

**FIRST METRO SAVE AND LEARN BALANCED FUND, INC. (SALBF)**  
ANNUAL MEETING OF THE STOCKHOLDERS  
Wednesday, September 16, 2020, 02:00PM  
Livestream, link provided in the website  
<https://fami.com.ph/>

**AGENDA**

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on June 19, 2019
4. Annual Report to the Stockholders
5. Ratification of all Acts and Resolutions of the Board of Directors, Management and All Committees for the fiscal year 2019, including the following:
  - a. Amendment to the Management Distribution Agreement
6. Election of the Members of the Board of Directors for the year 2020-2021
7. Appointment of External Auditor for the year 2020.
8. Other Matters
9. Adjournment

Stockholders of record as of August 7, 2020 shall be entitled to vote at the meeting.

As a precautionary measure against the spread of COVID-19, the Company will not be conducting a physical annual shareholders' meeting. The conduct of the annual shareholders' meeting will be streamed live, and shareholders may attend the meeting by registering on or before 12:00 noon on September 16, 2020. Due to the limitations of available technology, voting will not be possible during the livestream, but participants may send in questions or remarks via the livestream platform.

If you cannot attend the meeting in person and you wish to be represented, you may designate your authorized representative by submitting a signed proxy document on or before September 4, 2020, through email at [20is@fami.com.ph](mailto:20is@fami.com.ph) and hard copies at 18<sup>th</sup> Floor, PS Bank Center, 777 Paseo de Roxas corner Sedeño St., Makati City.

Attached for your convenience is a sample proxy form.

This Agenda and the attached sample proxy form together with the Definitive Information Statement including the Audited Financial Statements will be distributed through electronic mail to all stockholders as of record date.

  
**NIMFA BALMES-PASTRANA**  
Corporate Secretary

PROXY

The undersigned stockholder of **FIRST METRO SAVE AND LEARN BALANCED FUND, INC.** hereby appoints \_\_\_\_\_ or in his absence, the Chairman of the meeting, as attorney-in-fact and proxy, with power of substitution, to present and vote all shares registered in his/her/its name at the annual meeting of stockholders of the Company on Wednesday, September 16, 2020 and at any of the adjournments thereof. The proxy shall be revoked only in writing and by informing the Corporate Secretary prior to the annual stockholders meeting.

The proxy may vote by checking (✓) the area that corresponds to his vote. In the election of the Members of the Board of Directors, the proxy shall indicate number of votes on the blank place provided beside the names of the nominees or check abstain should they wish to do so.

ITEMS	ACTIONS		
	Yes	No	Abstain
1. Approval of the Minutes of the Annual Stockholders' Meeting held on June 2019			
2. Ratification of all Acts and Resolutions of the Board of Directors, Management and All Committees for the fiscal year 2019, including the following:  a. Amendment to the Management Distribution Agreement			
3. Election of the Members of the Board of Directors for the year 2020-2021	# of Votes		
Bro. Manuel V. de Leon, FMS			
Dr. Victor A. Abola			
Mr. Eduardo S. Mendiola			
Ms. Bernadette M. Nepomuceno			
Ms. Rhodora Angela F. Ferrer			
	<b>Yes</b>	<b>No</b>	
4. Appointment of External Auditor for the year 2020.			

\_\_\_\_\_  
PRINTED NAME OF STOCKHOLDER

\_\_\_\_\_  
SIGNATURE OF STOCKHOLDER/  
AUTHORIZED SIGNATORY

\_\_\_\_\_  
DATE

<sup>1</sup> Please fill-out and sign the proxy form and return via mail/email/Metrobank Branches on or before 5:00 p.m. on September 4, 2020.  
Via Mail: To the Corporate Secretary, 18<sup>th</sup> Floor, PS Bank Center, 777 Paseo de Roxas corner Sedeño St., Makati City  
Via Email: 20is@fami.com.ph | Via Fax: (02) 816-0467

<sup>2</sup>This proxy shall be valid for a period of five (5) years from the date of its execution. This proxy shall continue to be in effect until and unless withdrawn by written notice delivered to the Corporate Secretary, but shall not apply in instances wherein the undersigned personally attends the meeting.

<sup>3</sup>If no name is provided; the Chairman of the Meeting will act as the proxy.

THIS PROXY NEED NOT BE NOTARIZED. IF THE STOCKHOLDER ATTENDS IN PERSON AND EXPRESSES HIS INTENTION TO VOTE IN PERSON, THE PROXY WILL BE REVOKED.

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 20-IS**

INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box  
( ) Preliminary Information Statement  
(/ ) Definitive Information Statement
2. Name of registrant as specified in its charter:  
**FIRST METRO SAVE AND LEARN BALANCED FUND, INC.**
3. Province, Country or other jurisdiction of incorporation or organization;  
**Metro Manila, Philippines**
4. SEC Identification number: **CS200701110**
5. BIR Tax Identification Code: **006-609-183**
6. Address of Principal Office:  
**18<sup>th</sup> Floor, PS Bank Center, 777 Paseo de Roxas, corner Sedeño St., Makati City**
7. Telephone Number:  
**(632) 8912860, (632) 8405710, Fax No. (632) 8160467**
8. Date, time, ~~Date~~ of the meeting of the security holders:  
**Date: September 16, 2020**  
**Time : 2:00 p.m.**  
**Place : Livestream at the link provided in <https://fami.com.ph/>**
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **August 24, 2020**
10. Securities registered pursuant to Sections 4 and 8 of the RSA:

Title of each class	Number of Shares of Common Stock Outstanding (Par value of P1.00)
<b>Common Shares</b>	<b>589,169,569 shares</b>
11. Are any or all of registrant's securities listed on the Philippine Stock Exchange?  
**No**

## PART I - INFORMATION STATEMENT

### A. GENERAL INFORMATION

#### Item 1. Date, Time, and Place of Meeting of Security Holders:

Date : Wednesday, September 16, 2020  
Time : 02:00 p.m.  
Place : Livestream at the link provided in <https://fami.com.ph>

#### Mailing Address of the Registrant

18<sup>th</sup> Floor, PS Bank Center, 777 Paseo de Roxas, corner Sedeño St., Makati City

#### Approximate date on which the Information Statement is first to be sent or given to security holders:

August 24, 2020

#### Item 2. Right of Appraisal:

There are no matters or proposed corporate actions which may give rise to a possible exercise by security holders of their appraisal rights under Title X of the Corporation Code of the Philippines.

#### Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon:

- a) Other than election to office, there is no matter to be acted upon in which any director or executive officer is involved or had a direct, indirect or substantial interest.
- b) No director has informed the registrant, in writing or otherwise, that he intends to oppose any action to be taken by the registrant at the Meeting.

### B. CONTROL AND COMPENSATION INFORMATION

#### Item 4. Voting Securities and Principal Holders Thereof:

##### a) Class of Voting Shares :

Class of Voting Securities	Total Outstanding Shares	Votes Entitlement
Common Shares	<b>589,169,569</b>	One (1) vote per Share

##### b) Record Date

Stockholders of record as of August 7, 2020 are entitled to notice and to vote in the Annual Stockholders' Meeting.

##### c) Security ownership of Certain Record and Beneficial Owners and Management:

The following stockholder owns more than 5% of the common voting securities as of June 30, 2020.

<b>Title Class</b>	<b>Name and Address of Owner</b>	<b>Name of Beneficial Owner</b>	<b>Citizenship</b>	<b>No. of Shares Held</b>	<b>Percent to Outstanding Shares</b>
Common Shares	First Metro Investment Corporation (FMIC) 45th Flr. GT Tower Int'l., Ayala Ave. corner HV Dela Costa	Same	Filipino	132,904,895	22.56%
Common Shares	First Georgetown Ventures, Inc. 5/F F&M Lopez Bldg. C. Palanca St. Makati City	Same	Filipino	31,108,846	5.28%

First Metro Investment Corporation (FMIC), is the registered owner of the shares in the books of the Company. The Board of Directors of FMIC has the right to appoint actual person or persons acting individually or jointly to direct the voting or disposition of the shares held by the corporation. The person who will exercise the voting powers over the shares of FMIC is Mr. Francisco C. Sebastian, Mr. Jose Patricio A. Dumlaog or any officers appointed by the Board.

First Georgetown Ventures, Inc. is the registered owner of the shares in the books of the Company. The Board of Directors of First Georgetown Ventures, Inc. has the right to appoint actual person or persons acting individually or jointly to direct the voting or disposition of the shares held by the corporation. The person who will exercise the voting powers over the shares of First Georgetown is Mr. George T. Yang or any officers appointed by the Board.

#### **Security Ownership of Directors/Management:**

Following are the securities owned by directors and officers of the Fund as of June 30, 2020:

<b>Title of Class</b>	<b>Name of Beneficial Owners</b>	<b>Amount and Nature of Ownership</b>	<b>Citizenship</b>	<b>Percent to Outstanding Shares</b>
Common shares	Bro. Manuel V. De Leon, FMS	1	Filipino	0.00%
Common shares	Eduardo Mendiola	1	Filipino	0.00%
Common shares	Victor A. Abola	1	Filipino	0.00%
Common shares	Bernadette M. Nepomuceno*	1	Filipino	0.00%
Common shares	Rhodora Angela F. Ferrer*	1	Filipino	0.00%
Common shares	Nimfa B. Pastrana	148,349	Filipino	0.03%
Common shares	Jonathan Tabac	121,783	Filipino	0.02%

\*Independent Director

The Corporation knows of no other person holding more than 5% of common shares under a voting trust or similar agreement.

There is no arrangement that may result in a change in control of the registrant.

No change of control in the Corporation has occurred since the beginning of its last fiscal year.

#### **Item 5. Directors and Executive Officers**

Incumbent Directors (5) - All directors are elected for a term of one year and until their successor shall have been elected or qualified. Below is a list of SALBF's incumbent directors with their corresponding business affiliations and other qualifications.

All other officers shall be elected/appointed by the Board of Directors. Vacancies occurring among such officers however arising shall be filled by the Board.

The Board of Directors of the Fund as of June 30, 2020 are as follows:

**The Board of Directors**

<b>Name</b>	<b>Experience</b>
<p>Bro. Manuel V. de Leon, FMS Chairman</p>	<p>Bro. Manuel V. de Leon, FMS, 62, Filipino, term of office is one year. Bro. De Leon has been serving as a member of the Board of Director of the following companies since 2005 and elected as Chairman of the Board on March 22, 2011, namely: First Metro Save &amp; Learn Fixed-Income Fund, Inc. (2005 to present), First Metro Save and Learn Equity Fund, Inc. (2005 to present), First Metro Save and Learn Balanced Fund, Inc. (2005 to present), First Metro Save and Learn Dollar Bond Fund, Inc. (2008 to present), First Metro Asia Focus Equity Fund, Inc. (2010 to present) and Paradigm Global Growth Fund, Inc. (2015 to present). He is also a director of First Metro Asset Management, Inc. (2005 to present). 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), and Notre Dame of Marbel University (1990-present). He was an awardee of the Ten Outstanding Young Men (TOYM) in 1992. He has masters and doctorate degrees in Education from University of the Philippines.</p>
<p>Dr. Victor A. Abola President</p>	<p>Dr. Victor A. Abola, 76, Filipino, term of office is one year. Dr. Abola is the current Program Director of the Strategic Business Economics Program (SBEP) of the University of Asia and the Pacific (UA&amp;P). He is the Executive Director of the UA&amp;P-FMIC Capital Market Research Center and the Corporate Secretary of Research, Education and Institutional Development Foundation, Inc. (REID). He is an director of First Metro Save and Learn Balanced Fund, Inc. (since 2010), First Metro Save and Learn Equity Fund, Inc. (since 2010), First Metro Save &amp; Learn Fixed Income Fund, Inc. (since 2010), First Metro Save and Learn Dollar Bond Fund, Inc. (since 2010), First Metro Asia Focus Equity Fund, Inc. (since 2010) and First Metro Securities Brokerage Corp. (since 2010).</p> <p>He gives lectures on Macroeconomic Policy at the graduate school level of the School of Economics. He was a lecturer in Macroeconomics and Introduction to Money, Banking and Finance in the Management Associates Program of the Development Bank of the Philippines (2006-2010). He was the Chief of Party of the Fiscal Policy Analysis Activity of the Department of Finance, a project funded by the USAID in order to enhance policy analysis and revenue forecasting capabilities of DOF's Domestic Finance Group. This work involved completing one of Asia's first Microsimulation Models for major taxes. He finished his 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 CPA certificate. Prior to this, he spent 15 years in Hong Kong as a Consultant to PCI Capital Asia, Ltd. and later became the Executive Director of the Philippine Research</p>

		Center (HK), Limited. 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 (2nd ed. 2010). He is the author of the text/reference book Money, Banking and Finance (2006).
Mr. Eduardo S. Mendiola Director		<p>Mr. Eduardo S. Mendiola, 64, Filipino, term of office is one year. Mr. Mendiola has been serving as a member of the Board of Director of the following companies since June 2015, namely: First Metro Save &amp; Learn Fixed-Income Fund, Inc., First Metro Save and Learn Equity Fund, Inc., First Metro Save and Learn Balanced Fund, Inc., First Metro Save and Learn Dollar Bond Fund, Inc., First Metro Asia Focus Equity Fund, Inc., First Metro Philippine Equity Exchange Traded Fund, Inc. and Paradigm Global Growth Fund, Inc. He is a career Executive Service officer II and held the position of Deputy Treasurer of the Philippines from 1994 to 2013. Prior to his appointment as Deputy Treasurer, he held various positions in the Bureau of the Treasury from 1982-1993. He attended various trainings and conferences abroad on capital markets, development of financial system in the ASEAN, financial market analysis, and fiscal discipline among others.</p> <p>Mr. Mendiola received the Most Outstanding "Dangal ng Trinity Award for Financial Administration" by Trinity University of Asia in 2009, and Distinguished Alumnus of Pamantasan ng Lungsod ng Maynila in 2005.</p> <p>He finished his BS Statistics at the University of the East. He also completed a Master's in Business Administration from Pamantasan ng Lungsod ng Maynila.</p>
Bernadette Nepomuceno Independent Director	M.	<p>Bernadette M. Nepomuceno, 67, Filipino, term of office is one year. Ms. Nepomuceno is also an Independent Director of First Metro Save and Learn Dollar Bond Fund, Inc. (since August 2012) and First Metro Asia Focus Equity Fund, Inc. (since August 2019). 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 the 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 &amp; 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 the University of the Philippines (1972). She also has a Masters in Psychology, major in Social Psychology, Ateneo de Manila University (1998) (cand.). She took up Hypnotherapy, Psychology of Carl Jung.</p>
Ms. Rhodora Angela F. Ferrer Independent Director		<p>Ms. Rhodora Angela F. Ferrer, 52, Filipino, term of office is one year. Ms. Ferrer served as Executive Director for Catholic Educational Association of the Philippines (from 2010 to 2014); Asst. Professor,</p>

	<p>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, Dean of Student Affairs, St. Scholastica's College (2004 to 2007). Ms. Ferrer is also an Independent Director since 2014 of First Metro Save and Learn Dollar Bond Fund, Inc. and First Metro Consumer Fund on MSCI Phils., IMI Inc. since 2019.</p> <p>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.</p>
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The two (2) independent directors, namely, Ms. Bernadette M. Nepomuceno and Ms. Rhodora Angela F. Ferrer, have always possessed the qualifications and none of the disqualifications of an independent director.

### Executive Officers

<b>Name</b>	<b>Experience</b>
<p>Dr. Edwin B. Valeroso Vice President</p>	<p>Dr. Edwin B. Valeroso, 56, Filipino. He is First Vice President of First Metro Asset Management, Inc. He was the President of First Metro Save &amp; Learn Balanced Fund (Jan 2007 to June 2011), First Metro Save &amp; Learn Fixed Income Fund and First Metro Save &amp; Learn Equity Fund (from May 2005 to June 2011), and President of First Metro Save and Learn Dollar Bond Fund, Inc. (2008 to 2011). He is a Director of First Metro Save and Learn F.O.C.C.U.S. Dynamic Fund, Inc. He is presently Vice President of First Metro Save and Learn Equity Fund, Inc., First Metro Save and Learn Balanced Fund, Inc., First Metro Save and Learn Fixed Income Fund, Inc., First Metro Save and Learn Dollar Bond Fund, Inc., First Metro Save and Learn Philippine Index Fund, Inc., First Metro Consumer Fund on MSCI Phils. IMI Inc., First Metro Save and Learn Money Market Fund, Inc. and First Metro Asia Focus Equity Fund, Inc. He is also the Chief Information Officer of First Metro Philippine Equity Exchange Traded Fund, Inc. He is Vice President and Trustee of Philippine Investment Funds Association, Inc. (2006-present) and an Associate Professorial Guest Lecturer at De La Salle University-Graduate School of Business (2000-present). He was a Mutual Fund Strategist/Consultant at First Metro Investment Corp. (2004-2005). Mr. Valeroso has a BS Actuarial Mathematics degree from University of Santo Tomas, a Master's degree in Applied Mathematics (major in Actuarial Science) from University of the Philippines, and a Doctor of Business Administration degree from De La Salle University-Manila. He is also an alumnus of the Trust Institute Foundation of the Philippines.</p>



<p>Ms. Marie Arabella D. Veron Treasurer</p>	<p>Ms. Marie Arabella D. Veron, 59, Filipino. Term of office is one year and has served as such since June 2018. She is currently the First Vice President and Head of Corporate Services and Finance Group of First Metro Asset Management, Inc., Treasurer of First Metro Save and Learn Dollar Bond Fund, Inc., First Metro Asia Focus Equity Fund, Inc., First Metro Save &amp; Learn Fixed-Income Fund, Inc., First Metro Save and Learn Equity Fund, Inc., First Metro Save and Learn Balanced Fund, Inc., First Metro Philippine Equity Exchange Traded Fund, Inc., First Metro Consumer Fund on MSCI Phils. IMI Inc., First Metro Save and Learn Philippine Index Fund, Inc., First Metro Save and Learn Money Market Fund, Inc., First Metro Save and Learn F.O.C.C.U.S. Dynamic Fund, Inc. and First Metro Securities Brokerage Corporation. She also served as the First Vice President and Controller of First Metro Investment Corporation, Treasurer/Director of SBC Properties, Inc. and Treasurer of PBC Capital Investment Corporation (2003-2016). She was a Manager of MBTC Domestic Subsidiaries, a Senior Auditor of Joaquin Cunanan &amp; 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, Cum Laude from University of the East. She is a Certified Public Accountant and a Certified Management Accountant.</p>
<p>Atty. Nimfa B. Pastrana Corporate Secretary</p>	<p>Atty. Nimfa B. Pastrana, 58, Filipino. Term of office is one year and has served as such since June 2018. She is First Vice President and Asst. Corporate Secretary of First Metro Investment Corporation. She is also the Corporate Secretary of First Metro Save &amp; Learn Equity Fund, Inc., First Metro Save and Learn Balanced Fund, Inc. and First Metro Save and Learn Fixed Income Fund, Inc., (from May 2005 to present), First Metro Save &amp; Learn Dollar Bond Fund, Inc. (from 2008 to present), First Metro Consumer Fund on MSCI Phils., IMI Inc. and First Metro Asia Focus Equity Fund, Inc. (from 2010 to present), First Metro Save and Learn Money Market Fund, Inc. (2018-Present), First Metro Save and Learn FOCCUS Dynamic Fund, Inc., First Metro Securities Brokerage Corporation), PBC Capital Investment Corporation, Prima Ventures Development Corporation and First Metro Asset Management Inc. She graduated from the University of the Philippines with a degree in A.B. Philosophy and from San Beda College of Law with a Bachelor of Laws degree.</p>
<p>Mr. Jonathan T. Tabac Compliance Officer</p>	<p>Mr. Jonathan T. Tabac, 65, Filipino. Term of office is one year and has served as such from June 2018. He is also the Compliance Officer of First Metro Securities Brokerage Corporation, First Metro Save &amp; Learn Fixed-Income Fund, Inc., First Metro Save and Learn Equity Fund, Inc., First Metro Save and Learn Balanced Fund, Inc., First Metro Save and Learn Dollar Bond Fund, Inc., First Metro Asia Focus Equity Fund, Inc., First Metro Philippine Equity Exchange Traded Fund, Inc., and First Metro Asset Management, Inc. (from May 2005 to present) and First Metro Save and Learn Philippine Index Fund, Inc., First Metro Save and Learn Money Market Fund, Inc. and First Metro Save and Learn FOCCUS Dynamic Fund, Inc.. He served as AVP &amp; 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,</p>

	Unc, (1997-2001). Mr. Tabac finished BSC-Accounting from University of Baguio. He is a Certified Public Accountant.
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**Significant Employees**

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

**Nominee Directors**

The following are expected to be nominated as members of the Board of Directors during annual Stockholders Meeting on September 16, 2020:

- Bro. Manuel V. de Leon, FMS
  - Dr. Victor A. Abola
  - Mr. Eduardo S. Mendiola
  - Ms. Bernadette M. Nepomuceno\*
  - Ms. Rhodora Angela F. Ferrer\*
- \*Independent Directors

**Independent Directors**

In accordance with Rule 38(8)(F)(v) of the Securities Regulations Code (SRC) Implementing Rules and Regulations, First Metro Save and Learn Balanced Fund, Inc. has formulated its rules relative to the election of independent directors, as follows:

The Nomination Committee shall have at least three (3) members, one of whom is an independent director, and it shall promulgate the guidelines and criteria to govern the conduct of the nomination. The nomination of independent director/s shall be conducted by the Committee prior to a stockholder’s meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.

The Nomination Committee of the Board of Directors is composed of Br. Manuel De Leon as Chairman, with Ms. Rhodora Angela Ferrer and Mr. Eduardo Mendiola as member.

After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required under SRC Rule 38. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director/s. No other nomination shall be entertained after the Final List of Candidates shall have been prepared and no further nomination shall be entertained or allowed on the floor during the stockholders’/membership meeting.

Ms. Bernadette M. Nepomuceno and Ms. Rhodora Angela F. Ferrer are nominees for independent directors of First Metro Save and Learn Balanced Fund, Inc. and they were recommended to the Nominations Committee for election of independent directors by *Atty. Melissa B. Reyes*, stockholder, in accordance with the foregoing rules. *Atty. Reyes* has no relations with any nominees.

**Bernadette M. Nepomuceno, 67, Filipino.** Ms. Nepomuceno is also an Independent Director of First Metro Save and Learn Dollar Bond Fund, Inc. (since August 2012) and First Metro Asia Focus Equity Fund, Inc. (since August 2019). 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 the 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 the University of the Philippines (1972). She also has a Masters in Psychology, major in Social Psychology, Ateneo de Manila University (1998) (cand.). She took up Hypnotherapy, Psychology of Carl Jung.

**Ms. Rhodora Angela F. Ferrer, 52, Filipino.** Ms. Ferrer served as Executive Director for Catholic Educational Association of the Philippines (from 2010 to 2014); Asst. Professor, Education Department and Natural Science Department, St. Scholastica's College (since 2007); Trainer for Teacher-Training Programs, Foundation for Upgrading the Standards of Education (FUSE), since 2004. She also served as Chairperson of the Training Committee, Foundation for Upgrading the Standards of Education, Inc. (FUSE) (2009 to 2010); Associate Professor, College of Education at the University of the East (2009 to 2012); Chairperson, Natural Science Department, St. Scholastica's College, Dean of Student Affairs, St. Scholastica's College (2004 to 2007). Ms. Ferrer is also an Independent Director since 2014 of First Metro Save and Learn Dollar Bond Fund, Inc. and First Metro Consumer Fund on MSCI Phils., IMI Inc. since 2019.

The current members of the Nomination Committee are, Bro. Manuel V. De Leon, FMS, Ms. Rhodora Angela F. Ferrer and Mr. Eduardo S. Mendiola. Bro. De Leon is the Chairman of the Committee.

### **Legal Proceedings**

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

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

### **Family Relationships**

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

### Relationships and Related Transactions

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

### Item 6. Compensation of Executive Officers and Directors

	Per Diem			
	2020 (estimated)	2019	2018	2017
Directors	₱250,000	₱205,000	₱205,000	₱215,000
Executive Officers	77,500	76,000	77,000	74,500
Aggregate Annual Per Diem	₱327,500	₱272,000	₱282,000	₱289,500

Per diem of Directors, Corporate Secretary and Officers of the Fund amounting to ₱10,000.00, ₱3,000.00, ₱2,500.00, respectively, are given during their Annual Stockholders' and regular board meetings.

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

### Item 7. Independent Public Accountants:

SGV & Co. is the external auditor of First Metro Save and Learn Balanced Fund Inc. since 2007. Representatives of SGV & Co. are expected to be present at the stockholders meeting on September 16, 2020. They will have the opportunity to make a statement if they desire to do so and they are expected to be available to respond to appropriate questions.

For the year 2020, First Metro Save and Learn Balanced Fund Inc. will still be engaging the services of SGV.

In compliance with SRC Rule 68, par. 3 (b)(iv), the signing partner of the auditing firm is rotated every after five (5) years of engagement. Janet A. Paraiso, signed the independent auditors' for the years 2019 and 2018 while Ray Francis C. Balagtas signed from 2015 - 2017. The reports of auditors on the financial statements of the company for the years ended December 31, 2019, 2018 and 2017 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 are ₱257,733.39 and ₱241,546.54 for the years 2019 and 2018. 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 5 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 5 years for products and services provided by SGV & Co. other than the services mentioned above.

## **C. ISSUANCE AND EXCHANGE OF SECURITIES**

**Item 11. Authorization or Issuance of Securities Otherwise than for Exchange – N/A**

## **D. OTHER MATTERS**

**Item 17. Amendment of Charters, By-Laws or Other Documents – N/A**

### **Item 18. Other Proposed Item**

1. Approval of the minutes of the meeting of the stockholders held on June 19, 2019, with the following points:
  - a) Approval of the Minutes of the Annual Stockholders' Meeting held on June 19, 2018
  - b) Annual Report to the Stockholders
  - c) Ratification of all Acts and Resolutions of the Board of Directors, Management and All Committees for the fiscal year 2017, including the following:
    - i. Amendment of the Registration Statement and Prospectus in order to reflect the lower initial and additional investments
    - ii. Renewal of the Management and Distribution Agreement
  - d) Amendment of the Articles of Incorporation to include provision on the issuance of units of participation
  - e) Election of the Members of the Board of Directors for the year 2019-2020
  - f) Appointment of External Auditor for the year 2019.
2. Ratification of Corporate Acts
  - a) Ratification of the minutes of the board meeting and all acts and resolutions of the Board, including among others the following:
    - i. Amendment to the Management Distribution Agreement with FAMI
3. Election of the Members of the Board of Directors for the year 2020-2021 – Please refer to the list of nominees under Item 5 – “Directors and Executive Officers – Nominee Directors” for the details.
4. Appointment of Sycip Gorres Velayo & Co. (SGV) as External Auditors for the year 2019 – Please refer to the write-up under Item 7 “Independent Public Accountants” for the details.

### **Item 19. Voting Procedure**

The matters included in the agenda require the approval of the stockholders, as follows:

1. For the approval of the minutes of the 2018 meetings and the ratification/approval of the acts and resolutions of the Board, and the appointment of the external auditor, a majority vote of the stockholders present in the meeting is sufficient.

2. For the election of Directors - The votes of all the shares present or represented by proxy at the meeting will be on a per share basis.

Article III of Section 7 of the By-Laws states that “unless otherwise provided by law, each stockholder shall at every meeting of the stockholders be entitled to one vote, in person or by proxy, for each share with voting right held by such stockholder. At all meetings of the stockholders, all elections and all questions, except in cases where other provision is made by statute or by these By-Laws, shall be decided by the plurality vote of stockholders present in person or by proxy and entitlement to vote thereat, a quorum being present. Unless required by law, or demanded by a stockholder present in person or by proxy at any meeting and entitlement to vote thereat, the vote on any question need not be by ballot. On a vote ballot, each ballot shall be signed by the stockholder voting, or in his name by his proxy if there be such proxy, and shall state the number of shares voted by him.

3. Methods by which votes will be counted

Voting shall be made *viva voce*, through the raising of the hands, and counted manually by the Corporate Secretary, unless there is a motion duly made and seconded for voting to be made via balloting.

The Board of Directors in its special meeting held on May 22, 2020, approved the adoption of guidelines to allow participation through remote/electronic means of communication in board/shareholders’ meeting. The guidelines detail mainly: a) the mechanism to verify the identity of the shareholders; (b) the measures to ensure that all shareholders have the opportunity to participate in the meeting; and (c) the mechanism to enable shareholders to vote during the meeting.

The authority to allow shareholders to participate through remote communication will only be limited to the 2020 ASM, and not to any regular or special shareholder’s meeting that may be called after.

**FIRST METRO SAVE AND LEARN BALANCED FUND, INC. YEAR 2019 ANNUAL REPORT ON SEC FORM 17-A WILL BE PROVIDED WITHOUT CHARGE TO EACH STOCKHOLDER UPON WRITTEN REQUEST ADDRESSED TO:**

**Atty. Nimfa Balmes-Pastrana**  
Corporate Secretary  
First Metro Save & Learn Fixed-Income Fund, Inc.  
45<sup>th</sup> Floor GT Tower International  
Ayala Avenue corner H.V. de la Costa St.  
Makati City

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on September 1, 2020.

**FIRST METRO SAVE AND LEARN BALANCED FUND, INC.**

By:

  
**NIMFA BALMES- PASTRANA**  
Corporate Secretary

## **PART II -COMPANY PROFILE**

### **Brief Description of the General Nature and Scope of Business of the Company**

First Metro Save and Learn Balanced Fund, Inc. (the Fund) is an open-end investment company, which was incorporated on January 29, 2007 and subsequently registered under the Philippine Investment Company Act (Republic Act No. 2629) on May 10, 2007. As an open-end mutual fund, the company is engaged in selling its capital to the public and investing the proceeds in selected high-grade stocks and fixed-income securities.

Initially, the Fund had paid-up capital of ₱25.00 million out of ₱100.00 million authorized capital stock composed of 100.00 million common shares with a par value of ₱1.00 per share. Due to the increase in subscriptions being received by the Fund, as of December 31, 2016, the authorized capital of the Fund was increased to ₱1.00 billion composed of 1.00 billion common shares with a par value of ₱1.00 per share. The price at which the shares are being offered is based on the net asset value per share computed on a daily basis plus a front-end sales load fee.

The Fund earned some awards and recognitions based on its performance from Philippine Investment Fund Association (PIFA) since 2010 as shown below:

- In 2010, the Fund's performance ranked first for both 1-year return and 3-year return categories.
- In 2011, the Fund obtained the first place in the 1-year return and second for the 3-year return categories.
- In 2012, the Fund ranked second for 1-year return, first for 3-year return and 5 year return categories.
- In 2013, First Metro Save and Learn Balanced Fund ranked third place in the 1-year return category versus peers, and taking the second and first place in the 3-year and 5-year categories, respectively.
- In 2014, the Fund got first place in the 5-year category.
- In 2016, First Metro Save and Learn Balanced Fund ranked second place in the 10-year return category.
- In 2017, First Metro Save and Learn Balanced Fund ranked first place in the 1-year return category and in the 10-year return category.

In 2018, First Metro Save and Learn Balanced Fund ranked third place in the 1-year return category and first place in the 10-year return category.

### **Plan of Distribution/Distribution method**

The Fund has 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. FAMI may set up a marketing network and accredit sub-distributors or agents to sell the shares. Accredited sub-distributors or agents are directly liable to FAMI. Heavy use of print advertisements will be part of the sales and marketing strategy.

The product being sold by the registrant, through FAMI, is its shares of stock, being a mutual fund company. This product was offered to the public starting May 2007.

FAMI'S marketing strategy will be based on the strategic partnership of CEAP, Marist and First Metro Investment Corporation. FAMI will capitalize on the endorsement of the CEAP in order to educate the teachers on the concept of savings and mutual fund investing. The CEAP membership composed of over 20,000 teachers will be a primary source of retail investors. This competitive advantage will be further strengthened by First Metro's good track record, market experience and



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

FAMI will likewise capitalize on its relationships with the companies under the Metrobank Group. The Group, with its total employee force of over 14,000 will be an excellent source of retail investors and referrals to high net-worth individuals. The corporations under the group are potential sources of institutional funds that will enable the FAMI mutual funds to attain critical mass at a faster pace.

## **Competition**

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

The registrant's main competitors are the other mutual funds in the Balance Fund category of Philippine mutual funds. It considers the funds of Sunlife and Philam, as its main competitors. As of December 31, 2019, these two competitor Funds represent around 87.84% of the total funds in this category. The Fund will be competing initially in terms of return on investment (ROI) and later on in terms of Fund size. Philam and Sunlife have big sales force and they have life insurance companies as affiliates which they also tap to market their mutual funds. They 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 Balanced 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 the terms of investment performance. It will adopt active investment strategies and tactics. It will fully utilize its present network, database, and available technology to its advantage.

The institutional funds of the target market (especially the bigger ones) evidently have access to almost all types of instruments locally available such as common trust funds (now unit investment trusts), pre-need plans, universal life products and other bank products. The retail funds and smaller institutional funds, however, are limited to simple bank products. Appropriately formulated marketing strategies, sales tactics and promotional activities will be employed to present the Fund and ultimately close the sale and maintain the account.

## **Effect of existing governmental regulation**

The Fund is governed by the provisions in its prospectus that incorporated relevant investment rules and regulations by regulators such as the Investment Company Act and the SEC, among others.

The Fund primarily invests in equity securities, however, as a tactical move, a portion of the Fund may also be invested in government securities and in SEC-registered commercial papers but taking precautions of the market conditions, the level of interest rates, and of liquidity needs.

Moreover, the Fund's investment activities are also guided by the following limits/conditions as set out in the revised Implementing Rules and Regulations (IRR) of ICA:

- a. Maximum investment in any single enterprise is allowed but only up to fifteen percent (15.00%) of the Fund's NAV, except for investments in securities issued by the Philippine

government or its instrumentalities and, in no case, shall the total investment of the Fund exceed ten percent (10.00%) of the outstanding securities of any one investee company.

b. The Fund must not invest, in aggregate, more than twenty percent (20%) of its net assets in transferrable securities, money market securities, deposits and financial derivatives issued by a single entity or issuer. Deposit should not exceed twenty percent (20%) of its net assets in a single bank/non-bank with quasi bank license.

c. The investments of the Fund in deposits, debt securities or money market placements, over-the-counter financial derivatives placed in non-investment grade or unrated deposit taking institution, including unlisted shares issued by a related party, should not exceed five percent (5%) of its net assets and shall not exceed ten percent (10%) in aggregate amount.

d. Investments in foreign government securities or money markets where the issuer or the guarantor is a government, sovereign or central bank with an international long-term issuer rating of investment grade may be increased to thirty five percent (35%) of the NAV, but only five percent (5%) is allowed for non-investment grade.

e. The Fund manager is required to use a risk-management process that captures the risk associated with in the financial derivative instruments:

- Total exposure should not exceed ten percent (10%) of the net assets or five percent (5%) if the derivatives are not investment grade, unless used for efficient portfolio management which the aggregate shall not be more than twenty percent (20%);

- Five percent (5%) of the NAV shall be invested to liquid assets to meet all payment and delivery obligations;

- The Fund Manager shall not act as a counterpart to an OTC derivative investment into by the Investment Company.

f. Investment in its own securities are prohibited.

g. Investments in margin purchases of securities, commodity futures contracts, precious metals, unlimited liability instruments, short selling of currencies and securities are not allowed.

h. Purchasing or selling of securities other than capital stocks of the Fund from or to any of its officers or directors or the officers and directors of its investment adviser/s, manager or distributor/s or firm/s of which any of them are members is prohibited.

i. The Fund shall not participate in underwriting or selling activities in connection with public distribution of securities except for its own capital stock.

j. Lending operations to corporations or other entities, public or private, shall not be engaged without prior review and approval of its BOD. Approvals, however, are only to those determined to be financially sound.

k. Investment in any company for the purpose of exercising control or management or to invest in the securities of other investment companies and real estate companies is prohibited.

The Fund believes that government regulations are intended to grow the mutual fund industry while protecting the interests of the investing public, thus, it will comply with the regulations imposed or to be imposed by government regulators. Also, the passage of the Personal Equity Retirement Account (PERA) and the Collective Investment Scheme bills into law will benefit the mutual fund industry.

## **EXECUTIVE OFFICERS**

The list of officers is found in Item 5 of Part I above.

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

## **Number of Employees**

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

## **Compliance with the Manual on Corporate Governance**

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

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 25, 2019. No director or officer of the Company was found in violation of the Manual.

### **The Fund has identified the following major risks involved in its businesses and other operations:**

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

Stock market risk. Investing in shares of stock is generally riskier because of the volatility of the stock market. Changes in prices of equity securities that compose the Fund's portfolio may substantially vary in a short span of time. The performance of the companies whose shares are included in the portfolio of the Fund is very much dependent on the people behind those companies. Added to that, stock prices are sensitive to political and economic conditions that normally change from time to time. To manage the risk, the stocks included in the portfolio will be cautiously selected by the investment manager based on their soundness and long-term profitability. Diversification of the stockholdings (not only in terms of the number of stocks but also in the different sectors and industries) of the portfolio will be done to reduce its impact.

Interest rate risk. If interest rates rise, the prices at which the assets of the Fund can be sold may fall. The longer the maturity of the assets, the more sensitive the prices of the assets will be to changes in interest rates. In other words, a long-term investment (e.g. 5-year Retail Treasury Bond) will have higher interest rate sensitivity than a short-term investment (e.g. 365-day Treasury Bill). To mitigate the risks, the Fund manager will diversify in terms of the type of securities (such as treasury bonds, notes, bills) and the time horizons of the said securities (such as one-year, 3-year, 5-year, 10-year, and above 10 years).

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

The Fund is exposed to daily cash redemptions of redeemable shares. It therefore invests the majority of its assets in investments that are traded in an active market and can be readily disposed of. The Fund has the ability to borrow in the short term to ensure settlement. No borrowings have arisen during the year.

**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, SEC-registered and 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.

**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 under-perform 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.

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

**Risk 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.

## PART III - SECURITIES OF THE REGISTRANT

### Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters

#### A. Market Price

Below is the list of the highest and lowest Net Asset Value per Share (NAVPS) of the Fund for the second quarter of 2020, and for the year 2019, 2018 and 2017:

Year		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2020	High	2.6355	2.4997	–	–
	Low	2.1061	2.2304	–	–
2019	High	2.6912	2.6872	2.7517	2.7070
	Low	2.5438	2.5573	2.6267	2.5786
2018	High	2.8483	2.6708	2.6506	2.5715
	Low	2.6321	2.4616	2.4629	2.3862
2017	High	2.5288	2.6381	2.7158	2.7700
	Low	2.4191	2.4814	2.6239	2.4814

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

#### B. Shareholders

As of June 30, 2020, there are 7,550 shareholders of the Fund

*\*On December 17, 2019, SEC approved the confidential treatment of the Top 20 shareholders of the Fund.*

#### C. Dividends

The Board of Directors of the Fund may decide to declare dividends from the unrestricted retained earnings of the Fund at a time and percentage as the same Board may deem proper and in accordance with law. If the market value of the Fund's assets is reduced significantly enough to erode retained earnings then the board will be restricted to declare dividends.

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.

### Legal Proceedings

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

- 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;

- 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;
- 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;
- 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
- 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.

## PART IV - MANAGEMENT DISCUSSION AND ANALYSIS

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Fund's Statement of Financial Position and Statement of Comprehensive Income as of and for the years ended December 31, 2019, 2018 and 2017 and the Interim Financial Position and Statements of Comprehensive Income as of and for the years ended June 30, 2020 are presented below.

#### INTERIM STATEMENTS OF FINANCIAL POSITION

	As of	
	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
<b>ASSETS</b>		
Cash and cash equivalents	₱42,186,623	₱103,968,876
Short-term investment	–	16,174,600
Financial assets at fair value through profit or loss	1,203,612,025	1,377,996,215
Financial assets at amortized costs	144,614,417	74,969,711
Receivables	46,752,201	9,727,451
Other assets	3,171,666	3,171,666
<b>TOTAL ASSETS</b>	<b>₱1,440,336,932</b>	<b>₱1,586,008,519</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	₱3,461,365	₱5,948,069
<b>EQUITY</b>		
Capital stock	589,169,569	600,450,496
Additional paid-in capital	877,748,488	896,559,913
Retained earnings (Deficit)	(30,042,490)	83,050,041
	<b>1,436,875,567</b>	<b>1,580,060,450</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱1,440,336,932</b>	<b>₱1,586,008,519</b>

#### INTERIM STATEMENTS OF COMPREHENSIVE INCOME

	For the Period Ended June 30	
	2020	2019
<b>INVESTMENT INCOME</b>		
Trading and securities gain (loss)	(115,109,906)	96,888,093
Interest income	16,422,260	14,096,686
Dividend income	7,538,867	13,770,485
	<b>(91,148,779)</b>	<b>124,755,264</b>
<b>OPERATING EXPENSES</b>		
Management and retainer's fees	15,311,020	18,552,115
Brokers' commission	1,774,052	7,169,638
Custodian and clearing fees	174,744	275,388
Directors' and officers' fees	153,904	153,478

Professional fees	136,211	135,834
Taxes and licenses	123,428	111,744
Transaction charges	63,459	269,910
Miscellaneous	47,869	68,331
	17,784,687	26,736,438
<b>NET INVESTMENT INCOME (LOSS) BEFORE INCOME TAX</b>	<b>(108,933,466)</b>	<b>98,018,826</b>
<b>PROVISIONS</b>	<b>5,494,963</b>	<b>10,747,379</b>
<b>NET INVESTMENT INCOME (LOSS)</b>	<b>(114,428,429)</b>	<b>87,271,447</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Items that recycle to profit or loss in subsequent periods</i>		
Changes in the fair value of available-for-sale investments	-	
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>(114,428,429)</b>	<b>87,271,447</b>
<b>BASIC/DILUTED EARNINGS (LOSS) PER SHARE</b>	<b>(0.1928)</b>	<b>0.1319</b>

### INTERIM FINANCIAL POSITION (June 30, 2020 vs. December 31, 2019)

As of June 30, 2020, the Fund's total assets ended at ₱1.44 billion, lower by 9.18% or ₱145.67 million from ₱1.59 billion as of December 31, 2019. Total liabilities decrease by 41.81% or ₱2.49 million from ₱5.95 million to ₱3.17 million during the three-month period. The changes in total assets and liabilities are primarily due to the movements in the following accounts:

#### 1. Cash and cash equivalents

This account consists of the Fund's savings and checking accounts and time deposits in local banks. Cash in banks earn interest at the respective bank deposit rates. Time deposits bear annual interest rates ranging from 0.25% to 3.75% in 2020 and 2019, respectively. The decrease of 59.42% or ₱61.78 million from ₱103.97 million to ₱42.19 million was due to higher savings account balance this year.

#### 2. Financial assets

*Financial assets at FVTPL* consists of investments in government securities and private debt and equity securities. The decrease of 12.65% or ₱174.38 million from ₱1.38 billion to ₱1.20 billion was due to result of changes in the fair value of investments during the quarter. As of June 30, 2020 and December 31, 2019, this account include fair value loss of ₱115.11 million and ₱47.44 million gain, respectively.

*Financial assets at Amortized Costs* consists of investments in quoted private debt securities. The increase of ₱69.64 million or 92.90% from ₱74.97 million to ₱144.61 million was mainly due to additional purchases during the period.

#### 3. Receivables

This account consists of receivables from brokers, accrued interest receivable and dividend receivable. The increase of ₱37.02 million from ₱9.73 million to ₱46.75 million was due to higher uncollected proceeds from the sale of equity securities and dividend receivable as of reporting date.

#### 4. Other assets

This account remained at ₱3.17 million which pertains to creditable withholding taxes of the Fund.

#### 5. Accounts payable and accrued expenses



This account consists of due to brokers, accounts payable, payable to FAMI, accrued expenses, withholding tax payable and documentary stamp tax payable. The decrease of 41.81% or ₱2.49 million from ₱5.95 million to ₱3.46 million was due to settlement of accounts payable during the period.

## **6. Equity**

The Fund's equity is comprised of its capital stock, additional paid-in capital and retained earnings. The decrease of ₱143.18 million or 9.06% from ₱1.58 billion to ₱1.44 billion was mainly due to the net effect of redemptions and net loss recognized during the period.

*Capital Stock* ended at ₱589.17 million, a decrease of ₱11.28 million from ₱600.45 million, mainly due to redemptions during the period. The Fund's authorized capital stock remained at ₱1.00 billion with par value of ₱1.00 per share. As of June 30, 2020 and December 31, 2019, the total issued and outstanding shares were 589,169,569 and 600,450,496, respectively, while the total number of holders of redeemable common shares is 4,949 and 4,982, respectively.

*Additional paid in capital* went down by ₱18.81 million from ₱896.56 million to ₱877.75 million due to redemptions made during the year.

*Retained earnings* decreased by ₱113.09 million from ₱83.05 million to ₱30.04 million deficit mainly due to results of operations recognized during the year.

## **INTERIM RESULTS OF OPERATIONS (June 30, 2020 vs. 2019)**

For the quarter ended June 30, 2020, the Fund realized a net loss of ₱114.43 million, lower by ₱201.70 million from last year's net income of ₱87.27 million. Detailed discussions on the changes in the statement of income accounts are as follows:

### **1. Trading and securities gain (loss)**

This account includes realized and unrealized gains earned from trading investments in debt and equity securities. The decrease of ₱211.10 million from ₱96.89 million gain to ₱115.11 million loss was mainly due to lower realized gain from the sale and result of changes in fair value of debt and equity securities held for trading during the quarter.

### **2. Interest income**

This account includes interest income earned from cash and cash equivalents, investments in government and private debt securities. Interest income rose by 16.50% or ₱2.33 million from ₱14.10 million to ₱16.42 million this period due to additional investments in debt securities during the period.

### **3. Dividend income**

This is recognized when the Fund's right to receive cash dividend is established. Dividend income dropped by 45.25% or ₱6.23 million from ₱7.54 million to ₱13.77 million mainly due to the lower cash dividends earned from equity securities during this period.

### **4. Management and retainer's fee**

This account dropped by 17.47% or ₱3.24 million from ₱15.31 million to ₱18.55 million mainly due to the decline in management fees relative to the decrease in the Fund's net assets.

### **5. Brokers' commission**

This account pertains to fees paid to brokers to execute a trade based on the volume of equity and debt securities being traded. The decrease of ₱5.40 million or 75.26% from ₱7.17 million to ₱1.77 million was mainly due to lower brokers' commission incurred during the period.

## 6. Custodian and clearing fees

This account decreased by ₱0.10 million or 36.55% from ₱275.39 million to ₱0.17 million mainly due to lower fees paid to the custodian of the Fund during the period.

## 7. Directors' and officers' fees

This account pertains to per diem of the Fund's officers and directors during board meetings and annual stockholders' meeting amounting to ₱0.15 million for the quarter ended June 30, 2020.

## 8. Professional fees

This account represents audit fees and other professional fees incurred by the Fund amounting to ₱0.14 million for the quarter ended June 30, 2020.

## 9. Taxes and licenses

This account pertains to taxes other than income tax, such as DST and local taxes amounting to ₱0.12 million for the quarter ended June 30, 2020.

## 10. Transaction charges

This account pertains to the payment of over-the-counter and stock trading charges. The decrease of 76.49% or ₱0.21 million from ₱0.26 million to ₱0.06 million was due to lower volume of trades during the quarter.

## 11. Miscellaneous expenses

This account decreased by ₱0.02 million or 29.95% from last year's ₱0.07 million to ₱0.05 million mainly due to lower membership fee and dues and bank charges paid by the Fund during the period.

## Statements of Financial Position

	As of December 31			Increase (Decrease)			
				2019 vs. 2018		2018 vs. 2017	
	2019	2018	2017	Amount	%	Amount	%
<b>ASSETS</b>							
Cash and cash equivalents	₱103,968,876	₱180,307,075	₱295,313,056	(₱76,338,199)	(42.34%)	(₱115,005,981)	(38.94%)
Short-term investment	16,174,600	-	-	16,174,600	100.00%	-	-
Financial assets at:							
FVTPL	1,377,996,215	1,522,355,150	1,515,518,734	(144,358,935)	(9.48%)	6,836,416	0.45%
FVOCI	-	-	36,050,000	-	-	(36,050,000)	(100.00%)
Amortized Cost	74,969,711	34,969,711	125,931,747	40,000,000	114.38%	(90,962,036)	(72.23%)
Loans and receivables	9,727,451	2,528,504	32,856,304	7,198,947	284.71%	(30,327,800)	(92.30%)
Other assets	3,171,666	3,129,152	3,129,152	42,514	1.36%	-	-
	₱1,586,008,519	₱1,743,289,592	₱2,008,798,993	(₱157,281,073)	(9.02%)	(₱265,509,401)	(13.22%)
<b>LIABILITIES</b>							
Accounts payable and accrued expenses	₱5,948,069	₱4,439,006	₱10,244,112	₱1,509,063	34.00%	(₱5,805,106)	(56.67%)
<b>EQUITY</b>							
Capital stock	600,450,496	683,739,611	721,681,347	(83,289,115)	(12.18%)	(37,941,736)	(5.62%)
Additional paid-in capital	896,559,913	1,028,611,022	1,097,161,309	(132,051,109)	(12.84%)	(68,550,287)	(6.25%)
Retained earnings	83,050,041	26,499,953	178,662,225	56,550,088	213.40%	(152,162,272)	(85.17%)
Net unrealized gain on FVOCI	-	-	1,050,000	-	-	(1,050,000)	(100.00%)
	1,580,060,450	1,738,850,586	1,998,554,881	(158,790,136)	(9.13%)	(259,704,295)	(13.57%)
	₱1,586,008,519	₱1,743,289,592	₱2,008,798,993	(₱157,281,073)	(9.02%)	(₱265,509,401)	(13.22%)

## Statements of Comprehensive Income

	As of December 31			Increase (Decrease)			
				2019 vs. 2018		2018 vs. 2017	
	2019	2018	2017	Amount	%	Amount	%
<b>INVESTMENT INCOME</b>							
Trading and securities gain (loss)	₱79,653,452	(₱127,870,737)	₱300,125,373	₱207,524,189	162.29%	(₱427,996,110)	(142.61%)
Interest income	28,260,621	25,043,301	27,809,562	3,217,320	12.85%	(2,071,197)	(11.41%)
Dividend income	18,033,127	16,073,540	18,144,737	1,959,587	12.19%	(2,766,261)	(9.95%)
Miscellaneous income	85,451	466,593	4,338,518	(381,142)	(81.69%)	(3,871,925)	(89.25%)
	126,032,651	(86,287,303)	350,418,190	212,319,954	246.06%	(436,705,493)	(124.62%)

<b>OPERATING EXPENSES</b>							
Management and retainer's fees	36,085,710	39,201,151	42,839,636	(3,115,441)	(7.95%)	(3,638,485)	(8.49%)
Brokers' commission	8,810,935	12,710,454	14,211,056	(3,899,520)	(30.68%)	(1,500,602)	(10.56%)
Custodian and clearing fees	493,022	545,366	597,144	(52,344)	(9.60%)	(51,778)	(8.67%)
Transaction charges	328,828	484,589	769,838	(155,761)	(32.14%)	(285,249)	(37.05%)
Taxes and licenses	288,355	944,753	823,441	(656,398)	(69.48%)	121,312	14.73%
Directors' and officers' fees	272,000	282,000	289,500	(10,000)	(3.55%)	(7,500)	(2.59%)
Professional fees	257,733	241,546	422,992	16,186	6.70%	(181,446)	(42.90%)
Reversal of provision for credit losses	-	(24,474)	-	24,474	100.00%	(24,474)	(100.00%)
Miscellaneous	219,480	305,929	274,776	(86,447)	(28.26%)	31,153	11.34%
	46,756,063	54,691,314	60,228,383	(7,935,251)	(14.51%)	(5,537,069)	(9.19%)
<b>NET INVESTMENT INCOME (LOSS) BEFORE TAXES</b>							
	79,276,588	(140,978,617)	290,189,807	220,255,205	156.23%	(431,168,424)	(148.58%)
<b>PROVISION FOR FINAL TAXES</b>							
	15,846,380	18,702,207	18,877,715	(2,855,827)	(15.27%)	(175,508)	(0.93%)
<b>NET INVESTMENT INCOME (LOSS)</b>							
	63,430,208	(159,680,824)	271,312,092	223,111,032	139.72%	(430,992,916)	(158.86%)
<b>OTHER COMPREHENSIVE INCOME</b>							
<i>Items that recycle to profit or loss in subsequent periods</i>							
Changes in the fair value of FVOCI investments	-	(1,050,000)	4,366,459	1,050,000	100.00%	(5,416,459)	(124.05%)
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>							
	₱63,430,208	(₱160,730,824)	₱275,678,551	₱224,161,032	139.46%	(₱436,409,375)	(158.30%)

## **2019 Performance**

### **Financial Position**

The Fund closed the year 2019 with audited total assets at ₱1.59 billion, lower by ₱157.28 million or 9.02% from ₱1.74 billion as of December 31, 2018. Total liabilities ended at ₱5.95 million from ₱4.44 million, higher by ₱1.51 million or 34.00% during the year.

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

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

This account represents the Fund's savings and checking accounts and time deposits in local banks. Cash in banks earn interest at the respective bank deposit rates. Time deposits bear annual interest rates ranging from 0.25% to 7.10% and 0.25% to 4.63% in 2019 and 2018, respectively. This account decreased by ₱76.34 million or 42.34% from ₱180.31 million to ₱103.97 million mainly due to the redemptions made during the year.

#### **2. Short term investment**

This pertains to short-term time deposit amounting to ₱16.17 million with 3.75% interest rate.

#### **3. Financial assets**

*Financial assets at FVTPL* consists of investments in government securities and private debt and equity securities. The decrease of 9.48% or ₱144.36 million from ₱1.52 billion to ₱1.38 billion was mainly due to net sales during the year. Private bond bears nominal annual interest rates ranging from 4.63% to 5.55% and 5.38% in 2019 and 2018, respectively, while government securities bears annual interest rate ranging from 4.00% to 6.42% and 4.10% to 7.02% in 2019 and 2018, respectively. This account includes fair value gain of ₱25.08 million in 2019 and fair value loss of ₱82.09 million in 2018.

*Financial assets at Amortized Cost* consists of investments in quoted private debt securities. The increase of ₱40.0 million or 114.38% from ₱34.97 million to ₱74.97 million was due to purchases during the year. This securities earn annual effective interest rates ranging from 4.00% to 5.88% and 4.00% in 2019 and 2018, respectively.

#### **4. Loans and receivables**

This account consists of receivables from brokers, accrued interest receivable and dividend receivable. The increase of ₱7.20 million or 284.71% from ₱2.53 million to ₱9.73 million was mainly due to higher outstanding balances of amount collectible for the sale of equity securities, accrued interest receivable and dividend receivable as of reporting date.

#### **5. Other asset**

This pertains to creditable withholding taxes of the Fund which increased by ₱0.04 million or 1.36% from ₱3.13 million to ₱3.17 million this year.

#### **6. Accounts payable and accrued expenses**

This account consists of due to brokers, accounts payable, payable to FAMI, accrued expenses, withholding tax and documentary stamp tax (DST) payable. Payable to FAMI includes management fees, redemption fees and sales load fees while accrued expenses consists of unpaid professional fees, custodianship fees and retainer's fees. Accounts payable represents amounts payable to shareholders for the unpaid redemption proceeds and subscriptions without confirmation from clients. The increase of ₱1.51 million or 34.00% from ₱4.44 million to ₱5.95 million was mainly due to unsettled purchase of equity securities and higher accounts payable this year.

#### **7. Equity**

The Fund's equity is comprised of its capital stock, additional paid-in capital and retained earnings. The decrease of ₱158.79 million or 9.13% from ₱1.74 billion to ₱1.58 billion was mainly due to the net effect of redemptions and net income recognized during the year.

*Capital Stock* ended at ₱600.45 million, a decrease of ₱83.29 million or 12.18% from ₱683.74 million last year, mainly due to redemptions during the year. The Fund's authorized capital stock remained at ₱1.00 billion with par value of ₱1.00 per share. As of December 31, 2019 and 2018, the total issued and outstanding shares were 600,450,496 and 683,739,611, respectively, while the total number of holders of redeemable common shares is 4,982 and 5,413, respectively.

*Additional paid in capital* went down by ₱132.05 million or 12.84% from ₱1.03 billion to ₱896.56 million due to redemptions made during the year.

*Retained earnings* increased by ₱56.55 million or 213.40% from ₱26.50 million to ₱83.05 million mainly due to results of operations recognized during the year.

### **Results of Operations**

For the year ended December 31, 2019, the Fund realized a net income of ₱63.43 million, an increase of ₱223.11 million or 139.72% from last year's net loss of ₱159.68 million.

The highlights of the results of operations for the year are as follows:

#### **1. Trading and securities gain (loss)**

This account includes realized and unrealized gains earned from trading investments in debt and equity securities. The increase of ₱207.52 million or 162.29% from last year's loss of ₱127.87 million to ₱79.65 million was mainly due to higher realized gain from the sale and unrealized gain from changes in fair value of debt and equity securities held for trading during the year.

#### **2. Interest income**

This account includes interest income earned from cash and cash equivalents, investments in government and private debt securities. The increase of ₱3.22 million or 12.85% from last year's

income of ₱25.04 million to ₱28.26 million was mainly due to higher interest income earned from debt securities during the year.

**3. Dividend income**

This is recognized when the Fund's right to receive cash dividend is established. This account increased by ₱1.96 million or 12.19% from last year's ₱16.07 million to ₱18.03 million due to the higher cash dividends received from equity securities during the year.

**4. Miscellaneous income**

This account declined by ₱0.38 million or 81.69% from last year's ₱0.47 million to ₱0.09 million due to the decrease in the reversal of stale checks and unrecorded deposit.

**5. Management and retainer's fees**

This account dropped by ₱3.11 million or 7.95% from last year's ₱39.20 million to ₱36.09 million mainly due to the decline in management fees relative to the decrease in the Fund's net assets.

**6. Brokers' commission**

This account pertains to fees paid to brokers to execute a trade based on the volume of equity and debt securities being traded. The decrease of ₱3.90 million or 30.68% from last year's ₱12.71 million to ₱8.81 million was mainly due to lower brokers' commission incurred during the year.

**7. Custodian and clearing fees**

This account decreased by ₱0.05 million or 9.60% from last year's ₱0.55 million to ₱0.49 million mainly due to lower fees paid to the custodian of the Fund during the year.

**8. Transaction Charges**

Transaction charges slid by ₱0.16 million or 32.14% from last year's ₱0.48 million to ₱0.33 million mainly due to lower transaction cost incurred in the purchase and sale of equity and fixed income securities during the year.

**9. Taxes and licenses**

This account pertains to taxes other than income tax, such as DST and local taxes. The decrease of ₱0.66 million or 69.48% from last year's ₱0.94 million to ₱0.29 million was mainly due to lower DST and local taxes paid during the year.

**10. Directors' and officers' fees**

This account pertains to per diem of the Fund's officers and directors during board meetings and annual stockholders' meeting during the year. This account decreased by ₱0.01 million or 3.55% from last year's ₱0.28 million to ₱0.27 million this year.

**11. Professional fees**

This account represents audit fees and other professional fees incurred during the year and it increased by ₱0.02 million or 6.70% from last year's ₱0.24 million to ₱0.26 million this year.

**12. Miscellaneous Expense**

This account decreased by ₱0.09 million or 28.26% from last year's ₱0.31 million to ₱0.22 million mainly due to lower membership fee and dues, postage and mailing fees, notarial fees, bank charges and other miscellaneous expenses paid by the Fund during the year.

**2018 Performance**

***Financial Position***

The Fund closed the year 2018 with audited total assets at ₱1.74 billion, lower by ₱265.51 million or 13.22% from ₱2.01 billion as of December 31, 2017. Total liabilities pegged at ₱4.44 million from ₱10.24 million, lower by ₱5.81 million or 56.67% during the year.

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

**a) Cash and cash equivalents**

Cash and cash equivalents represent the Fund's savings and checking accounts and time deposits in local banks. Cash in banks earn interest at the respective bank deposit rates. Time deposits bear annual interest rates ranging from 0.25% to 7.10% and 0.25% to 4.63% in 2018 and 2017, respectively. The decrease of ₱115.01 million or 38.94% was mainly due to redemptions made during the year.

**b) Financial assets**

*Financial assets at FVTPL* consists of investments in government securities and private debt and equity securities. This account totaled ₱1.52 billion in 2018 and 2017. Private bond bears nominal annual interest rate of 5.38% in 2018 while government securities bears annual interest rate of 4.10% to 7.02% and 3.88% to 4.63% in 2018 and 2017, respectively. This account includes unrealized loss amounting to ₱82.09 million in 2018 and unrealized gain of ₱99.99 million in 2017.

*Financial assets at FVOCI* pertains to investments in private corporate bonds. In January 1, 2018, all securities classified under FVOCI was reclassified to either *FVTPL* or *Amortized Cost* in compliance to PFRS 9.

*Financial assets at Amortized Cost* consists of government securities and private corporate bonds. This account went up by ₱24.27 million or 23.87% from ₱101.67 million to ₱125.93 million mainly due to the purchases during the year. These securities bear annual interest rates ranging from 2.13% to 5.63% and from 4.00% to 5.63% in 2018 and 2017, respectively.

**c) Loans and receivables**

This account pertains to unquoted debt securities, due from brokers, accounts receivable from participants, accrued interest receivable and dividend receivable. This account decreased by ₱30.33 million or 92.30% mainly due to reclassification made in compliance to PFRS 9.

**d) Other asset**

This account pertains to creditable withholding taxes from interest income in unquoted debt securities held by the Fund during the year.

**e) Accounts payable and accrued expenses**

This account consists of due to brokers, accounts payable, payable to FAMI, accrued expenses, withholding tax and DST payable. Payable to FAMI includes management fees, redemption fees and sales load fees while accrued expenses consists of unpaid professional fees, custodianship fees and retainer's fees. Accounts payable represents amounts payable to shareholders for the unpaid redemption proceeds and subscriptions without confirmation from clients. This account went down by ₱5.81 million or 56.67% from ₱10.24 million to ₱4.44 million as of reporting date.

Accounts payable went down by ₱5.34 million or 87.99%. Payable to FAMI decreased by ₱0.41 million or 13.09% due to the lower assets under management during the year. Withholding tax payable went lower by 10.49% due to lower management fee this year.

**f) Equity**

The Fund's equity is comprised of its capital stock, additional paid-in capital, retained earnings

and net unrealized gain on FVOCI investments. The decrease is mainly due to the effect of redemptions and net loss realized during the year.

*Capital Stock* ended at ₱683.74 million, a decrease of ₱37.94 million or 5.26% from ₱721.68 million last year, mainly due to redemptions during the year. The Fund's authorized capital stock remained at ₱1.00 billion with par value of ₱1.00 per share. As of December 31, 2018 and 2017, the total issued and outstanding shares were 683,739,611 and 721,681,347, respectively, while the total number of holders of redeemable common shares is 5,413 and 5,507, respectively.

*Additional paid in capital* went down by ₱68.55 million or 6.52% due to redemptions made during the year.

*Retained earnings* decreased by ₱152.16 million or 85.71% primarily due to the net effect of net loss amounting to ₱159.66 million during the year.

*Net unrealized gain on FVOCI investments* went down by ₱5.42 million or 124.05% due to the decrease in market value of the Fund's outstanding FVOCI investments.

### **Results of Operations**

For the year ended December 31, 2018, the Fund realized a net loss of ₱159.66 million, a decrease of 158.85% from last year's net income of ₱271.31 million.

The highlights of the results of operations for the year are as follows:

**a) Trading and securities gain (loss)**

Trading and securities loss amounted to ₱127.84 million, 142.60% or ₱427.97 million lower than last year's ₱300.13 million. This account represents realized gain (loss) from the sale and unrealized gain (loss) from changes in fair value of debt and equity securities held for trading during the year.

**b) Dividend income**

Dividend income is recognized when the Fund's right to receive payment is established. This account declined by ₱2.07 million or 11.41% from last year's ₱18.14 million to ₱16.07 million in 2018 due to the lower cash dividends earned from shares held during the year.

**c) Interest income**

This account includes interest income earned from cash and cash equivalents, loans receivables, corporate bonds and government securities. The decrease of ₱2.77 million or 9.95% from last year's ₱27.81 million to ₱25.04 million was mainly due to the sale of debt securities during the year.

**d) Management and retainer's fees**

This account dropped by ₱3.64 million or 8.49% from ₱42.84 million in 2017 to ₱39.20 million in 2018 mainly due to the decline in management fees relative to the decrease in the Fund's net assets.

**e) Brokers' commission**

Brokers' commission went down by ₱1.50 million or 10.56% from last year's balance of ₱14.21 million to ₱12.71 million at the end of the year. Brokers' commission pertains to fees paid to brokers to execute a trade based on the volume of equity and debt securities being traded.

**f) Taxes and licenses**

This account pertains to taxes other than income tax, such as DST and local taxes. The increase of ₱0.12 million or 14.73% from last year's ₱0.82 million to ₱0.94 million was mainly due to higher DST paid during the year.

**g) Transaction Charges**

Transaction charges slid by ₱0.29 million or 37.05% from last year's balance of ₱0.77 million to ₱0.48 million at the end of 2018. This account refers to transaction cost incurred in the purchase and sale of equity and fixed income securities during the year.

**h) Custodian and clearing fees**

This account pertains to payment to the custodian of the Fund. Custodian and clearing fees amounted to ₱0.55 million and ₱0.60 million in 2018 and 2017, respectively.

**i) Directors' and officers' fees**

This account pertains to per diem of the Fund's officers and directors during board meetings and annual stockholders' meeting during the year. This account decreased by ₱0.01 million or 2.59% from ₱0.29 million last year to ₱0.28 million during the year.

**j) Professional fees**

Professional fees represent audit fees and other professional expenses incurred and paid during the year. This account went down by 42.90% or ₱0.18 million due to charges paid in 2017 in connection with the conversion of the Fund for PFRS 9.

**k) Miscellaneous Expense**

Miscellaneous expense increased by 11.34% or ₱0.03 million. This account consists of notarial fee, membership fee and dues, postage and mailing fee and bank charges paid by the Fund. The increase in this account was due to PIFA membership fees paid for 2018.

## **2017 Performance**

### **Financial Position**

The Fund closed the year 2017 with audited total assets at ₱2.01 billion, higher by ₱76.47 million or 3.96% from ₱1.93 billion as of December 31, 2016. Total liabilities pegged at ₱10.24 million from ₱19.01 million, lower by ₱8.77 million or 46.12% during the year.

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

**1. Cash and cash equivalents**

Cash and cash equivalents represent the Fund's savings and checking accounts and time deposits in local banks. Cash in banks earn interest at the respective bank deposit rates. Time deposits bear annual interest rates ranging from 0.25% to 4.63% and 0.25% to 2.38% in 2017 and 2016, respectively. The increase of ₱155.15 million or 110.69% was mainly due from proceed of sale of various AFS securities.

**2. Financial assets at FVTPL**

*Financial assets at FVTPL* consists of investments in government securities and private debt and equity securities. The increase of ₱0.17 billion or 12.50% from ₱1.35 billion to ₱1.52 billion was mainly due to purchases during the year. Private bond bears nominal annual interest rates ranging from 5.20% to 5.50% in 2016 while government securities bears annual interest rate of 3.88% to 4.63% and 3.38% to 3.50% in 2017 and 2016, respectively. This account include unrealized gain amounting to ₱99.98 million and unrealized loss of ₱111.53 million in 2017 and 2016, respectively.



*Financial assets at FVOCI* pertains to investments in private corporate bonds. This account decreased by ₱269.53 million or 88.20% due to the sales during the year. These securities bear annual interest ranging from 4.20% to 7.20% in 2016. This account include a net unrealized fair value loss of ₱1.05 million in 2017 and net unrealized loss of ₱3.32 million in 2016.

*Financial assets at Amortized Cost* consists of government securities and private corporate bonds. This account went up by ₱24.27 million or 23.87% from ₱101.67 million to ₱125.93 million mainly due to purchases during the year. These securities bear annual interest rates ranging from 2.13% to 5.63% and from 4.00% to 5.63% in 2017 and 2016, respectively.

### **3. Loans and receivables**

This account pertains to unquoted debt securities, due from brokers, accounts receivable from participants, accrued interest receivable and dividend receivable. Loan and receivables decreased by ₱1.76 million or 5.07% primarily due to the reduced volume of sale transactions for the last three days of December 2017.

### **4. Other asset**

This account pertains to creditable withholding taxes from interest income in unquoted debt securities held by the Fund during the year.

### **5. Accounts payable and accrued expenses**

This account consists of due to brokers, accounts payable, payable to FAMI, accrued expenses, withholding tax and DST payable. Payable to FAMI includes management fees, redemption fees and sales load fees while accrued expenses consists of unpaid professional fees, custodianship fees and retainer's fees. Accounts payable represents amounts payable to shareholders for the unpaid redemption proceeds and subscriptions without confirmation from clients. This account went down by ₱8.77 million or 46.12% from ₱19.01 million to ₱10.24 million as of reporting date.

Due to brokers as of December 31, 2017 and 2016 amounted to nil and ₱12.20 million, respectively. Accounts payable increased by ₱3.24 million or 113.20%. Payable to FAMI slightly increased by ₱0.14 million or 4.51% this year. Accrued expenses likewise went up by ₱0.02 million. Withholding tax payable rose by 5.82% due to higher management fee as of reporting date. Documentary stamp tax payable also increased by 3.99% this year.

### **6. Equity**

The Fund's equity is comprised of its capital stock, additional paid-in capital, retained earnings and net unrealized gain on FVOCI investments. The increase is mainly due to the effect of net income realized during the year.

*Capital Stock* ended at ₱721.68 million, a decrease of ₱71.71 million or 9.04% from ₱793.39 million last year, mainly due to redemptions during the year. The Fund's authorized capital stock remained at ₱1.00 billion with par value of ₱1.00 per share. As of December 31, 2017 and 2016, the total issued and outstanding shares were 721,681,347 and 793,389,707, respectively, while the total number of holders of redeemable common shares is 5,507 and 6,082, respectively.

*Additional paid in capital* went down by ₱90.34 million or 7.61% due to redemptions made during the year.

*Retained earnings* increased by ₱242.92 million or 378.02% mainly due to the net effect of net income amounting to ₱271.31 million and redemptions totaling ₱28.39 million during the year.

Net unrealized gain on FVOCI investments went up by ₱4.37 million or 131.66% due to the increase in market value of the Fund's outstanding FVOCI investments.

## **Results of Operations**

For the year ended December 31, 2017, the Fund realized a net income of ₱271.31 million, an increase of 225.96% from last year's net loss of ₱215.39 million.

The highlights of the results of operations for the year are as follows:

### **1. Trading and securities gain (loss)**

Trading and securities gains amounted to ₱300.13 million, 271.59% or ₱475.04 million higher than last year's loss of ₱174.91 million. This account represents realized gain (loss) from the sale and unrealized gain (loss) from changes in fair value of debt and equity securities classified as held for trading during the year.

### **2. Dividend income**

Dividend income is recognized when the Fund's right to receive payment is established. This account declined by ₱0.84 million or 4.41% from last year's ₱18.98 million to ₱18.14 million in 2017 due to the lower cash dividends earned from shares held during the year.

### **3. Interest income**

Interest income resulted to ₱27.81 million which is ₱0.21 million higher than last year. This account includes interest income earned from cash and cash equivalents, loans receivables, corporate bonds and government securities. The increase was mainly due to the higher investment portfolio this year.

### **4. Management and retainer's fees**

Management and retainer's fee dropped by ₱2.56 million or 5.63% from ₱45.40 million in 2016 to ₱42.84 million in 2017 mainly due to the decline in management fees relative to the decrease in the Fund's net assets.

### **5. Brokers' commission**

Brokers' commission went down by ₱2.46 million or 14.77% from last year's balance of ₱16.67 million to ₱14.21 million at the end of the year. Brokers' commission pertains to fees paid to brokers to execute a trade based on the volume of equity and debt securities being traded.

### **6. Taxes and licenses**

Taxes and licenses increased by ₱0.31 million or 61.21% from last year's balance of ₱0.51 million to ₱0.82 million in 2017. This account pertains to taxes other than income tax, such as DST and local taxes. The increase was due to higher local taxes paid during the year.

### **7. Transaction Charges**

Transaction charges slid by ₱0.03 million or 4.01% from last year's balance of ₱0.80 million to ₱0.77 million at the end of 2017. This account refers to transaction cost incurred in the purchase and sale of equity and fixed income securities during the year.

### **8. Custodian and clearing fees**

This account pertains to payment to the custodian of the Fund. Custodian and clearing fees amounted to ₱0.60 million and ₱0.55 million in 2017 and 2016, respectively.

### **9. Directors' and officers' fees**

This account pertains to per diem of the Fund's officers and directors during board meetings and annual stockholders' meeting during the year. This account decreased by ₱0.04 million or 11.97% from ₱0.33 million last year to ₱0.29 million during the year.

### **10. Professional fees**

Professional fees represent audit fees and other professional expenses incurred and paid during the year. This account went up by 69.80% or ₱0.17 million due to additional charges paid in connection with the conversion of the Fund for PFRS 9.

### **k) Miscellaneous Expense**

Miscellaneous expense decreased by 81.73% or ₱1.23 million. This account consists of notarial fee, membership fee and dues, postage and mailing fee and bank charges paid by the Fund. The drop in this account was due to the decrease in postage and mailing expenses for 2017.

### **Plan of Action**

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

### **Subsequent Events**

#### *COVID-19 outbreak*

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Fund considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Fund cannot determine at this time the impact to its financial position, performance and cash flows. The Fund will continue to monitor the situation.

### **Other Matters**

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

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

### **Discussion of Key Performance Indicators**

The Fund was incorporated on January 29, 2007. 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. With the SEC's approval of FAMI's license to act as such last September 6, 2005 and its procedures firmed-up at the end of the same month, active management of SALBF's assets was initiated in May 2007 with the objective to consistently outperform its benchmark, which is the PSEi, and achieve a sizable net income.

The Fund has an initial paid-up capital of ₱25.00 million which translates to a minimal share in the mutual fund industry (under the balanced fund category).

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

- *Net Asset Value Per Share* - Net Asset Value per share amounted to ₱2.4388 as of June 30, 2020, lower by 7.32% from the ₱2.6315 NAVPS as of December 31, 2019. The Fund's average daily net asset value slid by 14.92% or ₱0.25 billion from ₱1.69 billion as of December 31, 2019 to ₱1.44 billion as of June 30, 2020.
- *Sales for the period ended* - The Fund's total sales of ₱20.02 million for the period ended June 30, 2020 was 13.46% or ₱3.11 million lower than ₱23.13 million sales for the same period last year.
- *Redemptions for the period ended* - Total redemptions of the Fund amounting to ₱48.79 million for the period ended June 30, 2020 was 62.02% or ₱79.70 million lower than ₱128.49 million redemptions for the same period last year.
- *Net Income vs. Benchmark* – The Fund incurred ₱114.43 million net loss for the period ended June 30, 2020, ₱201.7 million lower than ₱87.27 million net income for the same period last year.
- *Market Share vs. Benchmark* – As of June 30, 2020, the Fund garnered 5.68% share in the Balanced Funds category while 0.49% share among all mutual funds in terms of net assets. On the basis of account holders, the Fund has 4,949 account holders or 5.59% of the total accounts in this Fund category.

The following basic ratios measure the financial performance of the Fund for the years ended 2019, 2018 and 2017:

<b>PERFORMANCE INDICATORS</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Return on average asset <sup>1/</sup>	3.81%	(8.51%)	13.77%
Return on average equity <sup>2/</sup>	3.82%	(8.54%)	13.87%
Cost-to-income ratio <sup>3/</sup>	37.10%	(63.43%)	17.19%
Net asset value per share <sup>4/</sup>	₱2.6315	₱2.5431	₱2.7699
Earnings(Loss) per share <sup>5/</sup>	₱0.0998	(₱0.2268)	₱0.3556

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

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

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

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

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

**Item 7. Financial Statements**

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

**Audited Financial Statements**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on September 1, 2020.

**FIRST METRO SAVE AND LEARN BALANCED FUND,  
INC.**

By:



**MARIE ARABELLA D. VERON**  
TREASURER