

# FINAL PROSPECTUS

**FIRST METRO**  
**SAVE AND LEARN DOLLAR BOND FUND, INC.**  
AN OPEN-END INVESTMENT COMPANY  
ISSUER

The Fund's shares consisting of Two Hundred Million (200,000,000) common stock with a par value of P0.10 per share will be offered at current net asset value. The shares being offered will be traded over the counter.

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

200,000,000 Shares of Common Stock  
At par value of PhP0.10 per share

The date of this prospectus is August 13, 2014.

This prospectus relates to the offer for subscription of the First Metro Save and Learn Dollar Bond Fund, Inc. of Two Hundred Million (200,000,000) shares with a par value of Ten Centavos (P0.10) per share at an offer price of the current net asset value per share (NAVPS).

The total proceeds from the sale of the 200,000,000 shares is estimated at USD 4.82 Million (using the Fund's NAVPS of P1.0737 as of April 30, 2014 converted to USD 0.0241 per share at a conversion rate of USD 1=P44.60 as of April 30, 2014). The Fund's main business is to invest the proceeds in US\$-denominated fixed income securities such as but not limited to government securities and debt issued by or guaranteed by the Philippine government, Treasury Bills, Notes and Bonds, foreign currency-denominated bonds, and US\$-denominated time deposits and other deposit substitutes transacted with commercial banks and financial institutions, in line with the Fund's investment objective. Please refer to the section of this prospectus entitled "Use of Proceeds" for the details of the net proceeds.

The investment objective of the Fund is capital preservation with returns and inflows derived out of investments in primarily foreign-currency denominated investment securities which can provide the Fund with a steady stream of fixed income. The Fund is a conservative type of fund that aims to generate a steady stream of income by investing in a diversified portfolio of fixed income instruments issued by foreign and local entities.

The Issuer is a domestic corporation, incorporated on November 4, 2008 as First Metro Save and Learn Dollar Bond Fund, Inc. (the "Fund"), with principal business office address at 18<sup>th</sup> Floor, PSBank Center, 777 Paseo de Roxas Makati City, Philippines, and Telephone Numbers: (632) 891-2860 to 65.

The issuer 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 net asset value per share computed on a daily basis.

While the Fund aims to provide total returns consisting of current income and capital appreciation, various risk factors (such as interest rate risk, credit risk, inflation risk, manager risk) can affect the market value of the assets of the Fund and cause the Fund's net asset value to vary. Consequently, there can be instances where the redemption prices of redeemed shares could be less than the prices at which the shares were originally purchased. Investors who redeem their shares during this time may not recover the full cost of their investment.

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

The shares issued by the Fund have not been publicly offered. Once the shares of stock issued by the Fund are offered to the public, the Fund intends to invest the proceeds in short-term (less than one year) fixed income securities and instruments. The Fund's investments shall be guided by Investment Guidelines and Restrictions, which are set out in detail in the body of this Prospectus.

The total fee payable to First Metro Asset Management, Inc. (FAMI), is a monthly fee of not more than one point seventy-five 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 divided by the number of outstanding shares in accordance with the procedure used in computing the net asset value of each share of the Fund. FAMI will also receive from the Fund a sales load fee of not more than 1%.

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. The Registrant has not declared any dividends since it has not started commercial operations. 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. If ever dividends are declared, the computation and distribution shall be proportionate to the holdings or ownership of each of the stockholders.

As provided for in the issuer'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.

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 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 Dollar Bond Fund, Inc. unless stated otherwise. First Metro Save & Learn Dollar Bond Fund, Inc. accepts full responsibility for the accuracy of the information given herein, and confirms that there are no omissions of fact that would make any statement in this Prospectus misleading. First Metro Asset Management, Inc., the Fund Administrator of First Metro Save & Learn Dollar Bond Fund, Inc. has exerted reasonable efforts to verify the information herein and does not make any

representations or warranties as to the accuracy or completeness of the materials contained herein.

First Metro Save & Learn Dollar Bond Fund, Inc. has filed Registration Statements with the Securities and Exchange Commission in accordance with the Investment Company Act and the Securities Regulation Code.

**ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN IS TRUE AND CORRECT.**

**HECTOR C. DE LEON**  
President

SUBSCRIBED AND SWORN to before this 13<sup>th</sup> day of August 2014, affiant exhibiting to me his Passport No. EB3946257 issued on 26 October 2011 at DFA Manila and valid until 25 October 2016.

Doc. No. \_\_\_\_\_;  
Page No. \_\_\_\_\_;  
Book No. \_\_\_\_\_;  
Series of 2014.

## 66 SUMMARY OF FINANCIAL INFORMATION

### STATEMENTS OF ASSETS AND LIABILITIES

	As of March 31, 2014	As of December 31	
		2013	2012
Total Assets	Php213,432,552	Php213,449,823	Php211,964,703
Total Liabilities	966,832	998,768	213,247
Net Assets	Php212,465,720	Php212,451,055	Php211,751,456
Net Asset Value per Share (NAVPS)	Php1.0738	Php1.0737	Php1.0676

### STATEMENT OF INCOME & EXPENSES

	For the Period Ended	For the Year Ended December 31	
	March 31, 2014	2013	2012
Interest Income	Php627,627	Php3,790,771	Php7,809,724
Less: Expenses	474,767	1,830,488	1,736,185
Net Income Before Tax	152,860	1,960,283	6,073,539
Provision for Income Tax	125,526	758,154	1,561,945
Net Income	Php27,334	Php1,202,129	Php4,511,594
Earnings per Share	Php0.0001	Php0.0061	0.0228

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**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 each of 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.



**Prospectus Summary**

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

**Issuer**

First Metro Save & Learn Dollar Bond Fund, Inc.

**Investment Objective**

It is a conservative type of fund that aims to generate a steady stream of income by investing in a diversified portfolio of fixed income instruments issued by foreign and local entities. The Fund will invest in US\$-denominated fixed income securities such as but not limited to government securities and debt issued by or guaranteed by the Philippine government, Treasury Bills, Notes and Bonds, foreign currency-denominated bonds, and US\$-denominated time deposits and other deposit substitutes transacted with commercial banks and financial institutions.

**Type of Issue**

Open-end investment company

**Shares Offered**

Common stock

**Par Value**

US\$0.0024 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.

**Sales Load Fee**

Less than 2,500	1%
\$2,500 – less than \$7,000	0.5%
\$7,000 and above	0.0%

**Minimum Investment**

The minimum initial investment shall be US\$1,000.00 and the minimum additional investments shall be US\$100.00. All sales shall be on cash basis and installment sales are prohibited.

**Redemption Price**

The price of securities surrendered for redemption within the daily cut-off time shall be the NAV per share of the 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**

1.00% if redemption is within 180days

## RISK 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.

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 risks factors in the order of importance:

### **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 will have higher interest rate sensitivity than a short-term investment. To mitigate the risks, the Fund manager will diversify in terms of the type of securities and the time horizons of the said securities

### **Credit risk**

Credit risk (also called default risk) is the risk that the issuer of the security will not be able to make principal and interest payment on a debt issue. The credit ratings of issuers can change and affect the Fund's returns. To manage the risk, good quality and/or investment grade fixed-income securities will be selected.

### **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. Mark-to-market method of valuation of fixed-income instruments, assesses such instruments on the current market price for that particular instrument so that any profit or loss is reflected or booked in the net assets of the Fund; hence the net asset value per share is affected.

### **Manager risk**

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

### **Risk of dilution**

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

### **Adoption of PAS 39**

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

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

### **Glossary**

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

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

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Distributor	
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 and Learn Dollar Bond Fund, Inc. (formerly First Metro Save & Learn Money Market Fund, Inc.) is an open-end investment company incorporated on November 4, 2008 with SEC Registration No. CS200817356. The change of the Fund's name from First Metro Save and Learn Money Market Fund, Inc. to First Metro Save and Learn Dollar Bond Fund, Inc. was approved by the SEC on March 23, 2012. The Fund is principally engaged in the sale of its shares of stock and in the investment of the proceeds in US\$-denominated fixed income securities such as but not limited to government securities and debt issued by or guaranteed by the Philippine government, Treasury Bills, Notes and Bonds, foreign currency-denominated bonds, and US\$-denominated time deposits and other deposit substitutes transacted with commercial banks and financial institutions, in line with the Fund's investment objective. Please refer to the section of this prospectus entitled "Use of Proceeds" for the details of the net proceeds. While the Fund aims to provide good returns, various

risk factors (Please see discussions on “Risk Factors”) can affect the market value of the assets of the Fund and cause the Fund's net asset value to vary.

### Capitalization and Ownership

The Fund's authorized capital is TWENTY MILLION PESOS (Php20,000,000.00), composed of Two Hundred Million (200,000,000) unclassified common shares with a par value of Php0.10 per share.

The names of the incorporators of the Fund are as follows:

1. Mr. Roberto Juanchito T. Dispo
2. Mr. Francisco G. Co
3. Mr. Eduardo A. Mendoza
4. Dr. Edwin B. Valeroso
5. Atty. Nimfa B. Pastrana

The Company has an initial paid-up capital of Fifty Million Pesos (Php50,000,000.00), which was subscribed by the following:

Name	Nationality	Number of shares subscribed	Amount subscribed and paid-in (in Php)	Additional paid-in capital (in PhP)	Percentage of shares subscribed
First Metro Investment Corporation	Filipino	49,999,991	4,999,999.10	44,999,991.90	99.999982%
Antonio M. Bernardo	Filipino	1	0.10	0.90	.000002%
Francisco G. Co	Filipino	1	0.10	0.90	.000002%
Roberto Juanchito T. Dispo	Filipino	1	0.10	0.90	.000002%
Manuel V. De Leon, FMS	Filipino	1	0.10	0.90	.000002%
Fr. Redentor Corpuz	Filipino	1	0.10	0.90	.000002%
Sr. Lioba M. Tiamson, OSB	Filipino	1	0.10	0.90	.000002%
Eduardo A. Mendoza	Filipino	1	0.10	0.90	.000002%
Nimfa B. Pastrana	Filipino	1	0.10	0.90	.000002%
Edwin B. Valeroso	Filipino	1	0.10	0.90	.000002%
TOTAL		50,000,000	5,000,000.00	45,000,000.00	100.000000%

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

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

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

**Distribution of Dividends** – The Corporation Code generally requires a Philippine corporation with surplus profits in excess of 100% of its paid-up capital to declare and distribute such surplus to its shareholders in the form of dividends. The Board of Directors of the Fund has the power to fix and determine the amount to be reserved or provided for declaration and payment of dividends from the Fund's unrestricted retained earnings. The amount of such dividends (either in cash, stock, property or a combination of the foregoing) will depend on the Fund's profits, cash flows, capital expenditure, financial condition, and other factors. Cash dividends and property dividends may be declared by the Board of Directors and no stockholder approval is required. Stock dividends paid on the Offer Shares are subject to approval by both the Board of Directors and the stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Fund at a stockholders' meeting called for such purpose.

- 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.
- Consistent with Sec 5 of the By-Laws of the issuer, the Board of Directors, may by resolution, direct that the stock transfer books of the issuer be closed for a period not exceeding thirty (30) days preceding the date for the payment of any dividend, as a record date for the determination of the stockholders entitled to receive payment of any such dividend and in such case only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to receive payment of such dividend, notwithstanding any transfer of any stock on the books of the issuer after such record date as aforesaid.
- Other Material Rights of Stockholders- The holders of common shares of the Fund have no other material rights.
- Change of control of the Fund – There are no provisions in the Fund's charter or its by-laws that would delay, defer or prevent a change in control of the Fund

**Employees**

The Company employs no personnel as it functions solely through its Fund Manager, Administrator, and Principal Distributor which is First Metro Asset Management, Inc.

**Properties**

The Fund neither owns any properties (such as real estate, plant and equipment, mines, patents, etc.) nor leases any properties. It does not intend to acquire any properties in the next twelve (12) months.

**Market Information**

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

**Dividends**

The Corporation Code generally requires a Philippine corporation with surplus profits in excess of 100% of its paid-up capital to declare and distribute such surplus to its shareholders in the form of dividends. Notwithstanding this general requirement, a Philippine corporation may retain all or any portion of such surplus when (i) justified by definite corporate expansion projects or programs approved by the Board of Directors; or (ii) when the corporation is prohibited under any loan

agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its/his consent, and such consent has not yet been secured; or (iii) when it can clearly be shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is need for special reserve for probably contingencies.

The Board of Directors of the Fund has adopted a policy, consistent with the Fund's objective of capital appreciation, to retain the surplus profits of the Fund in the retained earnings account. Such accumulation is reflected in the computation of the net asset value per share. Shareholders realize their gains when shares are redeemed. To date, there have been no distributions of dividends to shareholders. The Board of Directors of the Fund may amend the dividend policy as conditions warrant. In said event, the declaration of cash dividends is subject to the restriction that no dividends will be declared that will impair the capital stock of the company

The registrant has not declared any dividends since it has not started commercial operations. 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.

Under R.A. 2629, it shall be unlawful for any registered investment company to pay any dividend, or make any distribution in the nature of a dividend payment, wholly or partly from any source other than: (i) from the investment company's accumulated undistributed net income, determined in accordance with good accounting practice and including profits or losses realized upon the sale of securities or properties; or (ii) from the Fund's earned surplus so determined for the current or preceding fiscal year, unless such payment is accompanied by a written statement which adequately discloses the source or sources of such payment. The SEC may prescribe the form of such statement by rules or regulations or by order in the public interest and for the protection of investors. It shall also be unlawful to advertise such dividends in terms of centavos or pesos per share without also stating the percentage they bear to the par value per share.

If dividends are to be declared, the computation and distribution shall be proportionate to the holdings or ownership of each of the stockholders. As provided for in the issuer'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 stockholders 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.

### **Affiliated Companies**

First Metro Investment Corporation (FMIC) is affiliated with the Registrant, being its majority founding shareholder. First Metro Asset



Management, Inc. is also the Investment Manager, Administrator, and Principal Distributor of other investment companies (namely: First Metro save & Learn Equity Fund, First Metro Save & Learn Fixed-Income Fund, and First Metro Save & Learn Balanced Fund, First Metro Global Opportunity Fund), and FMIC is a stockholder of said investment companies. There are no material pending legal proceedings to which the Fund or any of its subsidiaries or affiliates is a party. There are also no other proceedings known to be contemplated by governmental authorities or any other entity to which the Fund or any of its subsidiaries or affiliates is a party.

## Management's Discussion and Analysis of Financial Position

### FINANCIAL POSITION

#### 1. *Cash and cash equivalents*

	31-Mar-14	31-Dec-13	31-Dec-12
Cash in bank	1,167,619	1,086,400	1,630,676
Time deposits	170,811,034	170,979,677	189,446,120
Short-term placements	41,378,693	41,219,531	20,499,292
	<b>213,357,346</b>	<b>213,285,608</b>	<b>211,576,088</b>

Cash in banks earn interest at the respective bank deposit rates. Time deposits bear annual interest rates ranging from 0.25% to 1.625% for the quarter ended March 2014, from 0.25% to 3.88% in 2013 and 1.75% to 4.83% in 2012. Short-term placements represent 30 to 92 days investments issued by affiliates.

#### 2. *Accrued interest receivable*

	31-Mar-14	31-Dec-13	31-Dec-12
Time deposits	48,638	110,083	352,742
Short-term placements	26,568	54,132	35,873
	<b>75,206</b>	<b>164,215</b>	<b>388,615</b>

Short-term placements earn interest at the respective short-term deposit rates ranging from 1.50% to 1.56% for the quarter ended March 2014, 1.63% to 3.75% in 2013 and 3.75% to 4.135% in 2012.

#### 3. *Accounts Payable and Accrued Expenses*

	31-Mar-14	31-Dec-13	31-Dec-12
Accounts Payable	739,433	755,433	-
Accrued Expenses	123,310	121,316	96,929
Payable to FAMI	91,472	88,757	102,851
Taxes payable (withholding and DST)	12,617	33,262	13,467
	<b>966,832</b>	<b>998,768</b>	<b>213,247</b>

The Accounts payable represents payable to shareholders for the subscriptions without confirmation from clients. A subscription is confirmed by submitting the required subscription documents. Once subscription is confirmed, this accounts payable is reclassified to equity.

It also includes Accrued expenses such as professional fees, custodianship fees and retainer's fee.

It also includes Payable to FAMI such as management fees and sales load fees.

#### 4. Equity

The authorized capital of the Fund is 20.00 million divided into 200.00 million redeemable common shares of 0.10 par value with each share carrying one vote.

Below are the issued and fully paid shares for the period:

31-Mar-14	31-Dec-13	31-Dec-12
197.86 million	197.87 million	198.34 million

The Fund's capital is represented by these redeemable common shares. Issuance, repurchase and resale of redeemable common shares are based on NAV per share attributable to holders of redeemable common shares. The shares are entitled to dividends when declared and to payment of a proportionate share of the Fund's NAV on the redemption date or upon winding up of the Fund.

As of March 31, 2014, December 31, 2013, and December 31, 2012 total number of holders of the outstanding redeemable common shares is 43, 44, and 52 respectively.

The BOD approved on March 14, 2012, and ratified by the stockholders on August 4, 2012, the increase in authorized capital of the Fund from ₱20.00 million to ₱50.00 million at a par value of ₱0.10 per share.

The BOD approved on February 25, 2013, and ratified by the stockholders on July 12, 2013, the amendment on the additional increase in authorized capital stock from ₱50.00 million to ₱100.00 million at a par value of ₱0.10 per share.

The NAV per share for the following periods are as follows:

	31-Mar-14	31-Dec-13	31-Dec-12
Total equity calculated under PFRS	212,465,720	212,451,055	211,751,456
Adjustment from bid prices to closing prices and PDST - R2	-	-	-
Net asset value attributable to			
Redeemable shares	212,465,720	212,451,055	211,751,456
Number of redeemable shares	197,863,036	197,874,830	198,342,653
<b>NAV per share</b>	<b>1.0738</b>	<b>1.0737</b>	<b>1.0676</b>

#### Minimum Capital Requirement

As an investment company registered with the SEC, the Fund must continually comply with the minimum subscribed and paid-up capital of ₱50.00 million. As of March 31, 2014, December 2013 and 2012, the Fund has complied with the externally imposed capital requirement.

## RESULTS OF OPERATIONS

March 31, 2014, December 31, 2013 and December 31, 2012

THE FUND POSTED THE FOLLOWING NET INVESTMENT INCOME:

	31-Mar-14	31-Dec-13	31-Dec-12
Net Income	27,334	1,202,129	4,511,594

Detailed discussion on the changes in statement of statement of income accounts are as follows:

### *1. Interest Income*

	31-Mar-14	31-Dec-13	31-Dec-12
Savings	739	4,025	5,420
Time deposits	462,391	2,867,346	7,047,847
Short-term placements	164,497	919,400	756,457
	<b>627,627</b>	<b>3,790,771</b>	<b>7,809,724</b>

Interest income mainly came from time deposit placements. The 59% decrease from 2012 to 2013 was due to lower interest rates ranging from .25% to 3.88% in 2013 and 1.75% to 4.83% in 2012. The interest rates in 2014 are lower than 2013. It only ranges from 0.25% to 1.625%.

- *Expenses*

	<b>31-Mar-14</b>	<b>31-Dec-13</b>	<b>31-Dec-12</b>
Management fees	310,159	1,302,696	1,284,327
Taxes and licenses	22,512	19,317	30,072
Professional fees	8,348	71,148	67,760
Directors' and officers' fees	70,029	284,941	222,000
Custodian and clearing fees	14,795	120,486	110,627
Miscellaneous	48,924	31,900	21,399
	<b>474,767</b>	<b>1,830,488</b>	<b>1,736,185</b>

Expenses incurred by the fund had minimal changes. Around 70% of the total expense belongs to the management fee. The monthly fee equivalent to .50% per annum of the average NAV of the Fund is paid to the fund manager.

- *Income/Final Tax*

	<b>31-Mar-14</b>	<b>31-Dec-13</b>	<b>31-Dec-12</b>
Final Tax	125,526	758,154	1,561,945

Provision for final tax pertains mainly to the 20% withholding tax on gross interest income from bank deposits, short term placements, government securities and other deposit substitutes.

- *Earnings per Share*

	<b>31-Mar-14</b>	<b>31-Dec-13</b>	<b>31-Dec-12</b>
Net investment Income	27,334	1,202,129	4,511,594
Weighted average number of shares outstanding	197,867,101	198,186,609	197,529,968
Earnings per share	<b>0.0001</b>	<b>0.0061</b>	<b>0.0228</b>

*Discussion on Key Performance Indicators*

The Fund was incorporated on November 04, 2008. It seeks to provide total return consisting of as high a level of current income as is consistent with the preservation of capital and liquidity and long-term capital appreciation by investing in a mix of debt instruments and equity securities.

The Fund has appointed FAMI to serve as its Investment Company Adviser, Administrator and Principal Distributor.

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

- *Net Asset Value Per Share* - Net Asset Value per share of ₱1.0738 at the end of March 31, 2014, represents a 0.01% gain on investment over a three-month period from the net asset value per share at the start of the year of ₱1.0737. This is primarily due to the net income earned by the Fund during the first quarter of 2014. Net Asset Value per Share of year 2013 of ₱ 1.0737 was .57% higher from 2012 of ₱ 1.0676.
- *Sales*- There are no subscription during the first quarter of 2014. The fund had a total subscription of ₱.4 million and ₱ 1.6 million for the year 2013 and 2012 respectively.
- *Redemptions* - The Fund had total redemptions of ₱0.01million for the quarter ended March 31, 2014, ₱.9 million and ₱.4 million for the year 2013 and 2012 respectively.
- *Net Income vs. Benchmark* – The Fund posted a net income of ₱0.03 million for the period ended March 31, 2014 or ₱0.74 million lower than the net income of ₱0.76 million of last year. Net income for the year 2013 posted at ₱ 1.2 million , 73% lower than 2012 net income of ₱ 4.5 million.
- *Market Share vs. Benchmark* – As of March 31, 2014 the Fund garnered 1.42% share in the US Dollar-denominated Bond Funds category while 0.10% share among all mutual funds in terms of net assets. On the basis of account holders, the Fund has 43 account holders (including holder of deposits for future subscription) or 0.27% of the total accounts in this Fund category.

### **Plan of Operations**

The Fund aims to offer all the 500,000,000 registered shares within two years, after which it will apply for additional shares for distribution by its Principal Distributor. The Fund has no employees. FAMI shall be the principal distributor, administrator, and manager of the Fund. The Fund will rely on the services of other parties to run its operations (i.e., management, distribution, administration, custodianship, transfer agency and others). Most of these service providers will charge fees based on the Fund's net assets. The total operating cost, by law, cannot exceed ten percent of the net assets of a mutual fund as indicated in its previous year's audited financial statements, if applicable.

### **Financial Position as of December 31, 2012**

As of December 31, 2012, the registrant company has not been operating yet as a mutual fund or investment company. The company earned an interest income of P7,809,724 net of taxes and expenses for the period ending December 31, 2012. The total assets of the company is P211,964,703 while its total liabilities is P213,247; hence, the total net assets of the company is P211,751,456 as of December 31, 2012.

### **External Audit Fees**

The present auditor of First Metro Save and Learn Dollar Bond Fund, Inc. is Sycip, Gorres, Velayo and Company. The reports of said auditors on the financial statements of the company for the years ended December 31, 2013 and 2012 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 2013 and 2012 is P71,148 and P67,760, 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.

The audit committee is responsible for the appointment of the Independent External Auditor, the audit fee and any question of resignation or dismissal. The external auditors shall report directly to the Audit Committee. To date, there are no written policies on the appointment of external auditors.

The audit committee recommends to the shareholders the external auditor to be appointed based on an assessment of the auditing firms' qualification, expertise and resources, effectiveness and independence. The audit committee should ensure that the external auditor that is recommended for the appointment is accredited by the Securities and Exchange Commission.

The audit committee must approve the external auditors' term of engagement and remuneration. To do so, the audit committee should evaluate the term of engagement and discuss with the auditor to satisfy itself that the level of remuneration is appropriate to enable an effective audit to be conducted

### **Plan of Distribution**

The Fund has appointed First Metro Asset Management, Inc. (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. No shares are designated to be sold to specified persons. FAMI may set up a marketing network and accredit sub-dealers or agents to sell the shares. Accredited sub-dealers or agents are directly liable to FAMI. There is no arrangement whereby FAMI as Investment Company Adviser, Principal Distributor, and Administrator has the right to designate or nominate a member or members of the board of directors of the Fund.

FAMI is licensed by SEC to act as the Investment Company Adviser/Manager, Administrator and Principal Distributor. Its original license was issued on September 7, 2005. The application for the renewal of license for the year 2014 was submitted to the SEC in November 2013 and released in January 2014.

### **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 relative young industry compared to other countries, however, it is growing at a relatively fast rate.

Currently the big players in this category are Philam, and Sunlife. These companies have big sales force and they have life insurance companies as affiliates which they also tap to market their mutual funds. These two companies have big multinational financial institutions as their parent companies. They have longer track record 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 Dollar Bond 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 the competition is in the area of investment performance and client services. It will be competing more in terms of investment performance. It will adopt active investment strategies and tactics. It will fully utilize its present network, database, and available systems and 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 would be employed by the Fund's principal distributor.

### **Directors and Officers of the Fund**

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

- **Bro. Manuel V. de Leon, FMS** - 56 years old, Filipino. Term of office is one year. Bro. De Leon has been serving as a member of the Board of Director since 2005 and elected as Chairman of the Board on March 22, 2011. Bro. de Leon is also the Chairman of First Metro Save & Learn Fixed Income Fund, Inc. (since 2005) First Metro Save and Learn Balanced Fund, Inc. (since 2007) First Metro Save and Learn Dollar Bond Fund, Inc. (since 2008) and First Metro Global Opportunity Fund, Inc. (since 2010). He is also director for First Metro Asset Management, Inc. (since 2005); President, Notre Dame of Kidapawan College. He is the Founding President of SAGIP KA 2000

Foundation, Inc. Bro. De Leon is a member of the BEDFORD FUND CANADA. He held the following positions: Provincial Superior of Marist Brothers of the Schools - East Asia Province; Chairman of the Board of Notre Dame of Dadiangas University and Notre Dame of Marbel University; Treasurer of Catholic Educational Association of the Philippines. He was an awardee of the Ten Outstanding Young Men (TOYM) in 1992. He has masteral and doctorate degrees in Education from University of the Philippines.

- **Mr. Hector C. De Leon – 50** years old, Filipino. President since June 2011. Mr. De Leon is also the President of First Metro Global Opportunity Fund, Inc. (since 2010), First Metro Save and Learn Fixed Income Fund, Inc. (since June 2011), First Metro Save and Learn Balanced Fund, Inc. (since June 2011) and First Metro Save and Learn Dollar Fund, Inc. (since June 2011) He is currently the Executive Vice President of First Metro Asset Management, Inc., a position he has held since August of 2007. He was formerly the EVP and Head of Sales and Marketing for Philequity Management, Inc (2006 to 2007). Before joining Philequity, he served as FVP for Capital Markets of Philam Asset Management Inc. (1996 to 2006) where he was instrumental in setting up and operating most of the company’s mutual funds. He was former Chairman of the Board of Trustees of the Investment Company Association of the Philippines from 2005 to 2006. Mr. de Leon has a Bachelors Degree in Electronics and Communications Engineering from De La Salle University and took up Masters in Business Administration (MBA) at the Ateneo Graduate School of Business.
- **Victor A. Abola-** 70 years old, Filipino, Term of office is one year. Dr. Abola has been serving as Independent Director since 2010. He is also an Independent Director of First Metro Save & Learn Fixed Income Fund, Inc. (since 2010), First Metro Save & Learn Balanced Fund, Inc. (since 2010), First Metro Save & Learn Dollar Bond Fund, Inc. (since 2010), First Metro Global Opportunity Fund, Inc. (since 2010) and First Metro Securities Brokerage Corp. (since 2010). He is the Program Director of the Strategic Business Economics Program (SBEP) of the University of Asia and the Pacific. (2007-present) and the Executive Director of the UA&P-FMIC Capital Market Research Center. He was the Chief of Party of the Fiscal Policy Analysis Activity of the Department of Finance (1998-2001). He has a doctorate degree in Development Management from the University of Asia and the Pacific, where he also received his M.S. in Industrial Economics. After obtaining his Bachelor of Arts and Bachelor of Science in Commerce (major in Accounting) from the De La Salle University, he obtained his C.P.A. certificate. He has authored numerous articles that have appeared in local and foreign newspapers and periodicals, and UA&P’s research publications. He co-authored with Dr. Bernardo M. Villegas the textbooks, Economics An Introduction (now in its 6th edition) and Basic Economics (2<sup>nd</sup> ed. 2010). He is the author of the text/reference book Money, Banking and Finance (2006).
- **Bernadette M. Nepomuceno,** 62 years old. Filipino. Independent Director. Term of Office is one year. Ms. **Nepomuceno** is also an Independent Director for First Metro Save & Learn Fixed Income Fund, Inc. (since August 2012), First Metro Save & Learn Balanced Fund, Inc. (since August 2012), First Metro Save & Learn Dollar Bond Fund, Inc. (since August 2012) and First Metro Global Opportunity Fund, Inc.



(since August 2012). Ms. **Nepomuceno** is the President of Private Education Retirement Annuity Association (PERAA)(from 2007-present). Among her past positions during the last five years, She was President of Holy Angel University (1994-August 2006); Board of Directors, Philippine Association of Colleges and Universities (1995-2006); Board of Directors, Coordinating Council of Private Education Association (2003-2006), among her other affiliations, includes: President, Sophia (Association of Women Presidents/Chancellors of Private Colleges & Universities, Inc.); Member, Technical Working Group on Management Development Program; CHED, Member, Ethics Committee, Lung Center of the Philippines; Board of Trustees, Private Education Retirement Annuity Association, Accreditor, Philippine Accrediting Association of Schools, Colleges and Universities (PAASCU), Founding member, Friends of Jung. She is also a Psychotherapist, in a Private Practice (2001-present). Ms. **Nepomuceno** has a Bachelor of Arts degree in Psychology from University of the Philippines (1972), She also has a Masters of Psychology, major in Social Psychology, Ateneo de Manila University (1998) (cand.). She took up Hypnotherapy, Psychology of Carl Jung.

- **Ms. Rhodora Angela F. Ferrer** - 47 years old, Filipino. Ms. Ferrer currently serves as Executive Director for Catholic Educational Association of the Philippines (since 2010); Asst. Professor, Education Department and Natural Science Department, St. Scholastica's College (since 2007); Trainer for Teacher-Training Programs, Foundation for Upgrading the Standards of Education (FUSE), since 2004. She also served as Chairperson of the Training Committee, Foundation for Upgrading the Standards of Education, Inc. (FUSE) (2009 to 2010); Associate Professor, College of Education at the University of the East (2009 to 2012); Chairperson, Natural Science Department, St. Scholastica's College, and Dean of Student Affairs, St. Scholastica's College (2004 to 2007).

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

- **Atty. Nimfa B. Pastrana**, 52 years old, Corporate Secretary since 2008. Term of Office is one year. She is also the Corporate Secretary of the following mutual fund companies: First Metro Save and Learn Balanced Fund, Inc. (since 2007), First Metro Save and Learn Fixed Income Fund, Inc. (since 2005), and First Metro Save and Learn Dollar Fund, Inc.(since 2008) and First Metro Global Opportunity Fund, Inc. (since 2010) She is also the Corporate Secretary of PBC Capital Investment Corporation, (2004) Prima Ventures Development Corporation (2004 to present), SBC Properties, Inc., First Metro Insurance Brokers Corp., First Metro Asset Management, Inc.,(2005 to present) First Metro Securities Brokerage Corp., (2005 to present) Resiliency (SPC) Inc. (2009 to present). Atty. Pastrana is the Vice President/Assistant Corporate Secretary/Corporate Information Officer of First Metro Investment Corporation. She finished her AB Philosophy course at the University of the Philippines and her Bachelor of Laws at San Beda College.

- **Ms. Marie Arabella D. Veron** – 53 years old, Filipino, Treasurer. Term of office is one year and has served as such from November 2008 up to the present. She is the First Vice President/Controller of First Metro Investment Corporation, Treasurer/Director of SBC Properties, Inc. (2003-present), Treasurer of First Metro Save and Learn Fixed Income Fund, First Metro Save and Learn Balanced Fund, Inc., (2007 to present) First Metro Save and Learn Equity Fund, Inc. (2005 to present); First Metro Global Opportunity Fund, Inc. (January 2010 to present) and Director of 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) and First Metro Securities Brokerage Corporation and the Asst. Treasurer of Resiliency (SPC) Inc. 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.
- **Mr. Jonathan T. Tabac** - 60 years old, Filipino, Compliance Officer. Term of office is one year and has served as such from November 2008 up to the present. He is also the Compliance Officer of First Metro Investment Corporation, First Metro Securities Brokerage Corporation, First Metro Save and Learn Fixed Income Fund, Inc., First Metro Asset Management, Inc. (from May 2005 to the present), First Metro Save and Learn Equity Fund, Inc. and First Metro Global Opportunity Fund, Inc. He was AVP and 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.
- **Dr. Edwin B. Valeroso** - 50 years old, Filipino. He served as the President of the Fund from 2008 to 2011. He was also the President of First Metro Save and Learn Fixed Income Fund, Inc. (2005-2011), First Metro Save and Learn Balanced Fund, Inc. (January 2007 to 2011), and First Metro Save and Learn Dollar Bond Fund, Inc. (November 2008 to 2011). He is currently First Vice President of First Metro Asset Management, Inc., the Trustee/Vice President/Corporate Secretary of Philippine Investment Funds Association of the Philippines (formerly ICAP, 2006-present). Among his past positions during the last five years, he was a Mutual Fund Strategist/Consultant at First Metro Investment Corp. (2004-2005) and a Professorial Guest Lecturer at De La Salle University-Graduate School of Business (2000-present). Dr. Valeroso has a Bachelor's degree in Mathematics with specialization in Actuarial Science from University of Santo Tomas, a Master of Science degree in Applied Mathematics from University of the Philippines, and a Doctor of Business Administration degree from De La Salle University. He is also a graduate of the Trust Institute Foundation of the Philippines.
- **Rey D.C. Erlano** – 52 years old, Filipino. He is currently the Assistant Treasurer of First Metro Save and Learn Equity Fund, First Metro Save & Learn Fixed Income Fund, First Metro Save and Learn Balanced Fund, First Metro Save and Learn Global Opportunity Fund and Vice President of First Metro Asset Management, Inc. He is an Assistant Treasurer for One Wealthy Nation, Inc. He was Product Manager of Diversified

Holdings, Inc. (1989-1993), Marketing Manager of Praise Music, Inc. (1996-2001), Managing Partner of New York Life Philippines (2002-2005), Business Development Director/Manager of Generali Pilipinas Insurance Company (2005-2008) and Assistant Vice President – Agency Director of Manulife Philippines (2008-2014). He has a Bachelor of Science Degree in Mechanical Engineering from the University of the Philippines.

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

<u>Name of Director</u>	<u>No. of Shares</u>	<u>Amount Subscribed</u>
Bro. Manuel V. de Leon, FMS	1	0.10
Dr. Victor A. Abola	1	0.10
Sister Lioba Tiamson	1	0.10
Ms. Bernadette M. Nepomuceno	1	0.10
Mr. Hector C. De Leon	1	0.10

There are approximately 44 shareholders of the Fund as of April 30, 2014 and the following are the top 20 shareholders of the Fund:

No.	Name	Percentage of Ownership
1	First Metro Investment Corporation	99.36%
2	Ma. Patricia Lorenzo Castaneda	0.12%
3	Donnalyn C. Banania or Jose A. Chua	0.12%
4	Pia Marie Gatchalian Hamoy	0.07%
5	Nora Rullan Caoile	0.05%
6	Carmencita Saito Unghiyan	0.05%
7	Jessie Galagar Horibe	0.05%
8	Grace Luy Cordero	0.03%
9	Mylene Chua Cielo	0.03%
10	Darcie Basali Pulicay	0.02%
11	Bernardo Jr. Picache Fornea	0.01%
12	Donato Navarro Balagot	0.01%
13	Marie Criselda M. Zapanta	0.01%
14	Michelle C. Mercado	0.01%
15	Kharis Ann Y. Darunday	0.01%
16	Israel Camahalan Nombrado	0.01%
17	Alfredo E. Urtula Or Irmina L. Urtula	0.01%
18	Yvonne J. Lopez	0.00%
19	Maricel Tolentino Reyes	0.00%
20	Robertson Tawat Poblete	0.00%

### Significant Employee

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

**Family Relationship**

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

**Executive Compensation**

The members of the Board of Directors Fund shall receive per diem for their attendance in regular or special meetings of the Board in the amount of P10,000 per Director for every actual meeting attended. The estimated total amount of per diem of the Board of Directors for the year 2014 is P200,000. The registrant has no executive under its employ and therefore does not pay executive compensation.

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

**Legal Proceedings**

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

1. involved in any legal proceeding the past five (5) years that are material to an evaluation of the ability or integrity of any director, any nominee for election as director, executive officer, underwriter, or control person of the Registrant;
2. involved in any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time;
3. involved in or convicted by final judgment in any criminal proceeding, domestic or foreign, or subject to a pending criminal proceeding, foreign or domestic, excluding traffic violations and other minor offenses;
4. subject to any order, judgment, or decree not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
5. found by a domestic or foreign court of competent jurisdiction( in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or organized trading market or self-regulatory

organization, to have violated a securities or commodities law or regulation and the said judgment has not been reversed, suspended or vacated.

### Security Ownership of Certain Record and Beneficial Owners

The security ownership of certain record and beneficial owners as of the April 30, 2014 are as follows:

Title of Class	Name/Address of Owner/Relationship with Issuer	Name of Beneficial Owner & Relationship w/ Record Owner	Citizenship	Number of Shares Held	Percent of Class
Common	First Metro Investment Corp./ 45F GT Tower Ayala Ave. Makati City/Stockholder	Same	Filipino	196,609,238	99.36%

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

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

### Security Ownership of Management

The security ownership of management as of April 30, 2014 is as follows:

Title of Class	Name of Record Owner	Name of Beneficial Owner	Citizen-ship	Number of Shares/ Nature of Beneficial Ownership	Amount	Percent of Class
Common	Dr. Victor A. Abola	Dr. Victor A. Abola	Filipino	1/direct	P0.10	0.000002 %
Common	Hector C. De Leon	First Metro Investment Corporation	Filipino	1/indirect beneficial owner	P0.10	0.000002 %
Common	Nimfa B. Pastrana	First Metro Investment Corporation	Filipino	1/indirect beneficial owner	P0.10	0.000002 %
Common	Manuel V. De Leon, FMS	Manuel V. De Leon, FMS	Filipino	1/direct	P0.10	0.000002 %
Common	Sister Lioba Tiamson	Sister Lioba Tiamson	Filipino	1/direct	P0.10	0.000002 %
Common	Ms. Bernadette M. Nepomuceno	Ms. Bernadette M. Nepomuceno	Filipino	1/ direct	P0.10	0.000002 %

**Voting Trust**

The registrant knows no persons holding more than 5% of its shares under a voting trust or similar arrangement which may result in a change in control of the company.

**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 proposed transactions to which the Registrant is to be a party in which any of the Fund's directors, executive officers or stockholders 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 as to any acquired or to be acquired from a promoter.

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

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

**Compliance with the Investment Company Act**

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

**Investment Objective**

The investment objective of the Fund is capital preservation with returns and inflows derived out of investments in primarily foreign-currency denominated investment securities which can provide the Fund with a steady stream of fixed income. The Fund can be classified as a moderate risk investment and shall have a base currency in US Dollar.

In line with its stated investment objective, the Fund shall invest in fixed-income U.S. dollar-denominated securities issued by the Philippine

government as well as major foreign governments, evidence of indebtedness issued by Philippine and foreign corporations, financial institutions, and supranationals, including, but not limited to, Treasury bills or notes, commercial paper, bonds, certificates of deposits, and other securities guaranteed by the Philippine or other major foreign governments, as well as quasi-debt instruments such as preferred shares with fixed yields.

The Fund shall pursue a general investment policy of maintaining an optimal balance between maximizing long-term investment returns and minimizing investment risk by the proper allocation of assets among selected marketable securities and instruments depending on prevailing and anticipated market conditions.

### **Investment Guidelines**

The company's investment objective is classified as a moderate risk investment. It is a fund which seeks good returns through current income by investing in fixed income instruments and securities. ICA Rule 35-1 provides that an investment company shall not change its investment objective without prior approval of a majority of its shareholders

For liquidity purposes, unless otherwise prescribed by the Commission, at least five percent (5%) of an open-end company 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 evidence 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 any such savings or time deposit accounts be accepted or allowed under a "bearer", "numbered" account or other similar arrangement.

### **Investment Restrictions**

1. The maximum investment of the Fund in any single enterprise shall be limited to fifteen percent (15%) 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 (investment in partly paid shares are excluded); commodity futures contracts; precious metals; unlimited liability investments;

short-selling of currencies; short-selling of securities; 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;

### **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 Nominations Committee which pre-qualifies and shortlists the nominees for independent directors to be elected in the annual stockholders meeting and the Compensation Committee including Risk Oversight Committee which assist the Board of Directors in ensuring due observance of corporate governance principles and guidelines. A Certification of Attendance of Directors in Board meetings were submitted to SEC on January 28, 2014.

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 27, 2014. No director or officer of the Company was found in violation of the Manual.

The Company has adopted a good governance scorecard patterned after SEC-prescribed Corporate Governance Self-Rating Form (CG-SRF) to measure and determine the level of compliance by the Board of Directors and top-level management with its Manual of Corporate Governance.

There was no deviation from the company's Manual on Corporate Governance.

### **Use of Proceeds**

The total proceeds from the sale of the 200,000,000 shares is estimated at USD 4.82 Million (using the Fund's NAVPS of P1.0737 as of April 30, 2014 converted to USD 0.0241 per share at a conversion rate of USD1=P44.60 as of April 30, 2014). The Fund's main business is to invest the proceeds in US\$-denominated fixed income securities such as but not limited to government securities and debt issued by or guaranteed by the Philippine government, Treasury Bills, Notes and Bonds, foreign currency-denominated bonds, and US\$-denominated time deposits and other deposit substitutes transacted with commercial banks and financial institutions, in line with the Fund's investment objective.

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 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.

### **Effect of existing governmental regulation**

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

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

### **Subscription Procedure**

Investments in mutual funds are covered by the Anti-Money Laundering Law. An Account Opening Form, Investment Application Form, and specimen signature cards will be submitted together with the appropriate payment. The issuer or its Principal Distributor reserves the right to accept, reject, or reduce the number of shares applied for in any

investment application at its discretion in such a manner that it may deem appropriate. An Investment Application, once accepted, shall constitute an agreement between the Investor and the Investment Manager/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 Account Opening Form, 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 One Thousand Dollars (US\$1,000.00) and subsequent investments shall be for a minimum of One Hundred Dollars (US\$100.00).

**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 their NAVPS on a daily basis, shall publish such daily prices in 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 per share on 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 NAVPS shall be the computed difference between total assets of the Fund and its total liabilities divided by the number of shares outstanding.

The sales load fee is not more than 1%.

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 NAVPS are subject to acceptance and approval by the Principal Distributor. The Principal Distributor reserves the right to reject, scale-down, and/or 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.

#### **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. All such checks must be made payable to "First Metro Save & Learn Dollar Bond 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) 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, to the corresponding distributor, or to 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.

**Prevention of Money Laundering**

As part of the Fund's responsibility for the prevention of money laundering under the Anti-Money Laundering Act of 2001 (Republic Act No. 9160) and other relevant rules and regulations, the Fund or an entity acting on its behalf may require evidence verifying the identity of a prospective purchaser of shares and the source of the relevant funds. Whether or not such evidence will be required and, if so, the nature and extent of such evidence will depend on the particular circumstances. The fund and any entity acting on its behalf, reserve the right to request such information as considered necessary to verify the identity of a proposed purchaser of share in each case, and the Fund or any entity has absolute discretion to refuse to accept a subscription for shares in the event of delay or failure in the provision of any such information required.

**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. Payments for securities redeemed shall be effected within seven (7) banking days from receipt of the request for redemption, in accordance also to Sec 22(b) 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 its presentation to the Fund in its principal office or in any of its duly authorized representatives of the confirmation receipt and/or stock certificate, and upon filing of the redemption request form, is entitled to receive by way of redemption approximately his proportionate share of the Company's current net assets or the cash equivalent thereof, i.e. the current NAV per share, subject to the existing laws and By-laws of the Company. For NAV is then divided by the number of shares outstanding to arrive at the NAV per share.

For securities surrendered for redemption before the daily cut-off time of 12:00 noon, the price at which the Company's securities may be redeemed shall be computed based on the NAV per share on the banking day 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.

A redemption fee equivalent to one percent (1%) of the redemption proceeds shall be charged if redemption happens within 180 days.

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

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 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 shares at par value of One Hundred Peso (Php100.00) per share. It has a subscribed and paid-up capital of Twenty Three Million Five Hundred Thirty Pesos (Php23,530,000.00).

The guidelines for the investment management, fund administration and shares distribution of the Company are set forth 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**, 60. Chairman of the Board since 2005. Prior to his appointment as Chairman of the Board of Directors of First Metro Investment Corporation in April 2011, Mr. Sebastian was the President of First Metro Investment Corporation from 1997 to 2011. His investment banking and financial advisory experience spans over 30 years and covers the Asian region as he was based in Hong Kong for 20 years.

Mr. Sebastian also currently serves as Vice Chairman of Metropolitan Bank and Trust Co. (since 2006), as well as Chairman of Global Business Power Corporation (since 2007), First Metro Asset Management, Inc. (since 2005). Mr. Sebastian served as Chairman of Federal Land Inc. from 2007 to 2013 and continue as Director up to present.

He completed his collegiate studies at the Ateneo de Manila University, earning a Bachelor of Arts degree in Economics Honors and graduating as Magna Cum Laude.

**Mr. Roberto Juanchito T. Dispo**, 50, Filipino, Vice Chairman. Mr. Dispo currently serves as President and Director of First Metro Investment Corporation, the investment banking arm of the Metrobank Group. He is also a member of the Advisory Board of Metropolitan Bank & Trust Co.; Chairman of First Metro Securities Brokerage

Corporation and PBC Capital Investment Corporation; Vice Chairman of First Metro Asset Management, Inc.; President of Resiliency (SPC), Inc.; and Director of AXA Philippines and Travel Services, Inc.

Prior to joining First Metro in 1998, he held various positions in different government offices, including the Department of National Defense, the Department of Trade and Industry, the Department of Finance and the Central Bank. His last government post was Deputy Treasurer of the Philippines with the rank of Assistant Secretary.

He was responsible for the establishment of the World Association of Debt Management Offices (WADMO) under the auspices of the United Nations Conference on Trade and Development (UNCTAD), Geneva, Switzerland, now with 36 member countries. He was also credited for the operationalization of the Registry of Scripless Securities (RoSS) of the Philippine Treasury. He is also listed in the Roster of World Experts in Debt Management by the United Nations Institute for Training and Research (UNITAR) in Geneva, Switzerland.

He was elected as President of the Money Market Association of the Philippines (MART) in 2002, an aggregation of 76 financial institutions engaged in treasury and money market business. Mr. Dispo is a member of the American Economic Association (AEA).

Mr. Dispo holds BSC Economics and Business Management-MBA degrees from San Sebastian College and the Pamantasan ng Lungsod ng Maynila, respectively. He also completed a Masters in Business Economics from the University of Asia & the Pacific. In addition, he finished a Management Development Program from the Asian Institute of Management and a diploma course in International Banking and Finance from the Economic Institute, University of Colorado.

**Augusto M. Cosio**, 62, Filipino, assumed this position as President in First Metro Asset Management Inc. in June 2010. He has been a member of the First Metro Investment Corporation (FMIC) Investment committee since 2008. Mr. Cosio has had extensive experience in investments and the capital markets both locally and internationally. He served as consultant to the Mutual Fund Company of the Philippines (Kabuhayan Fund) from 2005 to 2006 and with the GSIS Mutual Fund (Kinabukasan Fund) from 2003 to 2003. He was Vice President at Bank Austria Private Banking in Hong Kong from 2000 to 2001 managing portfolios for private clients. He was previously, President of PNB Securities Inc. (1997 to 2000), a nominee and a member of the board of the Philippine Stock Exchange (1999). He had been an international capital markets practitioner from 1977 to 1994 having been connected with Banque Nationale de Paris (1977 to 1981) and Banque Paribas (1984 to 1994), the predecessors of the present BNP Paribas. Ms. Cosio worked in Hong Kong and Singapore for the Paribas capital markets group. He is also a resource speaker for fixed income courses at the Ateneo Center for Continuing Education and the University of Asia and the Pacific as well as for the PSE Certified Securities Specialist Course. He pursued his course of AB Social science at the University of the Philippines finishing in 1974. He received further training in international capital markets through seminars and courses conducted by BNP and Banque Paribas in London, Paris, Tokyo in New York.

**Rev. Fr. Herminio V. Dagohoy, O.P., Ph.D.**, 49, Filipino, Director. Fr. Dagohoy is the Rector of University of Santo Tomas, member of the Board of Trustees of Aquinas University, Colegio de San Juan de Letran (Intramuros and Calamba), Angelicum College and Angelicum School. He is the President of the Dominican Network of Schools (DOMNET), President of the Association of the Catholic Universities of the Philippines (ACUP), Treasurer of the Catholic Educational Association of the Philippines (CEAP), member of PAMI and Philcare and the Industry – Academe Council of the Philippines. Fr. Dagohoy obtained the following degrees: AB Philosophy at the Philippine Dominican Center for Institutional Studies in 1990, Bachelor in Sacred Theology at the UST Ecclesiastical Faculty of Sacred Theology in 1993; masters of Arts in Philippines Studies in Philosophy at the UST Ecclesiastical Faculty of Philosophy in 2011, and Doctorate in Philosophy at the UST in 2012.

**Mr. Justino Juan R. Ocampo**, 50, Filipino, Director. Mr. Ocampo joined the Board on June 20, 2012. Concurrently, he is the Senior Vice President and Investment Banking Group Head of First Metro Investment Corporation (since 2010). He is also director of SBC Properties Inc. (since 2011) and President of Prima Ventures Development Inc. (since 2012). He started his career in banking at the Far East Bank and Trust Co. in 1985 and later moved on to the Development Bank of the Philippines in 1990, PCIBank in 1992, AB Capital and Investment Corp. in 1996 and ABN Amro Bank N.V., Manila in 1999. In 2010, he joined First Metro investment Corp. as Senior Vice-President and Deputy Group Head of the Investment Banking Group, a position he still presently holds. Mr. Ocampo brings with him over 25 yrs. of banking and investment experience covering a considerable range of banking related areas. Mr. Ocampo had undergone intensive training abroad in management, finance, capital markets, negotiations and even non-bank related areas such energy and petroleum & petrochemicals during his previous employments. A product of the University of the Philippines, Diliman, Justino Juan R. Ocampo graduated Cum Laude with a degree in BS Business Administration in 1984.

**Bro. Manuel V. De Leon**, FMS, 56, Filipino, Director. Bro. De Leon has been serving as a member of the Board of Director since 2005 and elected as Chairman of the Board on March 22, 2011. Bro. De Leon is also the Chairman of First Metro Save & Learn Fixed Income Fund, Inc. First Metro Save and Learn Balanced Fund, Inc., First Metro Save and Learn Dollar Bond Fund, Inc. and First Metro Global Opportunity Fund, Inc. He also director for First Metro Asset Management, Inc. (since 2005). He is the Provincial Superior of Marist Brothers of the Schools - East Asia Province (from 2003 to present). He is the Founding President of SAGIP KA 2000 Foundation, Inc. (2000-present). He is Chairman of the Board of Notre Dame of Dadiangas University (2007-present), Notre Dame of Kidapawan College (2003-present), Notre Dame of Marbel University (1990-present). He was an awardee of the Ten Outstanding Young Men (TOYM) in 1992. He has masteral and doctorate degrees in Education from University of the Philippines.

**Mr. Nilo L. Pacheco, Jr.**, 59, Filipino, Director. Director since December 2010. He is the Vice Chancellor for Finance of De La Salle Group (from June 1, 2011 to present). Mr. Pacheco has an Advanced Management Program at the Harvard Business School Boston, Massachusetts, USA and Masters in Business Administration at the University of the Philippines. He finished Bachelor of Arts major in Mathematics from De La Salle University. Among his other positions are: Director, Sterling Bank of Asia (October 2010-



present) and ATR Kim Eng Securities Inc. (February 2010- present). He also held the following positions: President, Export and Industry Bank (April 2007 to May 2009), Executive Vice President for Union Bank of the Philippines (June 2006 to March 2007) and International Exchange Bank (September 1995 to June 2006).

**Ms. Marie Arabella D. Veron**, 53, Filipino, Director/Treasurer. Ms. Veron was elected to the Board in April 2011. She is the Controller and First Vice President of First Metro Investment Corporation, Treasurer/Director of SBC Properties, Inc. (2003-present), Treasurer of First Metro Save & Learn Dollar Bond Fund, Inc., First Metro Global Opportunity Fund, Inc., First Metro Save & Learn Fixed Income Fund, First Metro Save & Learn Equity Fund, 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 and a Certified Management Accountant.

**Mr. Jose C. Nograles**, 65, Filipino, Independent Director. Mr. Nograles was elected to the Board as Directors in June 2011. He was past President and Vice Chairman of the Board of Directors of the Philippine Deposit Insurance Corporation (Jan. 2008 to June 2011). He held various key positions with the Land Bank of the Philippines & Group from 2000 to 2007. Mr. Nograles being the Vice Chairman/President of the Land Bank Insurance Brokerage Inc. (2000 to 2007), was appointed as Vice Chairman of the Executive Committee (2002 to 2007). He joined the UCPB Board in March 2008 to Jan. 2011 where he appointed as Chairman of the Audit Committee and member of the Executive Committee. He was also the Chairman of the Audit Committee and member of the Executive Council of International Association of Deposit Insurers (Oct. 2008 to May 2011).

**Atty. Abelardo V. Cortez**, 68. Independent Director since June 18, 2014. Atty. Cortez has over 25 years of banking experience in the local and international banking industry, concentrating on treasury, trust and private banking side of the business. Over this period, he held the following posts: Money Market Head- Rizal Banking Corporation (1978 to 1980); Vice President-Treasury Operations, Bank of the Philippine Island (1980 to 1986); Managing Director and CEO, BPI International Finance Ltd. (Hongkong) from 1987 to 1995; Vice President, Head/Private Banking Group- Bank of the Philippine Island (1995 to 1996); Director for Trust and Investments, ATR KimEng Capital Partners, Inc. (1996 to 2011). He was FINEX President in 2007 and Co-Chairman of the country's Capital Market Development Council in 2008. He is at present director/trustee of FINEX Foundation.

Presently, he sits as Independent Director of PBC Capital Investment Corporation (2012-2013) and First Metro Philippine Equity Exchange Traded Fund, Inc. (since October 2013).

Atty. Cortez earned his Bachelor of Laws degree from San Beda College of Law. He completed his collegiate studies at San Beda College, earning a Bachelor of Arts degree, Cum Laude.

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

Atty. Cortez writes a monthly business column in the leading business daily, the *Businessworld*.

**Br. Paterno S. Corpus, FMS, 60.** Bro. Pat Corpus is the Chairman of the Corporations of Marist Schools in the Philippines and the Chairman: BOT, ND Cotabato, Business Resource Center.

Br. Corpus earned his Bachelor of Science in Mathematics/Physics at Notre Dame Mindanao University and obtained his Masteral degree, Major in Theological Studies at the Ateneo de Manila University. He also obtained CIRF – Formation and Counseling at St. Louis U, St. Louis, MO, USA and Educational Management at De la Salle University.

### Officers

\*Mr. Francisco C. Sebastian, Chairman (see page 34)

\* Mr. Robert Juanchito T. Dispo, Vice Chairman (see page 35)

\* Mr. Augusto M. Cosio, President (see page 35)

\*Ms. Marie Arabella D. Veron (see page 37)

**Atty. Nimfa B. Pastrana, 52,** Filipino, Corporate Secretary since 2005. Atty. Pastrana is the First Vice President, General Counsel and Asst. Corporate Secretary of First Metro Investment Corporation. She is also Corporate Secretary of First Metro Save & Learn Equity Fund, First Metro Save and Learn Balanced Fund and First Metro Money Market Fund, Inc., First Metro Save and Learn Dollar Bond Fund, Inc. and First Metro Global Opportunity Fund, Inc. She is also the Corporate Secretary of PBC Capital Investment Corporation, Prima Ventures Development Corporation, SBC Properties, Inc., First Metro Insurance Brokers Corp., and First Metro Securities Brokerage Corp. She finished her A.B Philosophy course at the University of the Philippines and her Bachelor of Law at San Beda College.

**Mr. Jonathan T. Tabac, 60,** Filipino. Mr. Tabac has been a Compliance Officer of FAMI since 2005. Term of office is one year. He is also the Compliance Officer of First Metro Investment Corporation, First Metro Securities Brokerage Corporation, First Metro Save & Learn Fixed Income Fund, First Metro Save & Learn Equity Fund, and First Metro Asset Management, Inc (from May 2005 to present). 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 finished BSC-Accounting from University of Baguio and MBA units from the University of Santo Tomas. He is a Certified Public Accountant.

**Mr. Hector C. De Leon, 51,** Filipino, Executive Vice President. Mr. De Leon is also the President of First Metro Global Opportunity Fund, Inc. (since 2010), First Metro Save and Learn Equity Fund, Inc. (since June 2011) First Metro Save and Learn Fixed Income Fund, Inc. (since June 2011), First Metro Save and Learn Dollar Bond Fund, Inc. (since June 2011) and First Metro Save and Learn Balanced Fund Inc. (2011 to present). He was

formerly the EVP and Head of Sales and Marketing for Philequity Management, Inc (2006 to 2007). Before joining Philequity, he served as FVP for Capital Markets of Philam Asset Management Inc. (1996 to 2006) where he was instrumental in setting up and operating most of the company's mutual funds. He was former Chairman of the Board of Trustees of the Investment Company Association of the Philippines from 2005 to 2006. Mr. de Leon has a Bachelors Degree in Electronics and Communications Engineering from De La Salle University and took up Masters in Business Administration (MBA) at the Ateneo Graduate School of Business.

**Dr. Edwin B. Valeroso**, 50, Filipino, First Vice President. Mr. Valeroso served as President of First Metro Save & Learn Balanced Fund (Jan 2007 to June 2011), First Metro Save & Learn Fixed Income Fund and First Metro Save & Learn Equity Fund (from May 2005 to June 2011), and First Metro Save and Learn Dollar Fund, Inc. (2008 to 2011). He is Vice President/Trustee/Corporate Secretary of Investment Company Association of the Philippines-ICAP (2006-present) and Professorial Guest Lecturer at De La Salle University-Graduate School of Business (2000-present). He was the Mutual Fund Strategist of First Metro Investment Corporation (2004-2005). Dr. Valeroso has a BS Actuarial Mathematics degree from University of Santo Tomas with specialization in Actuarial Science, a Master's degree in Applied Mathematics from University of the Philippines, and a Doctorate degree in Business Administration with specialization in Finance from De La Salle University. He is also an alumnus of the Trust Institute Foundation of the Philippines.

#### *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. The estimated custodian fee is P5,000 per month.

#### *Transfer Agent*

Metrobank-Trust Banking Group is the designated Stock and Transfer Agent of the Fund. The estimated stock and transfer fee is P8,000 monthly.

#### *External Auditors*

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

The aggregate fees paid for the professional services rendered by SGV & Company for the audit of our Financial Statements for the years 2013 and 2012 is P71,147.75 and P67,760.00, 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.

### **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, Principal Distributor, and 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 point seventy-five 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 divided by the number of shares outstanding in accordance with the procedures used in computing the net asset value of the Fund.

#### **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 and membership fees, to the extent not absorbed by the buyers of the Fund's securities and as may be required by law or by the rules and regulations of the SEC; and,
8. Investment Management fee, Distribution Fee and Fund Administration fee which are computed in accordance with the Management and Distribution Agreement.

The expenses chargeable to FAMI are:

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

## **Applicable Philippine Laws**

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

The business of investment 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 involving intra-corporate disputes are filed before the Courts of general jurisdiction of the appropriate Regional Trial Court per Sec 5.2 of the Securities Regulation Code.

Shareholders have the right to inspect the records of the corporation at reasonable hours on business days. 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 30%;
2. Final withholding tax of 20% on gross interest from Philippine currency bank deposits and yield from deposit substitutes, trust funds and similar arrangements;
3. Final withholding tax on sale of shares listed and traded through the Exchange of 1/2 of 1% of gross selling price;
4. Tax on net capital gain of sale of shares not traded through the Exchange: not over 100,000.00 - 5% and amount in excess of 100,000.00 - 10%;
5. Documentary stamps tax at the rate of 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 100,000.00: 5%; and amount in excess of 100,000.00: 10%.
5. Tax on dividends received from domestic corporations: None.
6. Documentary stamps tax at the rate of P1.00 per P200.00 (or fractional part thereof) of par value on original issuance of shares by the Fund.