

PROSPECTUS

RELATING TO THE PUBLIC OFFER OF

1,000,000,000 SHARES
OF COMMON STOCK OF

**FIRST METRO
SAVE & LEARN EQUITY FUND, INC.**
An Open-End Investment Company
ISSUER

The number of securities to be offered, as increased, inclusive of what has already been subscribed to upon incorporation is One Billion (1,000,000,000) shares which is the authorized capital stock. Two Hundred Fifty Million (250,000,000) shares have been subscribed at par value of P1.00 per share. The price at which the Seven Hundred Fifty Million (750,000,000) shares are to be offered is based on the net asset value per share computed on a daily basis plus a front-end sales load fee. The shares to be offered are unlisted and will be traded through the over-the-counter market.

FIRST METRO ASSET MANAGEMENT, INC.
INVESTMENT COMPANY ADVISER, FUND ADMINISTRATOR,
AND PRINCIPAL DISTRIBUTOR

THIS PROSPECTUS IS DATED
30 JUNE 2008

The number of securities to be offered, inclusive of what has already been subscribed to upon incorporation is One Billion (1,000,000,000) shares. Two Hundred Fifty Million (250,000,000) shares have been subscribed at par value of P1.00 per share. The price at which the Seven Hundred Fifty Million (750,000,000) shares are to be offered is based on the NAV per share computed on a daily basis plus a front end sales load fee. Using the Net Asset Value per share of P1.6643 as of June 30, 2007 for the 750 million shares, the total estimated gross proceeds to be raised by the offering is P1,248,225,000. The gross proceeds from the sale of the shares of stock of the registrant shall be held by the Issuer's Custodian Bank which is The Hong Kong and Shanghai Banking Corporation. The shares to be offered are unlisted and will be traded through the over-the-counter market.

The Company will use the proceeds of the sale of First Metro Save & Learn Equity Fund, Inc. to invest primarily in listed and non-listed equity securities. However, as a tactical move, a portion of the Fund may also be invested in government securities, SEC-registered commercial papers, among other debt instruments. The assets of the Fund shall be structured based on market conditions, the level of interest rates, and liquidity needs of the Fund.

The Issuer is a domestic corporation, incorporated on May 27, 2005 as First Metro Save & Learn Equity Fund, Inc. (the "Fund"), with principal business office address at 18th Floor, PS Bank Tower, 777 Paseo de Roxas, corner Sedeño St., Makati City, Philippines, and Telephone Numbers: (632) 8912860.

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.

On March 8, 2007, the Securities and Exchange Commission (SEC) approved the amendment to the Articles of Incorporation of First Metro Save and Learn Equity Fund, Inc., increasing its authorized capital stock from One Hundred Million (100,000,000) to Two Hundred Fifty Million (250,000,000) common shares. The SEC on January 29, 2008, also approved the additional increase of Seven Hundred Fifty Million (750,000,000) common shares to its authorized capital stock. Said amendments were approved by the Board of Directors on April 26, 2006 and February 26, 2007 and ratified by the stockholders on June 21, 2006 and April 13, 2007, respectively. The registration of Two Hundred fifty Million shares was approved on December 14, 2007.

Various risk factors (i.e., stock market risk, interest rate risk, inflation risk, and manager's risk) can affect the market value of the assets of the Fund and cause the Fund's net asset value to vary over time. Consequently, there may be instances when 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 total fees 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 as: PSEi annual performance +6.5%. FAMI will also receive from the Fund a sales load fee based on the following schedule:

<u>Investment Amount</u>	<u>Sales Load</u>
P5,000 to less than P100,000	2.0%
P100,000 to less than P500,000	1.5%
P500,000 to less than P2,000,000	1.0%
P2,000,000 and above	0.5%

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. However, said dividends, shall be automatically re-invested.

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 Equity Fund unless otherwise stated. First Metro Save & Learn Equity Fund accepts full responsibility for the accuracy of the information given herein. First Metro Asset Management, Inc., the Fund Administrator of First Metro Save & Learn Equity 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.

The SEC had originally issued on September 6, 2005 an Order rendering effective the Registration Statement of the Company covering one hundred million (100,000,000) common shares of the authorized capital stock and a Certificate of Permit to offer these securities for sale.

SUMMARY OF FINANCIAL INFORMATION

STATEMENTS OF ASSETS AND LIABILITIES

	June 30		December 31	
	2008	2007	2006	
ASSETS				
Cash and Cash Equivalents (Note 5)	₱ 177,232,194	₱ 51,333,554	₱ 48,633,244	
Financial Assets at Fair Value through Profit or Loss	328,152,675	500,061,717	192,113,588	
Available-for-Sale Investments	0	124,932,592	58,501,279	
Loans and Receivables	68,797,357	149,013,250	1,605,137	
Input Taxes	1,284,501		532,401	
	575,466,727	825,341,113	301,385,649	
LIABILITIES				
Accounts Payable and Accrued Expenses	3,270,716.00	3,644,751	6,081,024	
Payable to First Metro Asset Management, Inc.	871,870.00	1,139,067	411,224	
Total Liabilities Excluding Net Assets				
Attributable to Shareholders	4,142,586	4,783,818	6,492,248	
NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS	₱ 571,324,141	₱ 820,557,295	₱ 294,893,401	
Net Asset Value Per Share	₱ 1.6643	₱ 2.0275	₱ 1.7983	

STATEMENT OF INCOME & EXPENSES

For the Period Ended June 30, 2008 and
for the Years Ended December 31, 2007 & 2006

	2008 (Six months)	2007 (One Year)	2006 (One Year)
INVESTMENT INCOME			
Trading gain - net	(140,524,572)	21,669,835	54,312,144
Interest income	5,354,908	6,508,695	1,948,853
Dividend income	8,830,857	6,930,549	1,435,525
Others	-	-	4,725
	(126,338,807)	35,109,079	57,701,247
OPERATING EXPENSES			
Management fees	5,678,372	14,993,943	7,411,937
Taxes and licenses	1,087,380	3,690,410	1,030,273
Professional fees	116,700	802,582	110,000
Directors' and officers' fees	131,000	206,100	165,000
Custodian and clearing fees	62,036	205,949	60,000
Membership fees and dues	20,000	10,000	20,000
Miscellaneous	110,494	576,976	55,288
	7,205,982	20,485,960	8,852,498
TAX	(133,544,789)	14,623,119	48,848,749
PROVISION FOR FINAL TAX	3,516,202	1,444,656	1,645,191
NET INVESTMENT INCOME	(137,060,991)	13,178,463	47,203,558
Basic/Dilutive Earnings Loss Per Share	(0.3961)	0.0370	0.5465

RISK DISCLOSURE STATEMENT

I. GENERAL RISK WARNING

- The price of securities can and does fluctuate, and any individual security may experience upward or downward movement, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities.
- Past performance is not a guide to future performance.
- There is an extra risk of losing money when securities are bought from smaller companies. There may be a big difference between the buying price and the selling price of these securities.
- An investor deals in a range of investments which may carry a different level of risk.

II. PRUDENCE REQUIRED

This disclosure does not purport to disclose all the risks and other significant aspects of investing in these securities. An investor should undertake his or her own research and study on the trading of securities before commencing any trading activity. He/she may request information on the securities and issuer thereof from the Commission which are available to the public.

III. PROFESSIONAL ADVICE

An investor should seek professional advice if he or she is uncertain of, or has not understood any aspect of the securities to invest in or the nature of risk involved in trading of securities especially those high risk securities.

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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 Equity Fund, Inc.

Investment Objective

The Fund is designed to seek long-term capital appreciation by investing primarily in carefully selected listed and non-listed equity securities.

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

<u>Investment Amount</u>	<u>Sales Load</u>
P5,000 to less than P100,000	2.0%
P100,000 to less than P500,000	1.5%
P500,000 to less than P2,000,000	1.0%
P2,000,000 and above	0.5%

Minimum Investment

The minimum initial investment shall be P5,000.00 and the minimum additional investment 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 on the same 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 180 days	1.0%
180 days and beyond	none

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 the stock market and other macroeconomic factors. 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 instances 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. The following are the risk factors in their order of importance:

Stock market risk

Investing in shares of stock is generally riskier because of the volatility of the stock market. Changes in prices of equity securities that compose the Fund's 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 are 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. To manage the risk, the stocks included in the portfolio will be cautiously selected by the investment manager based on their soundness and long-term profitability. Diversification of the stockholdings (not only in terms of the number of stocks but also in the different sectors and industries) of the portfolio will be done to reduce its impact.

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). To mitigate the risks, the Fund manager will diversify in terms of the type of

securities (such as treasury bonds, notes, bills) and the time horizons of the said securities (such as one-year, 3-year, 5-year, 10-year, and above 10 years).

Inflation risk

Inflation risk is the risk that inflation may erode the real value of an investment by the Fund. One way to manage the risk is to actively trade in fixed-income securities, particularly government securities, which are valued on a marked-to-market basis.

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 in the market or compared to its peers. Also, the Fund could fail to meet its investment objectives. The board of directors of the Issuer will see to it that all the investment policies and restrictions enumerated in this prospectus are strictly followed. The board will meet more often to continually monitor the investment manager's performance in this area.

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.

Issuer/Registrant	First Metro Save and Learn Equity Fund, Inc.
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

The Fund

Background and Purpose

First Metro Save & Learn Equity Fund is an open-end investment company, which was incorporated on May 27, 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, high grade equity securities. The Fund's main objective is to provide small investors with the opportunity to access the capital markets and enable them to reap satisfactory returns on their investments through prudent selection of equity securities, and the professional management and supervision of the Fund.

Description of Securities

Capitalization and Ownership

The Fund's authorized capital stock is ONE BILLION (1,000,000,000) common shares with a par value of Php1.00 per share. Seven Hundred Fifty Million (750,000,000) shares of which represent the recent increase in the authorized capital stock and the same are being registered with the Securities and Exchange Commission.

As of December 31, 2007, the percentage contributions of the various sources of income are as follows:

	<u>Amount</u>	<u>%</u>
Trading Gain	P 21,669,835	61.72
Interest Income	P 6,508,695	18.54
Dividend	P 6,930,549	19.74

The Company had an initial paid-up capital of TWENTY FIVE MILLION PESOS (Php25,000,000.00), which was subscribed by the following:

Name	Nationality	Number of shares subscribed	Amount subscribed (in Php)	Percentage (%)
1. FirstMetro Investment Corporation	Filipino	24,999,991	24,999,991.00	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 Garrovillo C.	Filipino	1	1.00	0
8. Eduardo Mendoza A.	Filipino	1	1.00	0
9. Nimfa B. Pastrana	Filipino	1	1.00	0
10. Edwin B. Valeroso	Filipino	1	1.00	0
TOTAL		25,000,000	25,000,000.00	100.00

Pursuant to ICA Rule 35-1(c)(3), 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, auctioned 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 shares of the Fund, 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 by First Metro Asset Management, Inc., its appointed Principal Distributor.

Market Price

	NAVPS	
	High	Low
Year 2008		
1st Quarter	2.0253	1.7372
2nd Quarter	1.8193	1.6643
3rd Quarter	1.7367	1.5527
Year 2007		
1st Quarter	2.3006	1.7984
2nd Quarter	2.3019	2.1353
3rd Quarter	2.3580	1.9265
4th Quarter	2.1390	1.9703

Dividends

The fund has not issued cash dividends since its inception. 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. Dividends, if any, are automatically re-invested.

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.

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 and Analysis of Financial Condition and Results of Operations

The total resources of First Metro Save & Learn Equity Fund, Inc. (SALEF) grew by 274% from ₱301.4 million at the end of 2006 to ₱825.3 million at the end of 2007. These are comprised of the shares of stocks recorded under Held for Trading securities, Available-for-Sale financial assets, which represent investments in government securities, cash and cash-equivalents, and receivables.

Loans and receivables of ₱149.0 million pertain to accounts receivables from brokers of ₱ 82.2 million, loans receivable amounting to ₱ 14.7 million, unquoted debt securities classified as loans amounting to ₱50.0 million and accrued interest from time deposits and from investments in government securities of ₱2.1 million.

Total liabilities amounting to ₱4.8 million at the end of December 2007 decreased by 26.5% compared to ₱6.5 million at the beginning of the year. The decrease was mainly because there was no accrual of incentive fee.

The outstanding shares for the year closed at 250,000,000 shares, almost five times the outstanding shares compared to last year. Deposit for future subscription amounted to ₱154.7 million. A resolution increasing the authorized capital stock of the Fund from 250,000,000 shares to 1,000,000,000 has been unanimously approved by the members of the Board of Directors, subsequently approved by the shareholders owning at least 2/3 of the outstanding capital stock of the Fund at separate meetings held on February 26, 2007 and April 13, 2007, respectively. The Fund has submitted the amended Articles of Incorporation and was approved by SEC last January 29, 2008.

First Metro Save & Learn Equity Fund, Inc. (SALEF) ended the year with a ₱13.2 million net income which came primarily from trading gains on sales of investment in stocks as well as from the interest earned from bank deposits/placements and stock dividends. Due to the weakening of local market, a ₱23.3 million marking-to-market loss lessen the gross income by 39%. Bearish market in the 3rd quarter of 2007 prompted the fund to unload its stock holdings to cut further losses resulting from the drop in the stock market. The market regained strength towards the end of the year resulting to a net realized gain on sale of stocks amounting to ₱44.9 million.

Interest income from investment in government securities and time deposits amounted to ₱ 6.5 million, an increase of 242% from the ₱1.9 million interest income in 2006. Likewise, dividend

income rose considerably from ₱1.4 million in 2006 to ₱ 6.9 million in 2007 or an increase of 393%.

Finally, the net asset value per share (NAVPS) of the Fund rose to ₱2.0275 per share in 2007 from ₱1.7983 per share at the beginning of the year giving the investors a 12.75% return on investment

Key Performance Indicators

- *Net Asset Value Per Share* - Net Asset Value per share increased from ₱1.7983 at the end of December 31 2006, to ₱2.0275 representing an annual growth of 12.75%.
- *Sales for the year 2007* - The Fund had total net sales of ₱ 807.94 million for the year 2007. This is more than 3 times higher compared to last year's ₱ 221.38 million. On the other hand, the number of accountholders grew from 521 to 1,043.
- *Redemptions for the year 2007* - The Fund had total redemptions of ₱221.87 million for the year ended December 31, 2007, which is more than 51 time higher than the P4.31 million redemption in 2006.
- *Net Income vs. Benchmark* - The net income of the Fund declined by almost 3 times from ₱ 47.2 million in 2006 to ₱ 13.5million in 2007.

Market Share vs. Benchmark – As of December 31, 2007, the Fund held a 5.91% share in the Equity Funds category while 0.92% share among all mutual funds in terms of net assets. On the basis of account holders, the Fund has 1,033 outstanding accounts or 3.08% of the total number of accounts in the Equity Funds category

The following basic ratios measure the financial performance of the Company for the years ended 2007 and 2006:

PERFORMANCE INDICATORS	As of Dec. 31, 2007 (Audited)	As of Dec. 31, 2006 (Audited)
Return on Assets ^{1/}	2.34%	29.59%
Return on Equity ^{2/}	2.36%	30.20%
Cost-to-Income Ratio ^{3/}	58.35%	13.58%
Net Asset Value per Unit ^{4/}	2.0275	1.7983
Earnings per share ^{5/}	0.037	0.5672

^{1/} Average assets for period ended December 31 were computed based on the average of the beginning and ending balances, over the net income for the year.

^{2/} Likewise, average equity for period ended December 31 was computed based on the average of the beginning and ending balances, over the net income for the year.

- ^{3/} Operating expenses for the cost-to-income ratios do not include provision for probable losses and provision for income taxes.
- ^{4/} Net asset value per unit by deducting total liabilities from total assets to come up with the Net Assets and dividing with the outstanding number of shares for the period.
- ^{5/} Net income divided by weighted average number of common shares.

Discussion and analysis of material events and/or uncertainties

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

- (a) will have a material impact on liquidity
- (b) will trigger direct or contingent obligation that is material to the Fund including any default or acceleration of obligation
- (c) will have an impact on all material off-balance sheet transactions, arrangement, obligations and other relationships of the Fund
- (d) is a significant element of income or loss that did not arise from the Fund's continuing operations.

STATEMENTS OF CONDITION

	D E C E M B E R 3 1	
	2 0 0 7	2 0 0 6
ASSETS		
Cash and Cash Equivalents	₱51,333,554	₱48,633,244
Financial Assets at Fair Value through Profit or Loss	500,061,717	192,113,588
Available-for-Sale Investments	124,932,592	58,501,279
Loans and Receivables	149,013,250	1,605,137
Input Taxes	–	532,401
	825,341,113	301,385,649
LIABILITIES		
Accounts Payable and Accrued Expenses	3,644,751	6,081,024
Payable to First Metro Asset Management, Inc.	1,139,067	411,224
Total Liabilities Excluding Net Assets Attributable to Shareholders	4,783,818	6,492,248
NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS	₱820,557,295	₱294,893,401
Net Asset Value Per Share	₱2.0275	₱1.7983

STATEMENTS OF INCOME AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
INVESTMENT INCOME		
Trading gain - net	₱21,669,835	₱54,312,144
Interest income	6,508,695	1,948,853
Dividend income	6,930,549	1,435,525
Others	–	4,725
	35,109,079	57,701,247
OPERATING EXPENSES		
Management fees	14,993,943	7,411,937
Taxes and licenses	3,690,410	1,030,273
Professional fees	802,582	110,000
Directors' and officers' fees	206,100	165,000
Custodian and clearing fees	205,949	60,000
Membership fees and dues	10,000	20,000
Miscellaneous	576,976	55,288
	20,485,960	8,852,498
INVESTMENT INCOME BEFORE FINAL TAX	14,623,119	48,848,749
PROVISION FOR FINAL TAX	1,444,656	1,645,191
NET INVESTMENT INCOME	₱13,178,463	₱47,203,558
Basic/Dilutive Earnings Per Share	₱0.0370	₱0.5465

Comment on Directors' and Officers' Fees. The Fund did not employ personnel and officers who directly render services to the Fund and were supposed to receive periodic compensation and various benefits for those services but rather pay monthly management fee to First Metro Asset Management Inc. (FAMI). However, the Fund did present the remuneration to its Board of Directors shown as "directors' and officers' fees" as a separate line item above amounting to ₱206,100, ₱165,000 and ₱71,000 in 2007, 2006, and 2005 respectively.

Under PAS 1, an entity shall present additional line items, headings and subtotals in the statement of operations, when such presentation is relevant to an understanding of the entity's financial performance. Only when an item that is not sufficiently material to warrant separate presentation in these statements may warrant separate presentation in the notes.

In addition, as provided under PAS 24, the objective of the Standard is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its

financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The presentation of the amounts received by the directors' and officers' above is sufficient to necessary draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions with such parties, if any, which is the objective of PAS 24. Further, as provided under PAS 1, the presentation of the transactions as "directors and officers fee" in the statement of operations as well as the account name used to present them were sufficient to discount any intentions not to disclosed those transactions, their nature and impact to the users of financial statements. Not to mention, that the amount and nature of the transactions were considered not material to the financial statements.

Comment on Net Operating Loss Carry Over (NOLCO). The income tax calculation for the year ended December 31, 2007 is provided below:

Net income	₱13,178,463
Provision for final tax	1,444,656
Income before final tax	14,623,119
Add/deduct reconciling items:	
Non-taxable income:	
Interest income subject to final tax	(6,508,695)
Gain on sale of shares of stock	(44,948,369)
Dividend income	(6,930,549)
Unrealized loss	23,278,534
Tax loss (NOLCO) - 2007	(₱20,485,960)

The income tax calculation provided above shows the reconciling items between net income (reflected in the financial statements) and tax loss (NOLCO) which are reflected in the Fund's Annual Income Tax Return in accordance with tax laws and regulations. As shown, a significant portion of the Company's income was subject to final tax and was deducted from net income since they were no longer subject to regular corporate income tax. However, PAS 12 does not require the disclosure of allowable deductions and expenditures, and the amount of/details of gross taxable income in the financial statements to show the Fund's NOLCO.

The reconciliation of the statutory income tax to the effective income tax for the year was in accordance with the disclosure requirement under PAS 12 paragraph 81, which states that an explanation of the relationship between tax expense (income) and accounting profit should be disclosed in either or both of the following forms: (i) a numerical reconciliation between tax expense (income) and the product of accounting profit multiplied by the applicable tax rate(s),

disclosing also the basis on which the applicable tax rate(s) is (are) computed; or (ii) a numerical reconciliation between the average effective tax rate and the applicable tax rate, disclosing also the basis on which the applicable tax rate is computed.

The Fund disclosed the relationship between the tax expense and accounting profit in the form of a numerical reconciliation between the average effective tax rate and the applicable tax rate. We believe that the related disclosures in the financial statements were in accordance with the requirements of PAS 12.

**STATEMENTS OF CHANGES IN CAPITAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007	2006
NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS AT BEGINNING OF PERIOD	₱294,893,401	₱29,468,834
FROM OPERATIONS		
Net investment income (Note 9)	13,178,463	47,203,558
Net increase in unrealized gain (loss) on available-for-sale investments (Note 6)	(1,135,195)	1,781,922
	12,043,268	48,985,480
FROM TRANSACTIONS WITH SHAREHOLDERS		
Proceeds from unit issuances - 377,363,611 shares in 2007, 139,869,552 shares in 2006 and 27,454,424 shares in 2005	807,944,551	221,276,446
Payments on units redeemed - 136,644,079 shares in 2007 and 3,338,800 shares in 2006	(294,323,925)	(4,837,359)
	513,620,626	216,439,087
NET INCREASE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS	525,663,894	265,424,567
NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS AT END OF PERIOD	₱820,557,295	₱294,893,401

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Investment income before tax	₱14,623,11	₱48,848,74
Adjustments for:		
Unrealized trading gains (losses)	23,278,53	(28,767,65
Changes in operating assets and liabilities:		
Decrease (increase) in the amounts of:		
Financial assets at fair value through profit or loss	(331,226,66	(137,448,04
Available-for-sale investments	(67,566,50	(55,075,69
Loans and receivables	532,40	(1,604,91
Input tax	(147,408,11	(509,50
Increase in the amounts of:		
Accounts payable and accrued expenses	(2,436,27	5,900,43
Payable to First Metro Asset Management, Inc.	727,84	328,71
Net cash used in operations	(509,475,66	(168,327,91
Income taxes paid	(1,444,65	(1,645,19
Net cash used in operating activities	(510,920,31	(169,973,10
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from unit issuances	807,944,55	221,276,44
Payments units redeemed	(294,323,92	(4,837,35
Net cash generated from financing activities	513,620,62	216,439,08
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,700,31	46,465,98
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	48,633,244	2,167,263
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱51,333,55	₱48,633,24
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS		
Interest received	₱5,618,68	₱786,14
Dividends received	7,372,97	993,10
	₱12,991,66	₱1,779,24

Causes for Any Material Changes
Assets

The changes in cash and cash equivalents, financial assets at FVPL, available-for-sale- securities and loans receivables reflect additional investments . Funds for said investments came mostly from proceeds of subscription of mutual fund shares during the year.

Increase in cash and cash equivalents is mainly due to additional time deposit placements . On the other hand , increase in loans and receivables pertain mainly to additional investment in unquoted debt securities amounting to P 50 million, promissory notes amounting to P 14.7 million and due from brokers amounting to P 82.3 million.

Liabilities

Decrease in accounts payable and accrued expenses is mainly attributed to the payment of incentive fee due to the fund manager while Payable to FAMI represents increase in management fees which increased congruently with the increase in the net asset value of the fund.

Interim Period Ending June 30, 2008

STATEMENTS OF CONDITION

	June 30 2008	As of December 31 2007
ASSETS		
Cash and Cash Equivalents (Note 5)	P 177,232,194	P 51,333,554
Financial Assets at Fair Value through Profit or Loss	328,152,675	500,061,717
Available-for-Sale Investments	0	124,932,592
Loans and Receivables	68,797,357	149,013,250
Input Taxes	1,284,501	
	575,466,727	825,341,113
LIABILITIES		
Accounts Payable and Accrued Expenses	3,270,716.00	3,644,751
Payable to First Metro Asset Management, Inc.	871,870.00	1,139,067
Total Liabilities Excluding Net Assets Attributable to Shareholders	4,142,586	4,783,818
NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS	P 571,324,141	P 820,557,295
Net Asset Value Per Unit	P 1.6643	P 2.0275

**STATEMENTS OF
INCOME**

	For the Period Ended June 30	
	2008	2007
INCOME		
Interest Income	₱ 5,354,908	₱ 2,218,397
Trading Gain - Stocks	(51,849,067)	89,119,705
Trading Gain - Government Securities	(100,778)	2,802
Dividend Income	8,830,857	2,843,853
Total Operating Income (Loss)	(37,764,080)	94,184,758
EXPENSES		
Management Fees	5,678,372	5,189,284
Director's Fee - Per Diem	131,000	121,000
Professional Fee	68,700	809,643
Taxes and Licenses	1,087,380	3,478,522
Custodian & Clearing Expenses	62,036	78,749
Retainer's Fee	48,000	24,000
Membership Fees	20,000	10,000
Miscellaneous Expenses	110,494	48,377
Total Expenses	7,205,982	9,759,574
Net Income (Loss) Before Marking-to-Market	(44,970,062)	84,425,184
Marking-to-Market Gain(Loss) on Stocks	(88,574,727)	31,942,509
Net Income (Loss) Before Provision for Income Tax	(133,544,789)	116,367,692
Provision for Income Tax - Final	3,516,202	5,246,603
NET INCOME (LOSS)	₱ (137,060,991)	₱ 111,121,089
Earnings (Loss) Per Share	₱ (0.3961)	₱ 0.4728

STATEMENTS OF CHANGES IN CAPITAL FUNDS

	June 30, 2008	June 30, 2007
CAPITAL STOCK - P 1.00 par value		
Authorized - 1,000,000,000 shares		
Issued and outstanding - 250,000,000 shares in June 2008; 250,000,000 shares in June 2007	250,000,000	250,000,000
Outstanding shares for Future Subscription	93,097,025	165,831,831
CAPITAL PAID IN EXCESS OF PAR VALUE	303,501,480	433,059,108
RETAINED EARNINGS		
Balance at beginning of year	61,789,627	48,611,165
Income Withdrawals		(68,945,352)
Net Income/(Loss)	(137,060,991)	111,121,089
Balance at end of quarter	(75,271,364)	90,786,902
NET UNREALIZED LOSS ON AFS	-	(106,957)
	571,327,141	689,570,884

STATEMENTS OF CASH FLOWS

	For the Period Ended June 30	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before Income Tax	₱ (133,544,789)	₱ 116,367,692
Adjustment to reconcile income before tax to net cash generated from (used) in operations:		
Interest Income	(5,354,908)	(2,218,397)
Dividend Income	(8,830,857)	(2,843,853)
Changes in operating assets and liabilities:		
Decrease/(Increase) in:		
Held for Trading Securities	171,909,042	(494,320,247)
Available for sale securities	124,284,367	(3,694,705)
Other assets	79,262,808	(95,855,376)
Increase/(Decrease) in:		
Accounts Payable & accrued expenses	(374,035)	56,731,188
Due to Fund Manager	(267,197)	(4,011,439)
Other Liabilities	-	-
Net cash generated from (used in) operations	227,084,432	(429,845,137)
Interest income received	7,375,939	2,854,028
Interest expense paid	-	-
Income taxes paid	(3,516,202)	(4,956,365)
Net cash provided by (used in) operating activities	230,944,169	(431,947,474)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Disposals of (addition to) property & equipment	-	-
Dividends received	6,477,409	3,286,277
Net cash provided by (used in) investing activities	6,477,409	3,286,277
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of capital stock	34,346,700	535,444,770
Payment of redemption proceeds	(145,869,638)	-
Dividends paid	-	-
Net cash provided by (used in) financing activities	(111,522,938)	535,444,770
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	125,898,641	106,783,573
CASH AND CASH EQUIVALENTS		
Beginning balance	51,333,554	48,633,244
Ending balance	₱ 177,232,195	₱ 155,416,817

Management's Discussion and Analysis of Financial Condition and Results of Operations**FINANCIAL CONDITION**

Total resources of the Fund decreased by 30% from the ₱ 825.3 million beginning of the year balance to ₱ 575.5 million as of June 30, 2008 due to the net effect of the following:

- **Cash and Other Cash Items** grew by ₱ 126.0 million from year-end's ₱ 51.3 million to ₱ 177.2 million as of June 30, 2008. The savings account maintained in Metrobank amounted to ₱ 15.0 million while Time Deposits went up from ₱ 50.6 million at the beginning of the year to ₱162.0 million as of June 30, 2008. These came mostly from

proceeds of sale of stocks & fixed income investments and maturity of loans receivables.

- Sale of stocks and decline in market value caused the 34% or ₱ 171.9 decrease in **Financial Assets at Fair Value Through Profit or Loss**. Total cost of the Fund's stocks portfolio went down by ₱ 83.3 million or 16% while marking-to-market further pulled down its value by 18 % or ₱ 88.6 million
- **Available for Sale Investments** has no remaining balance as of June 30, 2008 due to the sale of the government securities in January 2008;
- **Accrued Interest Receivable** represents interest income on time deposits in MBTC. The decline in the account is due to the collection of interest on matured loans and bonds sold;
- **Accounts Receivable** represents receivable from brokers for the sale of stocks;
- **Unquoted Debt Securities Classified as Loans** were all disposed of during the first half of 2008
- **Loans Receivable**, which represented promissory notes that bear annual interest rates ranging from 3.0% to 4.5% for a period of less than one month, fully matured on April 29, 2008;
- **Dividend Receivable** pertains to cash dividends from PCOR shares of ₱ 745.3 thousand, RCM shares of ₱ 853.8 thousand, FLI shares of ₱ 716.6 thousand and AC shares of ₱37.8 thousand;
- **Accounts Payable and Accrued Expenses** consists of uncollected redemption proceeds, expenses incurred on taxes and other expenses of the Company, which have remained unpaid as of the period ended June 30, 2008. The decrease in the balance is mainly due to the drop in sales load payable, redemption fees payable and withholding taxes payable.
- **Payable to Fund Manager** declined due to lower management fees relative to the drop in the net asset value of the Fund;
- **Capital Stock** went down by 15% as the Fund incurred net redemption of 80.7 million shares equivalent to ₱ 111.5 million; and
- **Retained Earnings** movement is attributed to the net loss of ₱ 137.1 million for the six months period ended June 30, 2008.

RESULTS OF OPERATION

For the period ended June 30, 2008 First Metro Save & Learn Equity Fund, Inc. incurred a net loss of ₱137.1 million as compared to ₱111.1 million net income for the same period in 2007 as the local equities market continues to decline.

The highlights of the results of operations for the period ended June 30, 2008 are as follows:

- The **Realized Trading Loss** is associated with the decrease in the stockholdings of the Fund where it realized ₱ 51.8 million loss due to the unloading of stocks to cut further losses resulting from the drop in the stock market index;
- **Interest income**, which contributed ₱ 5.4 million to the total revenue generated by the Fund for the period, was derived from bank deposits, loans and investment in government securities;
- **Dividend Income** amounting to ₱ 8.8 million came from the cash dividends from Aboitiz Power Corp. shares of ₱ 2.5 million, PLDT shares of ₱ 2.9 million, SMPH shares of ₱0.98 million, PCOR shares of ₱0.74 million, RCM shares of ₱ 0.85 million, ALI shares of ₱0.08 million, FLI shares of ₱ 0.72 million & AC shares of ₱ 0.04 million;
- Total **Operating Expenses** includes management fees paid to FAMI that serves as the Funds Investment Adviser, professional fees and taxes paid and accrued.
- **Marking-to-Market Loss on Stocks** of ₱88.6 million is attributed to the bearish stock market condition .
- **Unquoted Debt Securities Classified as Loans** represents investments in privately issued bonds subject to quarterly repricing and will mature on 2012;
- **Loans Receivable** represents promissory notes that bear annual interest rates ranging from 3.0% to 4.5% for a period of less than one month;
- **Dividend Receivable** pertains to dividends from PLDT due and collectible April 21, 2008;
- **Accounts Payable and Accrued Expenses** consists of accounts payable to brokers for purchases of stocks, uncollected redemption proceeds, expenses incurred on taxes, licenses and other expenses of the Company, which have remained unpaid as of the period ended March 31, 2008. The increase in the balance is mainly due to payables to broker amounting to ₱ 4.9 million and drop in uncollected redemption proceeds;
- **Capital Stock** went down by 27% as the Fund incurred net redemption of 53 million shares equivalent to ₱ 96.3 million; and
- **Retained Earnings** movement is attributed to the net loss of ₱ 137.1 million for the six months period ended June 30, 2008.

Key Performance Indicators

SALEF has identified the following as its key performance indicators -- performance vs. benchmark and competitor funds, net income and market share.

SALEF was incorporated on May 27, 2005. It was designed to seek long-term capital appreciation by investing primarily in carefully selected listed and non-listed equity securities.

The Fund has appointed First Metro Asset Management, Inc. (FAMI) to serve as its Investment Company Adviser, Administrator and Principal Distributor. With the SEC's approval of FAMI's license to act as such last September 6, 2005 and its procedures firmed-up at the end of the same month, active management of SALEF's assets was initiated in October 2005 with the objective to consistently outperform its benchmark, which is the PSEi, and achieve a sizable net income.

The Fund has an initial paid-up capitalization of P25,000,000.00 which translates to a minimal market share in the mutual fund industry (under the equity fund category).

SALEF has identified the following as its key performance indicators:

- *Net Asset Value Per Share* - Net Asset Value per share dropped from ₱ 2.0275 at the end of December 2007 to ₱ 1.6652 at the end of June 2008, representing a negative 17.9% return on investment over a 6-month period.
- *Sales for the quarter ended* - The Fund had total sales of ₱ 14.0 million for the quarter ended June 2008. This is 31.4 % lower compared to the previous quarter's sales of ₱ 20.4 million. Likewise, the number of accountholders decreased from 1,038 to 1,008.
- *Redemptions for the quarter ended* - The Fund had total redemptions of ₱ 32.2 million for the quarter ended June 30, 2008. This is ₱ 97.4 million or 75.2% lower from the previous quarter's redemption of ₱ 129.6 million.
- *Net Income vs. Benchmark* - The Fund incurred a net loss of ₱137.1 million for the first half of 2008 as compared to a net income of ₱111.1 million in the same period last year.
- *Market Share vs. Benchmark* - As of June 30, 2008, the Fund garnered 5.93% share in the Equity Funds category while 0.74% share among all mutual funds in terms of net assets. On the basis of account holders, the Fund has 1,008 outstanding accounts or 2.87% of the total accounts in the Equity Funds category.

The following basic ratios measure the financial performance of the Company for the six months period ended June 30, 2008 and 2007 as well as, for the year-end of 2007:

PERFORMANCE INDICATORS	As of June 30, 2008	As of June 30, 2007	As of Dec. 31, 2007
Return on Assets ^{1/}	(39.45%)	34.36%	2.34%
Return on Equity ^{2/}	(39.70%)	36.30%	2.36%
Cost-to-Income Ratio ^{3/}	(19.02%)	7.74%	58.35%
Net Asset Value per Unit ^{4/}	1.6652	2.2595	2.0275
Earnings per Share ^{5/}	(0.3961)	0.3726	0.0370

Average assets for period ended June 30 were computed based on the average of the beginning and ending balances, whereby net income was annualized over the six-month period.

^{2/} Likewise, average equity for period ended June 30 was computed based on the average of the beginning and ending balances, whereby net income was annualized over the six-month period.

- ^{3/} Operating expenses for the cost-to-income ratios do not include provision for probable losses and provision for income taxes.
- ^{4/} Net asset value per unit by deducting total liabilities from total assets to come up with the Net Assets and dividing with the outstanding number of shares for the period.
- ^{5/} Net income divided by weighted average number of common shares.

Discussion and analysis of material events and/or uncertainties

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

- (e) will have a material impact on liquidity
- (f) will trigger direct or contingent obligation that is material to the Fund including any default or acceleration of obligation
- (g) will have an impact on all material off-balance sheet transactions, arrangement, obligations and other relationships of the Fund
- (h) is a significant element of income or loss that did not arise from the Fund's continuing operations.

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:

Board of Directors

The Board of Directors and the officers of the Fund are as follows:

- **Atty. Antonio M. Bernardo** - 54 years old, Filipino, Acting Chairman/Director. Term of office is one year and has served as director from May 2005 up to the present. He is also a Director of First Metro Save & Learn Fixed Income Fund, Inc. (from 2005 to the present) and First Metro Save & Learn Balanced Fund, Inc. (January 2007 up to the present) He is the Chairman of the Executive Committee of The Bernardo and Placido Law Offices (2007) and President of the Bernardo-Francisco & Associates Insurance Brokers, Inc.(2005-present). Among his past positions during the last five years; Commissioner of the Bureau of Customs (2002-2004); Undersecretary and Chief of Staff of both Department of Finance (2002-2002) and Department of Energy (2001); Secretary of the Commission on Appointments (2000). Atty. Bernardo has a degree in Bachelor of Science in Mathematics and a Bachelor of Laws degree (class valedictorian and Bar Exam 2nd Placer) both from Ateneo de Manila University.
- **Mr. Edwin B. Valeroso** - 44 years old, Filipino, President, Director. Term of office is one year and has served as director from May 2005 up to the present. He is the President of First Metro Save & Learn Fixed Income Fund, Inc. (May 2005 - present), and First Metro Save & Learn Balanced Fund, Inc. (January 2005 - present). He is an Associate 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); currently a Trustee and Vice-President of Investment Company Association of the Philippines(ICAP)(2006-present); Mr. Valeroso finished the requirements for the degree Doctor of Business Administration (Candidate) at De La Salle University-Manila. He obtained 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 Philippines.

- **Bro. Manuel V. de Leon, FMS** - 49 years old, Filipino, Director. Term of office is one year and has served as director from May 2005 – to the present. He is also a Director of First Metro Save & Learn Fixed Income Fund, Inc. (2005 - present), and First Metro Save & Learn Balanced Fund, Inc. (from January 2007 up to the present) and First Metro Asset Management (from 2005 to present). He is the Provincial Superior of Marist Brothers of Schools-Philippines (from 2003-present). He is the Founding President of SAGIP KA 2000 Foundation, Inc.(2000-present). He is also a member of the Board of Notre Dame of Dadiangas College, Notre Dame of Kidapawan College, Notre Dame of Cotabato, Marist Asia Pacific, Marist School, Assumption Antipolo, and Assumption College. He was a Director of Catholic Educational Association of the Philippines (CEAP-NCR), Treasurer of CEAP, Board Member of COCOPEA and accreditor of PAASCU, and President of Marist School- Marikina (1988-2003) and Notre Dame of Kidapawan (1983-1987). He was chosen as one of the Ten Outstanding Young Men (TOYM) in 1992. He obtained his masteral and doctorate degrees in Education from University of the Philippines.
- **Fr. Redentor S. Corpuz** – 61 years old, Filipino, Independent Director. He is an independent director of First Metro Save and Learn Fixed Income Fund, Inc. and First Metro Save and Learn Balanced Fund, Inc. (March 10, 2008 up to the - present). He also serves as Director/Principal of St. Gregory Academy (June 1, 1980 to present). He is the Ad Interim Delegate of Bishop Tagle at Infant Jesus Academy (June 1, 2005 to present). He is the Executive Director of Our Lady of the Pillar Catholic School (June 1, 2003 to present). Superintendent of Catholic Schools, Diocese of Imus Cavite, Board Member of Philippine Catechetical Apostolate and Religious Education Foundation (ECCCE-CEAP) (September 1, 2001 to present), CEAP Retirement Plan (September 1, 1990 to present), Board Member/Secretary of Educational Capital Corporation and Treasurer of Ministry of Teaching Foundation, Inc.(MTFI) (September 1, 1994 to present). Fr. Corpuz completed his study in Theology at Loyola School of Theology. He obtained his Doctorate degree in MA School Administration at De La Salle University and earned masteral units in MS Educational Management. He is also an alumnus of Ateneo de Manila University.
- **Sister Lioba Tiamson** - 82, Filipino, Independent Director. She is an independent director of First Metro Save and Learn Fixed Income Fund, Inc. and First Metro Save and Learn Balanced Fund, Inc. (March 10, 2008 up to the present). She also holds the following positions: Chairperson, CEAP Retirement Commission (1963 to 2003); Director/Treasurer, Educational Capital Corporation (ECC) (1995 to present). She is also a Member-Finance Technical Committee and Treasurer/Finance Officer, Benedictine Sisters of Tutzing (1975 to Present).

Other Officers of the Fund

- **Mr. Danilo G. Olondriz** - 54 years old, Filipino, Chief Financial Officer. Term of office is one year and has served as such from May 2005 up to the present. He is the Chief Financial Officer of First Metro Save & Learn Fixed Income Fund, Inc. (from May 2005 to the present), First Metro Save & Learn

Balanced Fund, Inc. (from January 2007 up to the present) and First Metro Asset Management Inc. (from May 2005 up to the Present). He is the Senior Vice President/Controller of First Metro Investment Corp. (2004-present). He is the Controller of First Metro Insurance Agency, Inc. (2001-present), and Manila Medical Services, Inc 2005-present). He was also Treasurer/Director of PriceSmart, Philippines, Inc. Prior to his stint with FMIC, he was a Bank Examiner at the Bangko Sentral ng Pilipinas (1978-1989) for almost a decade. He is a product of the Ateneo Graduate School of Business and Philippine School of Business Administration where he obtained his academic requirements leading to a Masteral and Bachelor's degree in Business Administration, respectively. He is also a Certified Public Accountant.

- **Atty. Nimfa B. Pastrana** - 46 years old, Filipino, Corporate Secretary. Term of office is one year and has served as such from May 2005 up to the present. She is Vice President, and Asst. Corporate Secretary of First Metro Investment Corporation (2002-present). She is also the Corporate Secretary of First Metro Save & Learn Fixed Income Fund, Inc. (May 2005- present), First Metro Save & Learn Balanced Fund, Inc., (January 2007- present) and First Metro Asset Management (2005- present). First Metro Securities Brokerage Corporation (2005-present), PBC Capital Investment Corporation (2004-present), Prima Ventures Development Corporation (2004-present), and SBC Properties, Inc.(2002-present). She was a Director of Global Business Holdings (2002-2003). She graduated from the University of the Philippines with a degree of A.B. Philosophy and from San Beda College with a degree in Bachelor of Laws.
- **Mr. Jonathan T. Tabac** - 53 years old, Filipino, Compliance Officer. Term of office is one year and has served as such from May 2005 up to the present. He is also the Compliance Officer of First Metro Investment Corporation, First Metro Securities Brokerage Corporation, First Metro Save & Learn Fixed Income Fund, Inc., First Metro Asset Management, Inc. (from May 2005 to the present), and First Metro Save & Learn Balanced Fund, Inc. He was 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 obtained his BSC-Accounting from University of Baguio and MBA units from the University of Santo Tomas. He is a Certified Public Accountant.
- **Ms. Marie Arabella D. Veron** – 47 years old, Filipino, Treasurer. Term of office is one year and has served as such from May 2005 up to the present. She is the Vice President of First Metro Investment Corporation (2006-present), Treasurer/Director of SBC Properties, Inc. (2003-present), Treasurer of First Metro Save & Learn Fixed Income Fund, First Metro Asset Management, Inc. (from May 2005 to present), First Metro Insurance Agency (2001-present), Inc., and Saleage Insurance Agency (2001-present), Treasurer of PBC Capital Investment Corporation (2006-present). She was a manager of MBTC Domestic Subsidiaries, a Senior Auditor of Joaquin Cunanan & Co./Price Waterhouse (1980-1985) and of Philippine International Trading Corporation (1985-1990). Ms. Veron finished her Bachelor of Science Degree in Business Administration, major in Accounting from University of the East. She is a Certified Public Accountant.

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**Compensation of Directors and Officers**

	Per Diem		
	2006	2007	2008*
Aggregate annual per diem of the following:	125,000.00	190,750.00	280,000.00
Edwin B. Valeroso			
Gloria C. Garrovillo**			
Danilo G. Olondriz			
Atty. Antonio M. Bernardo			
Bro. Manuel V. De Leon			
All other executive officers as a group unnamed (except for the five directors mentioned above)	40,000.00	37,000.00	42,000.00

* *Projected*

** *Deceased*

Per diem of Directors, Corporate Secretary and Officers of the Fund amounting to P10,000.00, P3,000.00, P2,500.00, respectively, are given during their Annual Stockholders' and regular meeting.

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 the registrant or any of its common affiliates is a party. No member of the Board of Directors is:

- involved in any legal proceeding in 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;
- 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 as of June 30, 2008:

Title of Class	Name and Address of Owner/Relationship with the Issuer	Name of Beneficial Owner and Relationship w/ FMIC	Citizenship	No. of Shares Held	Percent to Outstanding Shares
Common shares	<i>First Metro Investment Corporation</i> 20th Flr. GT Tower Int'l, Ayala Ave., corner HV Dela Costa St., Makati City Stockholder	<i>Same</i>	Filipino	109,507,374	31.92%

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

3. The number of accountholders of the Fund as of June 30, 2008 is 1,008.

Security Ownership of Management as of June 30, 2008

Title of Class	Name of Beneficial Owners	Amount and Nature of Ownership	Citizenship	Percent to Outstanding Shares
Common shares	Antonio M. Bernardo	1	Filipino	0.00000%
Common shares	Manuel V. De Leon	1	Filipino	0.00000%
Common shares	Sister Leoba Tiamson	1	Filipino	0.00000%
Common shares	Fr. Redentor Corpuz	1	Filipino	0.00000%
Common shares	Nimfa B. Pastrana	20,480	Filipino	0.00597%
Common shares	Edwin B. Valeroso	2,528	Filipino	0.00074%

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 the 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 acquired, or to be acquired from a promoter.

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 is a growth fund which seeks good return through long-term capital appreciation by investing in listed and non-listed equity securities of Philippine and non-Philippine companies. It can be categorized as moderate to high risk investment. 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 this purpose, the term "equity securities" generally includes common stock, preferred stock and securities convertible into or exchangeable for such equity securities, such as convertible debentures and convertible preferred shares, or shares which carry warrants to purchase such securities.

The assets of the Fund shall be structured based on stock market condition, 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.

For liquidity purposes, unless otherwise prescribed by the SEC, at least 10% of the fund shall be invested in liquid/semi-liquid assets such as:

1. Treasury notes or bills, Certificates of Indebtedness issued by the Bangko Sentral Ng Pilipinas which are short term, and other government securities or bonds and such other evidences of indebtedness or obligations, the servicing and repayment of which are fully guaranteed by the Republic of the Philippines.
2. Savings or time deposits with government owned banks or commercial banks, provided that in no case shall such savings or time deposit accounts be accepted or allowed under a “bearer”, “numbered” account or other similar arrangement.

As a tactical or defensive move, the Fund may also invest in fixed-income securities such as SEC-registered commercial papers and bonds, and 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%;
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 proceeds from the sale of the 750,000,000,000 shares will be primarily invested in listed and non-listed equity securities in accordance with the policies set forth in the sections headed "Investment Policy" and "Investment Guidelines and Restrictions."

Using the Net Asset Value per share of P2.0275 as of December 31, 2007 for the 750 million shares, the total estimated gross proceeds is P1,520,625,000 less an estimated total deductible expenses of around P29.456 million (P21.8 million for investment management, distribution, and administration, P96,000 for transfer agency, P P60,000 for custodianship fee, and P7.5 million for documentary stamp taxes)

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 which is The Hong Kong and Shanghai Banking Corporation.

Expenses to be deducted from the Gross Proceeds

The following are expenses normally deducted from the gross proceeds of shares sold:

1. Allowances of independent directors for every shareholders' and board meeting held;
2. Audit and legal fees;
3. Fees of custodian bank;

4. cost of printing and delivering notices, reports, proxies and other communication material for existing shareholder;
5. Fees of transfer agent;
6. Taxes, including income taxes, documentary stamp taxes and license fees as may be required by law or by the rules and regulations of the SEC; and
7. Management, distribution and administration fees computed in accordance with the Management, Distribution and Administration Agreement between the Fund and the Investment Company Adviser.

Plan of Distribution/Distribution method

The Fund has appointed 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 gents to sell the shares and they are directly liable to FAMI. FAMI shall be compensated with 1.75% per annum of the average net assets representing fees for fund management, distribution and administration.

FAMI is licensed by SEC to act as the Investment Company Adviser/Manager, Administrator and Principal Distributor. Its license was issued on September 7, 2005. FAMI renewal of license was released on January 1, 2008.

There is no arrangement whereby FAMI has the right to designate or nominate a member or members of the board of directors of the Registrant.

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 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 for the past ten years.

Currently the big players in this category are Philam, BPI, and Sunlife. These companies have big sales force and they have life insurance companies as affiliates which they utilize to market their mutual funds. Two of these companies have big multinational financial institutions as their parent companies. They have longer track records and experience not only in the mutual fund industry but also in other financial products and services. The top three competitors substantially capture the local industry's market share.

The Fund will compete with other equity funds which at present are also few. It will target potential clients all over the country with concentration in the major cities. The Fund believes that competition will be in the area of investment performance and client services. The Fund will be competing more in terms of investment performance. It will adopt active investment strategies and tactics. It will utilize its present network, database, and available technology to its advantage.

The institutional funds of the target market (especially the bigger ones) evidently have access to almost all types of instruments locally available such as unit investment trust funds, pre-need plans, universal life products and other bank

products. The retail funds and smaller institutional funds, however, are limited to simple bank products. Appropriately formulated marketing strategies, sales tactics and promotional activities will be employed by the Fund's principal distributor as it competes in this industry.

Effect of existing governmental regulation

Mark-to-market method of valuation, assesses both equity and debt instruments based on the current market price of those investment instruments. Therefore, the interplay of demand and supply of those instruments and other macroeconomic factors affect their prices. The changes in the prices of equities will be reflected in the value of the net assets of the Fund. The Fund's net asset value per share (NAVPS) is thus affected by this mark-to-market valuation.

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.

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 Equity 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 to 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) business 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 to ICA Rule 35-1(e)(5) of 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 his presentation to the Fund in its principal office or to any of its duly authorized representatives of the confirmation receipt and stock certificate (if issued), 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.

The NAV is then divided by the number of shares outstanding in order 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.

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 - 54 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 Managing Director of Integrated Financial Services Limited, Deputy General Manager of Filinvest Finance (HK) Limited, and Assistant Director of Ayala Finance (HK) Limited. He also sits as Vice-Chairman of Metropolitan Bank and Trust Company (Metrobank) and President of Global Business Holdings, Inc. Mr. Sebastian graduated Magna cum Laude from the Ateneo de Manila University with a Degree in Economics.

Fr. Roderick C. Salazar, Jr., SVD- 61 years old, Filipino, Director. He is concurrent President of the 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, Divine Word University of Tacloban, and chairman of Cebu Archdiocesan Commission on Education. He is a Trustee of St. Paul University, St. Theresa's College, Center for Educational Measurement, and Daughters of Charity Schools Visayas Cluster. He is also a member of Private Education Advisory Council, Bishop-Businessmen's Conference, Cebu Archdiocesan Presbyteral Council, SVD Southern Province Provincial Council, Search Committee for the Konrad Ademauer Medal of Excellence given to the best managed local government in the Philippines (2003). He is also a 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 -69 years old, Filipino, Director. He is one of the pioneer employees of Metrobank and has served the Metrobank Group for over four decades. He holds the following positions in concurrent capacities: Consultant of First Metro Investment Corporation; Chairman/Director of PBC Capital Investment Corporation and of Prima Ventures Development Corporation; Chairman/President/Director of SBC Properties, Inc. and of FMIC Equities, Inc; Director/Vice Chairman of First Metro Travellex, Inc.; Director/President of Saleage Insurance Agency, Inc. of First Metro Insurance Agency, Inc., of First Metro Insurance Brokerage, Inc., and of First Metro Securities Brokerage Corporation; Director of Mirant Generation Cebu Limited Duration Company; Director/Vice President of Aurora Tower, Inc.; and President/Director of Panay Power Corporation, of Toledo Power Company, of

Toledo Holdings Corporation, of Avon River Power Holdings Corporation, of GBH Power Resources, Inc., of Claredon Tower Holdings, Inc., of Masinloc Global Holdings Corporation, and of ARB Power Ventures, Inc. He has a Bachelor's degree in Accounting from the University of the East.

Mr. Roberto Juanchito T. Dispo - 44 years old, Filipino, Vice Chairman. He is the Executive Vice President, Treasurer, and Director of First Metro Investment Corporation. He is currently Chairman of the Board of First Metro Securities Brokerage Corporation and Vice Chairman of PBC Capital Investment Corporation. He is a Director of First Metro Insurance Brokerage Corporation, Saleage Insurance Agency, Inc., and FMIC Equities, Inc. He is also the Treasurer of ORIX-METRO Leasing, the Executive Vice President of Prima Ventures Corporation, and the Vice President of Gainsworth Insurance Brokerage Corporation. Mr. Dispo is also the Director of Money Market Association of the Philippines. He was Deputy Treasurer of the Philippines, Director of Public Debt Management Service of the Bureau of Treasury as well as the Director of Policy and Planning Services of the Bureau of Treasury. He was also the Executive Director of the Board of Liquidators of Central Bank of the Philippines. 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 - 49 years old, Filipino, Director. Mr. Marcelo has over twenty-one years experience in investment banking/corporate finance and five years in the government service in the areas of livelihood management and microfinance. As Executive Vice President, he heads the Investment Banking Group of First Metro Investment Corporation, a position he has held since August 2, 1999. He concurrently serves as Director of PBC Capital Corporation and Director of FMIC Equities Corporation. He earned his Bachelor's degree in Business 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 - 54 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 First Vice President/Controller of First Metro Investment Corp. (FMIC). He is the Controller of First Metro Insurance Agency, Inc., and Manila Medical Services, Inc. He was also Treasurer/Director of PriceSmart, Philippines, 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 Philippine School of Business Administration 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 - 50 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 is a member of the Board of Notre Dame of Dadiangas College, Notre Dame of Kidapawan College, Notre Dame of Cotabato, Marist Asia Pacific, Marist School, Assumption Antipolo, and Assumption College. He was chosen Director of Catholic Educational Association of the Philippines (CEAP-NCR), Treasurer of CEAP, Board Member of COCOPEA and accreditor of

PAASCU, and 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 - 67 years old, Filipino, Director. Mr. Santos is currently the Vice-President for Finance and Treasurer of Ateneo de Manila University. He is the Director/Treasurer of Manila Observatory, Ateneo Scholarship Foundation, Inc. and Philippine Institute of Pure and Applied Chemistry. He is also a Director of the Catholic Educational Association of the Philippines Retirement Board. He was involved in Sylvia Santos, Inc. a manufacturer of leather goods and garments for marketing in both domestic and export markets. He was the President and CEO of Philippine Pacific Capital Corporation and Head of the Trust and Investments Division of RCBC. He serve as the head of the Branch Banking Group of Philippine Commercial and Industrial Bank, and Head of the Investment Management Group of First National City Bank. 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 - 51 years old, Filipino, Director. He is a member of the Board of Trustees of Notre Dame of Dadiangas College, Notre Dame of Kidapawan College, Notre Dame of Marbel University, Marist Development Foundation, Inc., Marist School Marikina City, Marian Hills Memorial Park, Inc., ND Business Resource Center Foundation, Inc., First Metro Investment Corporation, and SAGIP KA 2000 Foundation, Inc. He is the Chairman of the Board of Trustees of Notre Dame of Cotabato, Inc. He is also the treasurer of Notre Dame Educational Association and a member of the International Preparatory Commission on Mission, Marist Brothers Generalate, Rome, Italy. He is a member of the Provincial Council and Provincial Econome of Marist Brothers of the Philippines, Inc. He was a Mindanao Cluster Team Member of FORD Foundation IP Regional Screening Committee, President of Samahan ng mga Pari at Relihiyoso ng Kidapawan (SPARK), Chairman of Cotabato Province CHED Sports Council, and Board of Trustees Member of Cotabato Private Schools Association, Inc. He 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 - 56 years old, Filipino, Director, President. 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 - 44 years old, Filipino, President, Director. Term of office is one year and has served as director from May 2005 up to the present. He is the President of First Metro Save & Learn Fixed Income Fund, Inc. (May 2005 - present), and First Metro Save & Learn Balanced Fund, Inc. (January 2005 - present). He is an Associate 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); currently a Trustee and Vice-President of Investment Company Association of the

Philippines(ICAP)(2006-present); Mr. Valeroso finished the requirements for the degree Doctor of Business Administration (Candidate) at De La Salle University-Manila. He obtained 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 Philippines.

Mr. Danilo G. Olondriz - 52 years old, Filipino, Chief Financial Officer. Term of office is one year and has served as such from May 2005 up to the present. He is the Chief Financial Officer of First Metro Save & Learn Fixed Income Fund, Inc. (from May 2005 to the present) and First Metro Save & Learn Balanced Fund, Inc. (from January 2007 up to the present). He is the Senior Vice President/Controller of First Metro Investment Corp. (2004-present). He is the Controller of First Metro Insurance Agency, Inc. (2001-present), and Manila Medical Services, Inc 2005-present). He was also Treasurer/Director of PriceSmart, Philippines, Inc. Prior to his stint with FMIC, he was a Bank Examiner at the Bangko Sentral ng Pilipinas (1978-1989) for almost a decade. He is a product of the Ateneo Graduate School of Business and Philippine School of Business Administration where he obtained his academic requirements leading to a Masteral and Bachelor's degree in Business Administration, respectively. He is also a Certified Public Accountant.

Atty. Nimfa B. Pastrana - 45 years old, Filipino, Corporate Secretary. Term of office is one year and has served as such from May 2005 up to the present. She is Vice President, and Asst. Corporate Secretary of First Metro Investment Corporation (2002-present). She is also the Corporate Secretary of First Metro Save & Learn Fixed Income Fund, Inc. (May 2005- present), First Metro Save & Learn Balanced Fund, Inc., (January 2007- present) and First Metro Asset Management (2005- present). First Metro Securities Brokerage Corporation (2005-present), PBC Capital Investment Corporation (2004-present), Prima Ventures Development Corporation (2004-present), and SBC Properties, Inc.(2002-present). She was a Director of Global Business Holdings (2002-2003). She graduated from the University of the Philippines with a degree of A.B. Philosophy and from San Beda College with a degree in Bachelor of Laws.

Mr. Jonathan T. Tabac - 54 years old, Filipino, Compliance Officer. Term of office is one year and has served as such from May 2005 up to the present. He is also the Compliance Officer of First Metro Investment Corporation, First Metro Securities Brokerage Corporation, First Metro Save & Learn Fixed Income Fund, Inc., First Metro Asset Management, Inc. (from May 2005 to the present), and First Metro Save & Learn Balanced Fund, Inc. He was 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 obtained his BSC-Accounting from University of Baguio and MBA units from the University of Santo Tomas. He is a Certified Public Accountant.

Ms. Marie Arabella D. Veron – 47 years old, Filipino, Treasurer. Term of office is one year and has served as such from May 2005 up to the present. She is the Vice President of First Metro Investment Corporation (2006-present), Treasurer/Director of SBC Properties, Inc. (2003-present), Treasurer of First Metro Save & Learn Fixed Income Fund, First Metro Asset Management, Inc. (from May 2005 to present), First Metro Insurance Agency (2001-present), Inc., and Saleage

Insurance Agency (2001-present), Treasurer of PBC Capital Investment Corporation (2006-present). She was a manager of MBTC Domestic Subsidiaries, a Senior Auditor of Joaquin Cunanan & Co./Price Waterhouse (1980-1985) and of Philippine International Trading Corporation (1985-1990). Ms. Veron finished her Bachelor of Science Degree in Business Administration, major in Accounting from University of the East. She is a Certified Public Accountant.

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

Metropolitan Bank and Trust Company- Trust Banking Group is the designated Stock and Transfer Agent of the Fund.

External Auditor

The present auditor of FMSALEF is Sycip, Gorres, Velayo and Company. The reports of said auditors on the financial statements of the company for the years ended December 31, 2006 and 2005 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.

The aggregate fees paid for the professional services rendered by SGV & Company for the audit of our Financial Statements for the years 2006 and 2007 is P100,000.00 & P110,000.00, respectively. 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.

There are no other fees paid for the last 2 years for products and services provided by SGV & Co. other than the services mentioned above.

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 which is defined in the earlier part of this prospectus.

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

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,

Compliance with the Manual on Corporate Governance

In line with the Securities and Exchange Commission's Memorandum Circular No. 2 series of 2002, the Company has adopted its Manual on Corporate Governance providing for the best practices on governance. The duties responsibilities and authorities of the Board of Directors as well as qualifications of a director/officer are adopted and complied with. Board Committees were created, such as: the Audit Committee, the majority of which are independent directors; the Nominations Committee which pre-qualifies and shortlists the nominees for independent directors to be elected in the annual stockholders meeting and the Compensation Committee which assist the Board of Directors in ensuring due observance of corporate governance principles and guidelines.

A compliance officer has been appointed to manage the Compliance System of the Company and to monitor and evaluate compliance with the Manual of Corporate Governance. In general, the Company is in compliance with the leading practices in good corporate governance. This was reported in a Certification by the Compliance Officer filed with the Commission on January 9, 2007. No director or officer of the Company was found in violation of the Manual.

The Company has adopted a good governance scorecard to measure and determine the level of compliance by the Board of Directors and top-level management with its Manual of Corporate Governance. Every end of the current year, the scorecard patterned after the SEC-prescribed Corporate Governance Self-Rating Form (CG-SRF) shall be accomplished by the Compliance Officer. The result of this evaluation is submitted to the Board together with the CO's recommendation for any sanctions of non-compliance. On the basis of this scorecard, the Compliance Officer has issued to SEC a certification on the Company's compliance with its Manual of Corporate Governance.

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, and the regular courts have the exclusive and original 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 35% effective Jan. 1, 2006;
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 P100,000.00 - 5% and amount in excess of P100,000.00 - 10%;
5. Documentary stamps tax at the rate of P1.00 per P200.00 (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 P0.75 per P200.00 (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 P100,000.00: 5%; and amount in excess of P100,000.00: 10%.
5. Tax on dividends received from domestic corporations: None.
6. Documentary stamps tax at the rate of P1.00 per P200.00 (or fractional part thereof) of par value on original issuance of shares by the Fund.