer Agency fee (approximately P4,000 per month), Custodianship fee and documentary stamp tax of P2.00 per P200 par value.

**Plan of Distribution/Distribution method**

The Fund will appoint FAMI as principal distributor of its shares of stock and will not sell or agree to sell any shares of its capital stock except through FAMI. FAMI will set up a marketing network and accredit sub-dealers or agents to sell the shares. Accredited sub-dealers or agents are directly liable to FAMI.

FAMI has filed with the SEC an application for a license to be the Fund's Investment Manager, Administrator and Principal Distributor and said application is under process as of the date of this prospectus.

**Competition**

The competitive environment for the company'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 (Catholic Educational Association of the Philippines or CEAP) has access to.

The institutional funds of this market (especially the bigger ones) evidently have access to almost all types of instruments locally available such as common trust funds (now unit investment trusts), pre-need plans, universal life products and other bank products. The retail funds and smaller institutional funds, however, are limited to simple bank products. There is a big opportunity to tap into both the institutional and retail funds of the CEAP market.

The company's marketing strategy will be based on the strategic partnership of CEAP, Marist and First Metro Investment. This will be the basis for addressing the needs and competitive threats to both institutional and retail markets. FAMI's marketing and sales strategies will capitalize on the endorsement of the CEAP National Board and CEAP Retirement Commission. This competitive advantage will be further strengthened by FMIC's:

- good track record as a fund manager
- expertise, experience and credibility

- position as the largest investment bank and backed-up by the largest universal bank in the country

The CEAP-Marist endorsement will allow access to the institutional decision-makers, and the track record of FMIC-Metrobank will provide assurance for those investors who want to balance their portfolios among various reputable fund managers. It will also open up access to the employees and faculty and constituents of the CEAP member institutions.

Appropriately formulated marketing strategies, sales tactics and promotional activities will be employed to present the Fund ultimately close the sale and maintain the account. These include:

- Presentations in Regional CEAP conventions and assemblies.
- Investment forums.
- Personal visits
- Appointment of representatives in five strategic areas
- Appointment of Mutual Fund Institutional sub-distributors and dealers
- Regular recruitment and training of individual mutual fund (certified) solicitors
- Written proposals
- Telephone follow-ups
- Press releases and print media advertisements
- Sales kit

**Effect of existing governmental regulation**

*On PAS 39.* Mark-to-market method of valuation, assesses debt instruments based on the current market price of those instruments. Therefore, the interplay of demand and supply of those instruments and the level of prevailing interest rates will affect the price of the instruments. The changes in the price will be reflected in the valuation of these instruments, hence reflected in the value of the net assets of the Fund. The Fund's net asset value per share (NAVPS) is thus affected.

Despite this kind of risk, however, bonds and other debt instruments are still more senior than stocks and are more conservative investment vehicles. This kind of risk can be managed partially by proper portfolio diversification in different instruments. Interest rate risks in general, can be further managed by spreading out the schedule of maturities. Additionally, the Investment Company Act requires that not more than 10% of the Fund's assets may be invested in one issuer.

*On Labor Concerns.* The Registrant has no employees because all aspects of its operations and administration are subcontracted with FAMI, hence it has no risks as far as labor problems are concerned.

## Subscription Procedure

Investments in mutual funds are covered by the Anti-Money Laundering Law. An Investment Application Form and signature cards must be submitted together with the appropriate payment. Once submitted, the Investment Application may not be cancelled in full or in part. An Investment Application, once accepted, shall constitute an agreement between the Investor and the Investment Manager and Principal Distributor at the time, in the manner and subject to the conditions set forth in this Prospectus and the Investment Application Form.

### Eligible Investors

The shares of the Fund may be purchased and held by any person of legal age or duly organized and existing corporations, partnerships or corporate entities regardless of nationality. The Articles of Incorporation of the Company provides, however, that no transfer of shares of stock of the Company which would reduce the stock ownership or equity interest of Filipino citizens to less than the percentage required by applicable laws or regulations shall be caused or allowed to be recorded in the proper books of the Fund. The Investor shall declare and warrant that there are no legal restrictions prohibiting the purchase of the shares applied for and that the Investor is otherwise eligible throughout the duration of the period that the Investor remains a stockholder of the Company.

Purchase of the shares of the Fund may be restricted by law in certain jurisdictions. Foreign investors interested in subscribing to the shares should get information on the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile and as to any relevant tax or foreign exchange control laws and regulations affecting them personally.

### Requirements for Corporate Applicants

For Investors other than individuals, the following documents, in addition to the Investment Application Form and the signature cards, must be accomplished and shall be considered integral parts thereof: copy of the Investor's SEC Certificate of Registration, Articles of Incorporation and

By-Laws; notarized corporate secretary's certificate setting forth the resolutions of the Investor's Board of Directors or equivalent body: authorizing the purchase of the shares of the Fund; designating the signatories for the purpose; and, certifying the percentage of capital stock held by non-Filipinos.

#### Minimum Investment

The minimum initial investment is FIVE THOUSAND PESOS (Php5,000.00) and subsequent investments shall be for a minimum of ONE THOUSAND PESOS (Php1,000.00).

#### Offering Price

The net asset value computation shall be made in accordance with the valuation method indicated in the prospectus and shall be applied consistently. Any change in the NAVPS computation or valuation method shall be subject to approval by the Commission. Investment companies shall compute and post their NAVPS on a daily basis and shall publish such daily prices in at least two (2) newspapers of general circulation in the Philippines and shall post them daily in a conspicuous place at the principal office of the investment company as well as all its branches or correspondent offices which are designated redemption centers.

The daily cut-off time for the reckoning of the date of submission of the subscription application shall be 12:00 noon. If the application is received on or before the said cut-off time, the shares shall be valued based on the net asset value (NAV) per share for the same banking day. For applications received after the cut-off time, it shall be deemed to have been received the following banking day. In both instances, a sales load fee shall be charged based on the total price of the application. The NAV per share shall be the computed difference between total assets of the Fund and its total liabilities divided by the number of shares outstanding.

The sale load fees (plus VAT) applicable for the various levels of investments are as follows:

<b>Investment Amount (in Php)</b>	<b>Sales Load</b>
5,000 to 100,000	2.0%
100,001 to 500,000	1.5%
500,001 to 2,000,000	1.0%
Above 2,000,000	0.5%

Subscriptions must be paid in full upon submission of the application for subscription.

#### Acceptance of Investment Applications

Applications for the number of shares and the applicable NAV are subject to acceptance and approval by the Principal Distributor. The Principal Distributor reserves the right to reject, scale-down and re-allocate any application for the shares for whatever reason. Applications for which check payments are dishonored upon first presentment, as well as those which do not comply with the requirements set in this Prospectus and Investment Application Form, shall be rejected.

The Principal Distributor shall inform the Investor of such reduction or rejection within three (3) days after submission of the Investment Application.

#### Payment Terms

Subscriptions shall be paid in full upon submission of a duly accomplished and executed Investment Application Form. Payments must be made in the form of personal or corporate check or cashier's or manager's check, drawn against a bank account with a BSP authorized agent bank located in Metro Manila. All such checks must be made payable to "First Metro Save & Learn Fixed-Income Fund, Inc.," dated as of the date of the Investment Application, and remitted directly to the Principal Distributor at its principal office. A provisional receipt will be issued initially the Investor. Upon acceptance of the Investment Application by the Principal Distributor, a Confirmation Receipt will be issued to confirm the purchase of the shares of the Fund and to likewise serve as the Investor's Official Receipt.

#### Refunds

Refunds of payments for any rejected or scaled-down applications shall be made without interest by the Principal Distributor not later than five (5) days after submission. The respective Investor shall receive a check, crossed "Payee's Account Only," mailed and delivered at the Investor's risk to the address specified in the Investment Application Form or to the corresponding distributor or any authorized investment salesmen of the Investor.

#### Delivery of Stock Certificates

Each stockholder of the Fund is entitled to receive a stock certificate representing ownership of the shares of the Fund. However, an Investor has an option not to request for stock certificates because the legal requirements for replacing lost certificates entail costly and lengthy procedures. Nevertheless, if an Investor still wants to receive a stock certificate, he must indicate so in the Investment Application Form. Stock certificates shall be made available to the Investor as soon as practicable at the office of the Transfer Agent. Any certificate that remains unclaimed for a period of thirty (30) days shall be mailed to the address specified in the Investment Application Form at the risk of the Investor.

## Redemption of Shares

Investors in redeemable securities issued by an open-end investment company shall have the right to have their securities redeemed in accordance with the terms of the issue thereof and the procedures indicated in this prospectus. The redemption price surrendered before the daily cut-off time shall be the next computed NAVPS. Payments for securities redeemed shall be effected within seven (7) banking days from receipt of the request for redemption, in accordance also to Sec 22(b) if the Investment Company Act.. The Commission may, whenever necessary or appropriate in the public interest or for the protection of investors, suspend the redemption of securities of open-end companies. The investment company may establish a network of redemption centers acceptable to the Commission.

The holder of any shares of stock of the Fund, upon its presentation to the Fund in its principal office or to any of its duly authorized representatives of the confirmation receipt or stock certificate, and upon filing of the redemption request form, is entitled to receive by way of redemption approximately his proportionate share of the Company's current net assets or the cash equivalent thereof, i.e. the current NAV per share, subject to the existing laws and By-laws of the Company.

For NAV is then divided by the number of shares outstanding to arrive at the NAV per share.

For securities surrendered for redemption before the daily cut-off time of 12:00 noon, the price at which the Company's securities may be redeemed shall be computed based on the NAV per share on the banking day following the day when such request for redemption is received. Should the request for redemption be received after the said daily cut-off time, it shall be deemed to have been received on the following banking day, and the applicable NAV per share to be used as basis for redemption shall be that which shall be computed for the following banking day when such request for redemption is deemed to have been received.

There shall be no minimum holding period, however, redemption fees shall be deducted out of the redemption proceeds depending on the retention period of the investor as follows:

Retention Period	Fee
Less than 1 year	2.0%
1 year to less than 2 years	1.0%
Two years and beyond	nil

Payments for redeemed shares shall be effected within seven (7) banking days from receipt of the request for redemption.



The Fund shall not suspend the right of redemption or postpone the date of payment or satisfaction upon redemption of any redeemable security in accordance with the terms appearing in this Prospectus, for more than seven (7) banking days after the tender of such security to the Corporation, except on the instances prescribed by applicable Philippine laws or regulations.

## Benefits to the Investor

Mutual funds make saving and investing simple, accessible, and affordable. They offer professional management, diversification, liquidity, affordability, convenience, and ease of recordkeeping, as well as strict government regulation and full disclosure.

### Professional Management

Even under the best of market conditions, it takes an experienced investor to invest prudently, and a further commitment of time to monitor those investments. With mutual funds, experienced professionals manage a portfolio full-time, and decide where to invest based on extensive research.

### Diversification at Low Cost

Successful investors know that diversification will reduce the adverse impact of a single investment. Mutual funds provide diversification to your investment portfolio automatically by holding a wide variety of securities at a fraction of the cost of making such investments independently.

### Liquidity

Liquidity is the ability to readily access your investment. Mutual fund shares are liquid investments that can be sold on any business day. Mutual funds are required by law to buy, or redeem, shares each business day.

### Convenience

You can purchase or sell fund shares directly through a broker, bank or insurance agent, by mail, over the telephone, and increasingly by personal computer. You can also arrange for automatic reinvestment or periodic distribution of the dividends and capital gains paid by the fund. A wide variety of other services can be provided, including monthly or quarterly account statements, tax information, and easy access to fund and account information.

### Protecting Investors

Not only are mutual funds subject to exacting internal standards, they are also highly-regulated by the Securities and Exchange Commission which has a direct and indirect impact on the environment where mutual funds operate.

## Parties Involved in the Fund

Investment Manager, Fund Administrator and Principal Distributor First Metro Asset Management, Inc., ("FAMI"), the Investment Manager, Fund Administrator and Principal Distributor of the shares of the Company, was incorporated on April 21, 2005 with an authorized capital stock of Forty Million Pesos (Php40,000,000.00) divided into Four hundred Thousand (400,000) shares at a par value of One Hundred Peso (Php100.00) per share. It has a subscribed capital of Eleven Million Seven Hundred Sixty Five Pesos (Php11,765,000.00) of which Ten million Pesos (P10,000,000.00) are paid-up.

The guidelines for the investment management, fund administration and shares distribution of the Company are set in the Management and Distribution Agreement between the parties.

FAMI is a corporation organized by a group of individuals with a solid track record in management. The following are the members of the Board of Directors and officers of FAMI:

**Mr. Francisco C. Sebastian**, 51 years old, Filipino, Director. Mr. Sebastian has over two decades of experience in investment banking and corporate finance. He is director and President/CEO of First Metro Investment Corporation since October 1, 1997. Prior to this, he was Director of First Metro International Investment (Hongkong) Ltd., where he still chairs the Board. He is also Chairman of the Integrated Executive Selection Corporation and Mirant Global Corporation. He also sits as Director of Metropolitan Bank and Trust Company (Metrobank) and managing director of Integrated Financial Services. Ltd. He is also the President of Global Business Holdings, Inc. and IFS Philippines, Inc. He graduated magna cum laude from the Ateneo de Manila University with a Degree in Economics.

**Fr. Roderick C. Salazar, Jr., SVD**- 58 years old, Filipino, Director. He is concurrent President of Catholic Educational Association of the Philippines (CEAP) and University of San Carlos in Cebu City. Fr. Salazar is the Chairman of the Board of Trustees of Holy Name University, St. Jude Catholic School, St. Scholastica's Academy and Divine Word University. He is a Trustee of St. Paul University, St. Theresa's College. Member of Bishops-Businessmen Conference and Director of People's Television Network (PTV 4). Among other past responsibilities, he was President of PAASCU Research Foundation, Inc., Chairman of FILIPINO,

Inc., Chairman of Divine Word Educational Association. He has a Bachelor and Master of Arts degrees in Philosophy at Divine Word Seminary, Master and Doctor of Arts degrees in Mass Communication from University of Leicester (England). He also finished courses on Financial Management and Corporate Management in Education from University of Leeds (England).

**Francisco G. Co** -66 years old, Filipino, Director. He is one of the pioneer employees of Metrobank and has served the Metrobank Group for over four decades, the last eight years of which have been with First Metro Investment Corporation as Executive Vice President and later on as Executive Director. He holds the following positions in concurrent capacities: Chairman of PBC Capital Investment Corporation, Chairman/President of FMIC Equities, Inc.; Director/Vice Chairman of First Metro Travelex Corp. (formerly Thomas Cook Philippines, Inc.); President/Director of First Metro Insurance Agency, Inc., First Metro Insurance Brokers Corporation and Saleage Insurance Agency, Inc. He also sits as Director of Panay Power Corporation; He has a Bachelor's degree in Accounting from the University of the East.

**Mr. Roberto Juanchito T. Dispo**, 41 years old. He is the Executive Vice President and Head of the Treasury Division of First Metro Investment Corporation. He is currently Chairman of the Board of First Metro Securities Brokerage Corporation and a Director of FMIC Equities, Inc., Saleage Insurance Agency, Inc., First Metro Insurance Brokers Corporation, Money Market Association of the Philippines. He is Vice-Chairman of PBC Capital Investment Corporation and Alternate Director of the Investment House Association of the Philippines. He is also Vice President of First Metro Insurance Agency, Inc. and Treasurer of Orix Metro Leasing and Finance Corporation. Mr. Dispo was Deputy Treasurer of the Philippines, Director of Public Debt Management and Policy and Planning Services, Bureau of the Treasury; and Executive Director, Central Bank of the Philippines – Board of Liquidators. He received his Master's degree in Business Administration from the Pamantasan ng Lungsod ng Maynila (with Distinction). He undertook Diploma Courses in International Banking and Finance from the Economic Institute of the University of Colorado and Management Development Program from Asian Institute of Management.

**Mr. Jose Pacifico E. Marcelo**, 46 years old, Filipino, Director. Mr. Marcelo has over fifteen years experience in investment banking/corporate finance and five years in the government service in the areas of fiscal management and microfinance. As Executive Vice President, he heads the Investment Banking Group of FMIC, a position he has held since August 2, 1999. He concurrently serves as President of PBC Capital Investment Corporation and Director of First Metro Insurance Brokers Corporation and FMIC Equities, Inc. He earned his Bachelor's degree in Business

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Economics from the University of the Philippines and his Master's degree in Business Management from the Asian Institute of Management.

**Mr. Danilo G. Olondriz**, 51 years old, Filipino, Director. He has been with FMIC for thirteen years, the last eight of which as First Vice President/Controller. He was recently promoted to Senior Vice President. He holds the following positions in the various FMIC subsidiaries and affiliates: Director of PBC Capital Investment Corporation and First Metro Insurance Brokers Corporation; Director/Controller of Saleage Insurance Agency, Inc. and Vice President/Controller of First Metro Insurance Agency, Inc. He is also the Controller of Manila Medical Services, Inc. Prior to his stint with FMIC, he was a Bank Examiner at the Bangko Sentral ng Pilipinas for almost a decade. He is a product of the Ateneo Graduate School of Business and PSBA where he completed the academic requirements leading to a Master's degree and a Bachelor's degree in Business Administration, respectively. He is a Certified Public Accountant.

**Bro. Manuel V. de Leon, FMS-** 47 years old, Filipino, Director. He is the Provincial Superior of Marist Brothers of Schools (Philippines) and a member of Marist Int'l. Commission for Education (Italy). He is the Founding President of SAGIP KA 2000 Foundation, Inc. He was a Director of Catholic Educational Association of the Philippines (CEAP-NCR), Treasurer of CEAP, Board Member of COCOPEA and accreditor of PAASCU. He is a member of the Board of Notre Dame of Dadiangas College, Notre Dame of Kidapawan College, Notre Dame of Cotabato, Marist Asia Pacific and Assumption College. He was also President of Marist School-Marikina. He was awarded one of the Ten Outstanding Young Men (TOYM) in 1992. He has a master's and doctorate degrees in Education from University of the Philippines.

**Mr. Jose M. Santos-** 64 years old, Filipino, Director. Mr. Santos is currently the Vice-President for Finance and Treasurer of Ateneo de Manila University since 1986. He is also involved in Sylvia Santos, Inc. a family business since 1984. He was President & CEO of Philippine Pacific Capital Corporation and Head of the Trust and Investments Division of RCBC. Mr. Santos is a graduate of Ateneo de Manila University with a Bachelor of Arts degree in Economics and a product of the Graduate School of Wharton School, University of Pennsylvania.

**Bro. John Y. Tan, FMS-** 47 years old, Filipino, Director. He is a Marist Brother, Treasurer of Marist Brothers Philippine Province and a member of the Preparatory Commission on Mission (Rome). Bro. John is also the President of Notre Dame of Kidapawan College. He is the Chairman of the Board of Trustees of Notre Dame of Marbel University, Notre Dame of Cotabato and Notre Dame of Dadiangas College. He is a member of the Board of Trustees of Marist School, Marian Hills Memorial Park, Inc., ND Business Resource Center, Marist Development Foundation, Inc. and Ford Foundation Scholarship Committee. Bro. John has a bachelor's degree in

Education (English/Science) and a master's degree in Education (Educational Administration) from Notre Dame University.

**Mr. Eduardo A. Mendoza-** 53 years old, Filipino, Director. He is currently the Vice President for Strategic Services of First Metro Investment Corporation. He is the President of Lumens Solutions, Inc., a Board member of PHINMA Property Holdings Corp and Bacnotan Industrial Park Corp. He was Senior Vice President of PHINMA, Inc. and Vice President for Marketing of United Pulp & Paper Corp. Mr. Mendoza finished BS Management Engineering from Ateneo de Manila University and Master of Business Administration from Stanford University, USA.

**Mr. Edwin B. Valeroso** – 41 years old, Filipino, Director. He is a Mutual Fund Strategist at First Metro Investment Corp, Chairman of MJR Bros Insurance Associates and Lecturer at De LaSalle University-Graduate School of Business. He was President of Emergent Fund, Inc. (formerly Abacus Growth Fund, Inc.), Emergent Asset Management, Inc. Vice President & General Manager of ECC Asset Management, Inc., and a Director of Investment Company Association of the Philippines (ICAP) and Chairman & CEO of AMACON Financial & Management Corp. Mr. Valeroso finished the requirements for the degree Doctor of Business Administration at De LaSalle University-Manila. He has a Master's degree in Applied Mathematics from University of the Philippines and BS in Actuarial Mathematics at University of Santo Tomas. He is also an alumnus of the Trust Institute Foundation of the Philippine.

#### Custodian Bank

The Custodian Bank of the Company is The Hongkong and Shanghai Banking Corporation Ltd (HSBC). The Custodian Bank Agreement covers the custodian bank's duties on receipt of investments, redemption procedures to be used, reports and records to be accomplished by the custodian bank, procedures governing the transfer of the Company's shares and accounts of investors, custody of certificates representing investments made by the fund manager for the Fund and fees of the Custodian bank.

#### Transfer Agent

Metrobank- Trust Banking Group is the designated Stock and Transfer Agent of the Fund.

#### Legal Counsel

Picazo, Buyco, Tan, Fider Law Office serves as the Fund's legal counsel.

#### External Auditor

SGV & Co. has been appointed as the external auditor of the Company.

## Material Contracts and Agreements

The following is a summary of the material contracts and agreements relating to the Fund:

### *Management and Distribution Agreement*

Under this agreement, First Metro Asset Management, Inc. was appointed as the Investment Manager and Principal Distributor, Fund Administrator of the Fund. Under the Agreement, the services of FAMI shall include the following:

1. Coordination of the activities of, and extension of all necessary cooperation or assistance to the Fund's Custodian Bank, the Transfer Agent, the auditors, and the legal counsel without prejudice to the direct responsibility of such firms to the Fund;
2. Preparation of such reports, circulars, notices and other information on internal corporate affairs that may be required, from time to time, by the Fund, its stockholders, board of directors, and/or officers, which shall include a monthly report on: a.) Revenues and disbursements broken-down as to investments and expenses; b.) Sales and redemptions; and c.) Performance, change or status of the Fund's assets;
3. Representation with Government offices, instrumentalities and agencies, including all work required in registering the Fund's securities, obtaining proper licenses and permits, complying with other legal requirements including those requirements relevant to FAMI's own operations, and submitting regular reports to various government agencies;
4. Accounting, bookkeeping, clerical and other administrative services in the ordinary conduct of the Fund's activities, other than those services provided by the Custodian Bank, the auditors, and the legal counsel;
5. Provide office space and other administrative facilities;
6. Distribution of the shares of the Fund
7. Investment and reinvestment of the resources of the Fund in accordance with the investment policies and guidelines set by the Fund's board of directors in conformity with the Fund's Prospectus, the Investment Company Act and other applicable laws and regulations;
8. Preparation and submission of such information and data relating to economic conditions, industries, business, corporations, or securities as may be reasonably required by the Fund's Board of Directors or as FAMI may deem to be helpful in formulating and evaluating its investment policies or guidelines;

9. Transactions with stockbrokers for the account of the Fund in connection with the investment and reinvestment of the Fund's assets;

The fees payable to FAMI, is a monthly fee equivalent to one and three-fourths percent (1.75%) per annum of the average net asset value of the Fund's assets, computed on a daily basis. The "net asset value" shall be determined by computing the total value of the Fund's assets less its liabilities in accordance with the procedure used in computing the net asset value of the Fund. In addition, as Investment Manager, FAMI shall be paid an incentive fee equivalent to one-tenth (1/10) of the realized appreciation in value of the Fund's net assets in excess of the "hurdle rate" defined as either: 12% or the average 91-day Treasury Bill rate for the applicable year (net of tax) plus a spread of 3% *whichever is higher*.

FAMI will also receive the sales load fee (exclusive of VAT) under the following schedule:

<b>Investment Amount (in Php)</b>	<b>Sales Load</b>
5,000 to 100,000	2.0%
100,001 to 500,000	1.5%
500,001 to 2,000,000	1.0%
Above 2,000,000	0.5%

*Custodian Bank Agreement*

Under the agreement, the Custodian Bank shall receive, safe-keep, record, and account for the proceeds of the sale of the shares of stock of the Fund. The Custodian Bank shall, likewise, hold all the certificates representing the investments made by the Investment Manager in behalf of the Fund in accordance with the regulations of the SEC.

*Stock and Transfer Agency Agreement*

Under the agreement, the Stock and Transfer Agent shall render the following services:

1. File the reports pertaining to the Fund as may be required by the SEC and other governmental entities;
2. Prepare the list of stockholders for all regular or special meetings of the Fund's stockholders;
3. Prepare and mail out all notices, reports, and circulars to all stockholders upon prior request of the Fund, Investment Manager or Administrator;
4. Prepare and mail dividend checks;

5. Prepare and issue stock certificates; and,
6. Register all liens constituted on the shares of stock of the Fund.

## Expenses Chargeable to the Fund and the Fund Management Company

The expenses chargeable to the Fund are:

1. Compensations of the officers and directors of the Fund;
2. Audit and legal fees of the Fund;
3. Brokerage charges and other customary fees in connection with the acquisition, appraisal and disposition of the Fund's assets;
4. Fees of the Custodian Bank to the extent not absorbed by buyers of the Fund's securities;
5. Cost of printing and mailing notices, reports, proxies and other communication material to the Fund's stockholders;
6. Fees of Transfer Agent for the securities to the extent not absorbed by the buyers of the Fund's securities;
7. Taxes, including income taxes, documentary stamp taxes, and license fees, to the extent not absorbed by the buyers of the Fund's securities and as may be required by law or by the rules and regulations of the SEC; and,
8. Investment Management fee, Distribution Fee and Fund Administration fee which are computed in accordance with the Management and Distribution Agreement.

The expenses chargeable to FAMI are:

1. Salaries, bonuses, allowances, and other compensation of the personnel hired by the company to perform the administrative and distribution functions and other services as may be required by law or by the rules and regulations of the SEC;
2. Expenses incurred for the office space and other administrative facilities;
3. Commission fees and other compensation due to agents and dealers in connection with the distribution of the shares of the Fund;
4. Transportation and communication charges in relation to the distribution of the shares;
5. Cost of selling materials such as brochures, sales kits, and cost of printing and distributing the Prospectus; and,
6. Advertising and promotional expenses incurred in connection with the selling of the Fund's shares, including the daily publication of NAV quotations.



## Applicable Philippine Laws

### ***Investment Company Act of 1960***

The business of investment company companies is primarily regulated by the Investment Company Act of 1960 and the SEC rules and regulations governing investment companies. Subject to the exceptions under the law, an investment company is any issuer which is or holds itself out as being engaged primarily, or proposes to engage primarily in the business of investing, reinvesting, or trading in securities. An investment company is either, an open-end company or a closed-end company.

On one hand, an open-end company is an investment company that offers for sale or has outstanding redeemable security, of which it is the issuer. On the other hand, a closed-end company is any investment company other than an open-end company.

To be incorporated as an investment company, the following requirements should be complied with:

1. Minimum subscribed and paid-in capital of Php50,000,000.00;
2. All shares of stock should be common and voting shares. In the case of open-end companies, the articles of incorporation thereof should expressly deny the pre-emptive rights of stockholders;
3. All the members of the board directors must be Filipino citizens.

The Investment Company Act, likewise, requires the registration of the investment company and of the shares of the investment company itself. Likewise, the Investment Company Act requires an investment company to place and maintain its securities and similar investments in the custody of: a duly organized local commercial bank of good repute; or a company that is a member of a securities exchange as defined in the Securities Regulation Code subject to such rules and regulations of the Securities and Exchange Commission; or such registered company, but only in accordance with such rules and regulations or order as the Commission may from time to time prescribe for the protection of investors.

### ***Dividends***

The corporation may pay dividends only out of its unrestricted retained earnings, the unrestricted retained earnings of the corporation that have not been allocated for any managerial, contractual, or legal purposes and that are free for distribution to shareholders. The corporation may satisfy

dividends in cash, by the distribution of property, or by the issuance of shares of stock. Dividends satisfied by the issuance of shares may only be paid with the approval of shareholders representing at least two-thirds (2/3) of the outstanding capital stock at a shareholders' meeting specially called for that purpose.

Declaration of dividends is generally discretionary with the board of directors. However, corporations with surplus profits in excess of 100% of their paid-in capital are required to declare and distribute the amount of such excess profits as dividends, except when the retention is justified by: Definite corporate expansion projects, programs approved by the board of directors, or when consent of creditors is required under any loan agreement, or when it can be clearly shown that such retention is necessary under special circumstances.

### ***Rights of Minority Shareholders***

The right of a shareholder to institute proceedings on behalf of the corporation in a derivative suit is recognized by Philippine law. Derivative suits may be filed where the corporation itself is unable or unwilling to institute the necessary proceedings to redress wrong committed against the corporation or to vindicate corporate rights. Derivative suits are filed with the SEC. The SEC has original and exclusive jurisdiction over intra-corporate disputes.

Shareholders have the right to inspect the records of the corporation. These records include minutes of all meetings of the board of directors and of the shareholders, and records of all business transactions of the corporation. However, the right of inspection may be denied if the shareholder seeking to examine the corporate records has improperly used any information secured through any prior examination of corporate records, or was not acting in good faith or with a legitimate purpose in making his demand for inspection.

### ***Management***

Corporate powers are exercised, all business conducted, and all properties of a corporation are controlled and held by the board of directors. However, a corporation may enter into a management contract with another corporation, for a period not exceeding five (5) years for any one term, subject to the approval of the board of directors and stockholders owning at least a majority (or in certain instances, two-thirds) of the outstanding capital stock of both the managing and managed corporations. The nature of an investment company's business, however, makes it imperative for the corporation to enter into a management contract with an investment manager/adviser. The Investment Company Act lays down the requirements for such kind of contracts as follows:

1. The contract has been approved by the vote of a majority of the outstanding voting securities of the investment company;

2. The contract precisely described all compensation to be paid thereunder;
3. The contract shall continue in effect for a period of more than two years from the date of its execution, provided that such continuance is specifically approved at least annually by the board of directors or by vote of a majority of the outstanding voting securities of such company;
4. The contract provides in substance that it may be terminated at any time without the payment of any penalty by the board of directors of the company or by vote of two-thirds of the outstanding voting securities of such company or not more than sixty days written notice to the investment adviser; and,
5. The contract provides in substance for the automatic termination in the event of assignment thereof by the investment adviser/manager.

Unless otherwise provided by the Corporation Code, the articles of incorporation or By-laws of the corporation, an act of the majority of the directors present in a meeting with a quorum shall be valid as a corporate act. Certain corporate acts, however, may only be effected with the approval of shareholders representing at least two-thirds (2/3) of the outstanding capital stock at a shareholders' meeting convened for the purpose. Matters requiring such shareholders' approval include, but are not limited to: the amendment of the articles of incorporation; the removal of directors; the sale, lease, exchange, mortgage, pledge, or other disposition of all or a substantial part of the assets of the corporation; and investment of corporate funds in any other corporation, or business, or for any purpose other than primary purpose for which the corporation was organized.

Each member of the board of directors, who must hold at least one (1) share of the corporation, is elected for a one (1) year term during the annual meeting of stockholders of the corporation.

Each share of stock is entitled to one vote during shareholders' meeting. However, in the election of directors, each shareholder is entitled to such number of votes as is equal to the product of the number of shares owned by him and the number of directors to be elected. The shareholder may cumulate his votes in favor of one candidate or distribute these votes in such proportion and amount between or among as many of the candidates as he may think fit. The election of directors may only be held at a meeting convened for that purpose at which shareholders representing a majority of outstanding capital stock are present in person or by proxy. However, any vacancy in the board, other than by removal or expiration of term, may be filled by the majority of the remaining directors if still constituting a quorum.

***Accounting and Auditing***

Corporations are required to file copies of their annual financial statements with the SEC. Shareholders are entitled to request copies of the most recent financial statements of the corporation which shall include a balance sheet as of the end of the last tax year and profit and loss statement approved at least annually by the board of directors or by vote of a majority of the outstanding voting securities of such company for that year. The board of directors is required to present to shareholders at every annual meeting a financial report of the operations of the corporation for the preceding year. This report is required to include audited financial statements.

***Taxation***

1. Corporate income tax on taxable income derived from all sources within and without the Philippines is 32% effective Jan. 1, 2000;
2. Final withholding tax of 20% on gross interest from Philippine currency bank deposits and yield from deposit substitutes, trust funds and similar arrangements;
3. Final withholding tax on sale of shares listed and traded through the Exchange of 1/2 of 1% of gross selling price;
4. Tax on net capital gain of sale of shares not traded through the Exchange: not over 100,000.00 - 5% and amount in excess of 100,000.00 - 10%;
5. Documentary stamps tax at the rate of 2.00 per 200.00 (or fractional part thereof) of par value on original issuance of shares by the Fund.

***Shareholder***

1. Tax on dividends received from the Fund by: domestic corporations and resident foreign corporation: None; individual citizen and individual resident alien: 10%
2. Documentary stamps tax of 0.75 per 200.00 (or fractional part thereof) of par value on subsequent sale or transfer of shares by the Shareholder.
3. Tax on gains realized by the investor upon redemption of shares in a mutual fund company: None.
4. Tax on net capital gain of sale of shares not traded through the Exchange: Not over 100,000.00: 5%; and amount in excess of 100,000.00: 10%.
5. Tax on dividends received from domestic corporations: None.
6. Documentary stamps tax at the rate of 1.00 per 200.00 (or fractional part thereof) of par value on original issuance of shares by the Fund.