



**CORPORATE GOVERNANCE AND FINANCE DEPARTMENT**

**IN THE MATTER OF**

**FIRST METRO SAVE AND LEARN FIXED  
INCOME FUND, INC.  
-Registrant-**

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**Amended Registration Statement**

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**NOTICE**

Notice is hereby given that on February 11, 2020<sup>1</sup>, an Amended Registration Statement was filed with the Securities and Exchange Commission on behalf of **FIRST METRO SAVE AND LEARN FIXED INCOME FUND, INC.** (the "Company") to reflect the following changes:

Items to be Amended	Original Provision	Proposed Amendments	Reason/s for Amendments										
Sales Load	<table border="0"> <tr> <td>Investment Amount</td> <td>Sales Load</td> </tr> <tr> <td>P5,000 to less than P100,000</td> <td>2.0%</td> </tr> <tr> <td>P100,000 to less than P500,000</td> <td>1.5%</td> </tr> <tr> <td>P500,000 to less than P2,000,000</td> <td>1.0%</td> </tr> <tr> <td>P2,000,000 above</td> <td>0.5%</td> </tr> </table>	Investment Amount	Sales Load	P5,000 to less than P100,000	2.0%	P100,000 to less than P500,000	1.5%	P500,000 to less than P2,000,000	1.0%	P2,000,000 above	0.5%	The sales load fee applicable for the various levels of investment is a maximum of 2%.	The adjustment in sales load is market driven. The Fund aims to be at par with other Funds with the same nature and similar underlying assets.
Investment Amount	Sales Load												
P5,000 to less than P100,000	2.0%												
P100,000 to less than P500,000	1.5%												
P500,000 to less than P2,000,000	1.0%												
P2,000,000 above	0.5%												
Benchmark	5-Year PDSTF 5 + 1%	60% Bloomberg Phil. Sovereign Bond Index AI+30% S&P Phils. Corporate Bond Index +1 0% PH 30 Day Saving Rate (Net of 20% WHT)	To allow more flexibility on duration and optimize returns on a falling interest rates scenario.										

The proposed amendments were approved and adopted by the stockholders representing at least 2/3 of the outstanding capital stock during its annual stockholders' meeting held on September 16, 2020 through remote communication via zoom. The Board of Directors during the organizational meeting held on September 16, 2020 unanimously approved the same revisions in the prospectus.

Said Amended Registration Statement and other papers/documents attached thereto are open to inspection by interested parties at the Corporate Governance and Finance Department of the SEC, Ground Floor, North Wing Hall, Secretariat Building, PICC Complex, Vicente Sotto Street, 1307 Pasay City, during business hours and copies thereof, photostatic or otherwise, shall be furnished to any party upon request at such fees as the Commission may prescribe. The Amended Registration Statement dated August 2, 2021 may also be downloaded from [www.fami.com.ph](http://www.fami.com.ph).

Issued on September 20, 2021, Pasay City.

  
**RACHEL ESTHER J. GUMTANG-REMALANTE**  
 Director

<sup>1</sup> Filing fee was paid on 02 March 2021.



## **AMENDED PROSPECTUS**

### **FIRST METRO SAVE AND LEARN FIXED-INCOME FUND, INC.**

**(Open-end Investment Company)  
ISSUER**

The number of securities to be offered inclusive of what has already been subscribed to upon incorporation is One Billion Seven Hundred Million (1,700,000,000) common shares. The price at which the shares are to be offered is based on the Net Asset Value (NAV) per share computed on a daily basis. The shares are traded over-the-counter.

#### **FIRST METRO ASSET MANAGEMENT, INC.**

Investment Company Adviser  
and Principal Distributor  
18<sup>th</sup> Floor, PSBank Center

777 Paseo de Roxas corner Sedeño St., Salcedo Village, Makati City, 1226  
Tel. No. (632) 8891-2860 to 65

Sub-Distributors: First Metro Securities, COL Financial, Wealth Securities,  
Unicapital Securities, AB Capital Securities and CiSols

THIS PROSPECTUS IS DATED  
January 7, 2022

**THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.**

**THIS PROSPECTUS SHOULD BE READ CAREFULLY BEFORE INVESTING AND RETAINED FOR FUTURE REFERENCE.**

This prospectus relates to the offer for subscription of the First Metro Save and Learn Fixed Income Fund, Inc. of One Billion Seven Hundred Million (1,700,000,000) common shares with a par value of P1.00 per share at an offer price of the current net asset value per share (NAVPS).

The Fund is engaged in the business of investing, re-investing or trading in securities or other investment assets allowed under ICA and its rules. The total proceeds from the sale of the 1,700,000,000 shares is estimated at ₱4,129,470,000 (using the Fund's NAVPS of ₱2.4291 as of December 15, 2021).

The investment objective of the Fund is to provide satisfactory returns through investment in government and corporate debt securities. The Fund holds medium risk investments that consist mainly of governmental securities, commercial paper, corporate bonds, promissory notes and other debt instruments of varying tenor. The Fund is classified as conservative risk. The assets of the Fund were structured based on market conditions, the level of interest rates, and liquidity needs of the Fund, are to be of above-average credit quality and minimal risk, and the average maturity is to take into account any expectation of any change in interest rates.

The net proceeds from the sale of securities will be used to invest in fixed income and other related securities of the Philippine government, commercial papers, corporate bonds and other debt instruments as may be allowed by the ICA and its Implementing Rules and Regulations or any amendments.

The shares are being offered in the Philippines through First Metro Asset Management, Inc. (FAMI), the fund manager and principal distributor of the Fund. The shares of the Fund will be offered through the principal distributor and other eligible sales agents licensed by the Commission, including agents/employees who are Certified Investment Solicitors (CISol) and Mutual Fund Sub-Distributors, that have entered into an agreement to sell shares with the principal distributor. FAMI shall be paid a monthly fee up to a maximum of one-and-seventy-five percent (1.75%) per annum of the average net asset value of the Fund's assets, computed on a daily basis. In addition, as Investment Manager, FAMI shall be paid an incentive fee equivalent to 10% of the realized appreciation in the value of the fund's net assets in excess of the benchmark or any of its prior years' highest performance whichever is higher. For a more details discussion, please refer to the section entitled "Plan of Distribution" on p. 18 for the list of sub-distributors and "Parties involved in the Fund" on p. 40.

All of the offered shares are common shares, voting with identical rights and privileges, and may be owned by any person or entity, regardless of nationality. The shares are eligible for payment of dividends, which depends, among other factors, upon the Fund's unrestricted retained earnings, cash flow and financial condition.

As provided for in the Issuer's By-laws, the Board of Directors may make arrangements with its stockholders whereby dividends and/or other distributions may be reinvested in the Fund's securities in lieu of cash to be paid to the stockholders. The arrangement with shareholders shall be such that the dividends to be reinvested shall be valued at the net asset value per share of the Fund at the time said dividends are paid. For a more details discussion, please refer to the section entitled "Dividends" on p. 21.

An investment in the Fund is not insured or guaranteed by the Philippines Deposit Insurance Corporation or any other government agency. The Fund's return will fluctuate as a result of various factors, including material changes in the Fund, general economic conditions (market risk) or interest rate and foreign exchange policy changes. Other risks involved in investing are liquidity risk, credit risk, operations risk and regulatory risk. The profits or losses of a stockholder is limited to their investment in the Fund. For a more detailed discussion on additional risk factors, please refer to the section entitled "Risk Factors on p. 8."

The information contained in this Prospectus has been supplied by the Fund and the Fund Manager, unless otherwise stated. To the best of its knowledge and belief, the Fund and the Fund Manager confirms that there are no omissions of fact which would make any statement in this Prospectus misleading and hereby accepts full and sole responsibility for the accuracy of the information. Neither the delivery of this Prospectus nor any sale made pursuant to this Prospectus shall, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent to the date hereof.

**“A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. NO OFFER TO BUY THE SECURITIES CAN BE ACCEPTED OR RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE, AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OR COMMITMENT OF ANY KIND, AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE GIVEN AFTER THE EFFECTIVE DATE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY.”**

**VICTOR A. ABOLA**  
President

SUBSCRIBED AND SWORN to before this \_\_\_\_\_ day of 20\_\_\_\_, affiant exhibiting to me his Passport No. \_\_\_\_\_ issued on \_\_\_\_\_ at DFA and valid until \_\_\_\_\_.

Doc. No \_\_\_\_\_ ;  
Page No \_\_\_\_\_ ;  
Book No \_\_\_\_\_ ;  
Series of 20\_\_.

## SUMMARY OF FEES, COMMISSIONS AND OTHER CHARGES TO BE DEDUCTED FROM THE FUND

Management and Distribution Fee	1.75% p.a. (excluding VAT)
Transfer Agency Fee	P8,000 per month
Custodianship and Fund Accounting Fee	4bps of total AUM as of month-end
External Audit Fee	₱231,067 as of December 31, 2020
Directors' Fees	Aggregate annual per diem as of 2020 is ₱309,507 (2021 estimate is ₱327,500)

## SUMMARY OF FEES TO BE PAID BY SHAREHOLDERS

Sales Load Fee	Total Amount (in PHP)	Sales Load
	< 100,000	2%
	100,000 - 999,999	1.5%
	1,000,000 - 2,000,000	1.0%
	2,000,000 and up	0.50%
Redemption Fee	Redemptions made within six (6) months are subject to an exit fee of no more than 1%	

## ABBREVIATED FINANCIAL STATEMENTS

### STATEMENT OF ASSETS AND LIABILITIES

(Amounts in Peso)

	June 30, 2021	December 31, 2020
Total Assets	1,975,249,332	2,086,479,144
Total Liabilities	4,083,576	103,732,368
Net Assets	1,971,165,756	1,982,746,776
Net Asset Value Per Share	2.4410	2.4534

### STATEMENT OF OPERATIONS

(Amounts in Peso)

	June 30, 2021	June 2020
Total Revenues	16,354,363	10,657,393
Total Expenses	20,515,486	8,429,125
Net Income After Tax	(10,174,369)	1,653,995

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## GLOSSARY

1. **Assets Under Management (AUM)** – shall refer to the total market value of all the financial assets of an Investment Company managed by a Fund Manager.
2. **BSP**– shall refer to the Bangko Sentral ng Pilipinas
3. **Commission** – shall refer to the Securities and Exchange Commission.
4. **Fund Manager** – shall refer to a registered entity with an Investment Company Adviser license that is First Metro Asset Management, Inc. (FAMI).
5. **Independent Director** – shall refer to a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any covered company. An independent director shall possess the degree of independence and all the qualifications and none of the disqualifications for independent directors as defined in the SRC and its implementing rules and regulations or such other rules or guidelines issued by the Commission.
6. **Investment Company** – shall refer to a stock corporation primarily engaged or holds itself out as being engaged primarily, or proposes to engage, in the business of investing, reinvesting and trading in securities.
7. **Investment Company Act / ICA** – shall refer to the Investment Company Act, Republic Act No. 2629.
8. **Investors of the Fund** – shall refer to the shareholders or unitholders of the Investment Company who subscribe to the shares of the Investment Company.
9. **Net Asset Value (NAV)** – shall refer to the aggregate value of each fund in shares as determined by the market value of its underlying securities holdings, including any cash in the portfolio less liabilities, computed at the close of the trading of securities for the day.
10. **Net Asset Value per Share or NAVps** – shall refer to the computed NAV on a per share basis at the close of the day. It is the computed difference between the total assets of the Fund and its liabilities divided by the number of outstanding shares.
11. **Open-end company** – shall refer to an investment company which is offering for sale, or has outstanding, any redeemable security, of which it is the issuer.
12. **Sales load** – shall refer to the charge or commission on the cost of acquiring the shares of an Investment Company.

## PROSPECTUS SUMMARY

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

<b>Issuer</b>	First Metro Save and Learn Fixed Income Fund, Inc.
<b>Investment Objective</b>	The Fund aims to provide satisfactory returns through investment in government and corporate debt securities. The Fund holds medium risk investments that consist mainly of governmental securities, commercial paper, corporate bonds, promissory notes and other debt instruments of varying tenor.
<b>Investment Strategy</b>	The Fund will invest in carefully selected fixed income securities to provide diversification and maximization of returns.
<b>Shares Offered/Par Value</b>	The Fund is offering 1,700,000,000 shares of common stock with a par value of one peso P1.00 per share.
<b>Offering Price</b>	It is the NAVPs at the end of banking day, if payment is made within the daily cut-off time, plus a sales load fee.
<b>Sales Load Fee</b>	The sales load fee is a maximum of 2%.
<b>Daily Cut-off Time</b>	If received after 12:00 NN, subscription will be processed at the NAVPs calculated for the next business day. For redemption requests, the daily cut-off time shall be 12:00 NN.
<b>Minimum Investment</b>	The minimum initial and additional investment shall be P5,000.00 and P1,000.00 respectively or as otherwise prescribed by the Fund Manager and approved by the Commission.
<b>Redemption Price</b>	<p>The redemption price is the NAVPS at the close of business day provided that redemption form is received on or before the specified cut-off time.</p> <p>Should the redemption request be received after the specified cut-off time, the request shall be deemed to have been received on the following business day and the NAVPS applied shall be the NAVPS of the said following business day.</p>
<b>Redemption Charge</b>	Redemptions made within six (6) months are subject to an exit fee of no more than 1% (exclusive of Value Added Tax/VAT). No redemption fee shall be deducted if redeemed beyond six (6) months from the time of investment.
<b>Asset Valuation</b>	The Fund will be valued using the mark-to-market basis in accordance with PFRS 9. Thus, the NAV of the Fund will fluctuate with changes in the market value of the Fund's investments. Such changes in the market value may occur as a result of various factors including material changes in the Fund, general economic conditions or interest rate and foreign exchange policy changes.



## RISK FACTORS AND OTHER INFORMATION

### I. GENERAL RISK WARNING

The price of securities as a result of market conditions fluctuates, and any individual security may experience upward or downward movement, and may even become valueless. There is a risk that losses may be incurred rather than profit made as a result of buying and selling of securities.

Past performance is not a guide to future performance.

An investor deals in a range of investments of which may carry a different level of risk. There is an extra risk of losing money when securities are bought from smaller companies. There may be a big difference between the buying price and the selling price of these securities.

### II. PRUDENCE REQUIRED

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

### III. PROFESSIONAL ADVICE

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

## RISK FACTORS

Potential investors should read thoroughly all information contained in this Prospectus and/or other Fund related documents available before making any investment decisions. He or she should carefully consider all investment risks, fees, and/or other factors detailed in these documents to make certain whether the Fund's nature is appropriate for his or her investment profile and objective.

Various risk factors can affect the market value of the assets of the Fund and cause the Fund's net asset value to vary. Consequently, the returns of the Fund are not guaranteed and there is a risk that a Fund might not achieve its investment objectives.

The major risk factors facing the Fund are listed by order of importance below:

**MARKET RISK** is the risk of change in the value/price of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk). The Fund's investments in fixed securities may decline in value due to factors affecting securities markets generally, or particular countries, segments, economic sectors, industries, or companies within those markets. Historically, the markets have moved in cycles and the value of the Fund's securities and other financial instruments may move up or down from day to day. The risk can be minimized by following the exposure limits set in this prospectus or by the Commission. To mitigate interest rate risk when invested in bonds, the Fund Manager can shift maturities. The Fund Manager also manages volatility by taking a long-term and systematic approach.

**LIQUIDITY RISK** (also called funding risk) is the risk that the Fund will encounter difficulty in raising funds within a reasonable time to meet short term financial demands. The Fund may not be able to generate enough cash to pay for the redemptions within the normal 7-day period. The Fund Manager can avoid this risk by keeping at least 10% of the portfolio in highly liquid securities as stipulated in the IRR of the Investment Company Act.

**CREDIT RISK** (also called default risk) is the risk that the issuer of the security will be unable to make the required payments on their debt obligations. The Fund invests in government securities, the risk of default of which is considered minimal. The Fund manages credit risks by transacting with accredited counterparties only. Credit exposures are closely monitored to ensure that payments are made on time.

**OPERATIONAL RISK** is the risk of loss resulting from inadequate internal processes, people, systems, or external events. The Fund ensures that policies and guidelines are in place to monitor and manage operational risks including maker-checker structures, regular reconciliation of positions, and regular monitoring reports. The risk management process further includes daily monitoring of compliance with ICA Rule 6 of the Implementing Rules and Regulations of the Investment Company Act.

**REGULATORY RISK** is subject to government regulation, which are subject to change from time to time. Regulations such as taxation and accounting rules may have a significant impact in the performance of the Fund which may either be positive or negative for the shareholders of the Fund. The risk management process further includes daily monitoring of compliance with ICA Rule 6 of the Implementing Rules and Regulations of the Investment Company Act. In addition, the Fund will be an active member of the Philippine Investment Fund Association (PIFA) through which it may recommend changes in regulatory policies that affect the mutual fund industry.

The overall risk management framework establishes risk management policies, procedures, limits and practices. The Fund's risk management framework is designed to manage risks that could affect the Fund value, contribute to sustainable returns and provide transparency through risk reporting. The Fund takes risks with the appropriate returns in order to meet its investment objectives. This is aligned with the Fund's vision and strategies embedded within its practices. In pursuing the investment objectives, it is ensured that all significant risks are identified, measured, managed and monitored. The Fund's investment outlets undergo evaluation in accordance with the Investment Policy, and internal and regulatory limits are monitored on a regular basis.

The following are additional risks present in managing the Fund:

- Investment companies/mutual funds are neither insured with the Philippine Deposit Insurance Corporation (PDIC) nor any other agency of the government, nor guaranteed by the Fund Manager. Investors are advised to read the prospectus of the Fund before deciding to invest.
- Investors are exposed to the risk of dilution since other investors may subscribe to any amount of shares of the Fund. The influence that the investors can exert over the control and management of the Fund decreases proportionately.

The above risk factors are by no means all-inclusive. New and/or unidentified risks may arise any time given the dynamic financial markets and economic environment.

## FUND FEATURES

### THE FUND

First Metro Save and Learn Fixed Income Fund, Inc. is a Philippine corporation incorporated as an open-end investment company on June 3, 2005 and subsequently registered under R.A. 2629 on September 6, 2005. The Fund's main objective is to provide investors with the opportunity to access the capital markets and enable them to reap satisfactory returns on their investments through a selection of medium risk instruments consisting of government securities, commercial paper, corporate bonds and other debt instruments of varying tenors.

## CLASSIFICATION OF THE FUND

The Fund is exposed to government and corporate debt securities. The Fund can be considered conservative.

## INVESTMENT OBJECTIVE AND RESTRICTIONS

The investment objective of the Fund is to provide satisfactory returns through investment in government and corporate debt securities.

The Fund shall be subject to the following limitations and restrictions:

- a. The maximum investment in any single enterprise or issuer shall not exceed an amount equivalent to fifteen percent (15%) of its net assets, nor shall the total investment of the fund exceed ten percent (10%) of the outstanding securities of the Fund.
- b. There shall be no investment of more than twenty percent (20%), in aggregate, of its net assets in transferable securities, money market securities, deposits and over-the-counter (OTC) financial derivatives issued by a single business group, provided the investments in OTC financial derivatives with non-investment grade or unrated counterparty shall not exceed five percent (5%) of the net assets of the investment company.
- c. Deposits shall not exceed twenty percent (20%) of its net assets in a single bank/non-bank with a quasi-bank license excluding monies for liquidation of a revoked Investment Company.
- d. The investment in the following must not exceed fifteen percent (15%) of the net assets of the Investment Company provided the investment enumerated herein shall not exceed five percent (5%) of the net assets of the investment company:
  - i. Deposits placed with a non-investment grade or unrated deposit-taking institution;
  - ii. Debt securities or money market instruments not dealt in an organized market or issued by an unrated or non-investment grade issuing body;
  - iii. OTC financial derivatives with non-investment grade or unrated counterparty; and
  - iv. Unlisted shares issued by a related party.

For the avoidance of doubt, the exposure to a counterparty of an OTC financial derivative should be measured based on the maximum potential loss that may be incurred by the investment company if the counterparty defaults, subject to the calculation method set out under ICA IRR.

The aggregate fifteen percent (15%) limit does not apply to deposits, debt securities or money market instruments or OTC financial derivatives where the:

- a. Deposit-taking institution, issuing body or counterparty is rated investment grade only with a national rating scale, which refers to a rating falling within the top four (4) long-term credit ratings or the top three (3) short-term credit ratings provided on an international scale; and

The jurisdiction in which the issuing body or counterparty is domiciled has a sovereign credit rating that is at least investment grade.

- e. Investment in foreign government debt 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 a maximum of thirty five percent (35%) of the net assets of the Fund.

- f. A maximum of five percent (5%) of the net assets of the Fund may be invested in government debt securities issued or guaranteed by a government, sovereign or central bank with an international long-term issuer rating that is non-investment grade;
- g. In investing in financial derivative instruments for the Fund, the Fund Manager shall see to it that it employs a risk-management process which captures the risks associated with the use of financial derivatives and satisfies all the following requirements:
  - i. The global exposure, calculated based on the commitment approach set out in the Appendix, to financial derivatives or embedded financial derivatives must not exceed twenty percent (20%) of the net assets of the investment company;
  - ii. The investment company must, at all times, be capable of meeting all its payment and delivery obligations incurred by transactions involving financial derivative instruments;
  - iii. The exposure to the underlying assets do not exceed, in aggregate, the investment limits laid down in clauses 1 to 2 of Section 2 and Rule 6.8 of the ICA-IRR except Rules 6.8 (b), 6.8 (d) (iii), and 6.8 (h); and
  - iv. The fund manager of the investment company may not act as the counterparty to an OTC derivative invested into by the investment company.

Notwithstanding clause 3(a) of Section 2 (SEC MC. No. 15. S. 2020), the global exposure, calculated based on the commitment approach set out in the Appendix, of an index-tracking investment company that invests in exchange-traded financial derivatives for the purpose of index replication must not exceed one hundred percent (100%) of the net assets of the investment company.

- h. The Fund shall not invest in the securities it is issuing.
- i. The Fund shall not purchase from or sell to any of its officers or directors or the officers or directors of its investment advisor/s, manager or distributor/s or firm/s of which any of them are members, any securities other than the capital stock of the Fund.
- j. Unless the Commission shall provide otherwise, the Fund shall not engage in short selling securities or invest in any of the following:
  - a. Margin purchase of securities (investment in partly paid shares are excluded)
  - b. Commodity futures contracts
  - c. Precious metals
  - d. Unlimited liability instruments
- k. For liquidity purposes, unless otherwise prescribed by the Commission, at least ten percent (10%) of the assets of an Investment Company shall be invested in liquid/semi-liquid assets.

Such liquid/semi-liquid assets shall refer to, but not limited to the following:

- a. Treasury notes or bills, Certificates of Indebtedness issued by the Bangko Sentral ng Pilipinas which are short term, and other government securities or bonds and such other evidence of indebtedness or obligations, the servicing and repayment of which are fully guaranteed by the Republic of the Philippines;
- b. Tradable Long-Term Negotiable Certificate of Time Deposits (LTNCTD)
- c. Government debt securities where the issuer or the guarantor is a foreign government, sovereign or central bank with an international long-term issuer rating of investment grade;
- d. Savings or time deposits with government-owned banks or commercial banks, provided that in no case shall any such savings or time deposit accounts be accepted or allowed under a “bearer”, “numbered” account or other similar arrangement.
- e. Money market instruments issued by Philippine regulated qualified buyers or those issued by an investment grade issuing body;

- f. Other collective schemes wholly invested in liquid/semi-liquid assets.

The investment company may implement a decreased investment of less than ten percent (10%) of its assets in liquid/semi-liquid assets, provided, however, that it shall submit a notarized liquidity contingency plan, signed by the president of the fund and its fund manager.

- i. The total operating expenses of the Fund shall not exceed ten percent (10%) of its average investment fund or net worth as shown in its previous Audited Financial Statements. The formula shall be as follows:  $\text{Expense Ratio \%} = (\text{Total Operating Expenses} / \text{Average Net Asset Value}) * 100$ . The computation and expense ratio of the Fund must be disclosed in the quarterly and annual report.
- m. The Fund may borrow, on a temporary basis, for the purpose of meeting redemptions and bridging requirements provided that:
- i. The borrowing period should not exceed one month; and
  - ii. The aggregate borrowings shall not exceed ten percent (10%) of the net assets of the Fund.

The Fund shall not incur any further debt or borrowing unless at the time of its incurrence or immediately thereafter there is an asset coverage of at least three hundred percent (300%) for all borrowings of the Fund. Provided, however, that in the event that such asset coverage shall at any time fall below three hundred percent (300%), the Fund shall within three (3) days thereafter, reduce the amount of its borrowings to an extent that the asset coverage of such borrowings shall be at least three hundred percent (300%).

- n. The Fund Manager shall inform the Commission within three (3) business days after it becomes aware of any breach of investment restrictions and shall rectify such breach as soon as practicable, but shall not be more than five (5) business days from the date of discovery. Failure of the Fund Manager to report the breach within the period shall raise the presumption that the Fund Manager intentionally breached the investment restrictions and therefore shall be liable for administrative penalty/ies.

If any of the investment limits is breached by reason other than investment decision, the Fund Manager shall report this matter to the Commission within five (5) business days, and rectify the breach no later than three (3) months from the date of the breach.

- o. The purchase and sale of foreign securities shall be made only through a distributor or underwriter duly authorized or licensed by the relevant government of the issuer of such securities.

## LIMITATION OF LIABILITIES

*As stated in the ICA Rules, such agreement shall not contain any provision which protects or purports to protect any director or officer of such Fund Manager against any liability to the Investment Company or to its security holders to which it would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of its office.*

The liability of the investors is limited to their investments in the Fund. The investment risk and liquidity associated with the Fund are to be borne solely by the investor.

## **ANNUAL SHAREHOLDERS' MEETING**

The Fund shall conduct the annual shareholders' meeting every 3<sup>rd</sup> Wednesday of June or as stated in its By-Laws. Reports or notices of such meetings shall be in compliance with ICA IRR including its amendments, as well as other SEC issuances applicable.

## **FEATURES AND PROCEDURES**

### **ELIGIBLE INVESTORS**

The shares of the Fund may be purchased and held by any person of legal age or duly organized and existing corporations, partnerships or corporate entities regardless of nationality. The Investor shall declare and warrant that there are no legal restrictions prohibiting the purchase of the shares applied for and that the Investor is otherwise eligible throughout the duration of the period that the Investor remains a stockholder of the Company.

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

### **INVESTOR PROFILE AND INVESTMENT SUITABILITY**

Prior to account opening, the Fund shall perform an investor profiling process for all investors under the general principles on client suitability assessment to guide the investor in choosing investment outlets that are best suited to their objectives, risk tolerance, preferences and experience. The profiling process shall, at the minimum, require the client to provide relevant information thru the Suitability Assessment Form (SAF) and classify them according to their financial sophistication and communicate the SAF results to the Fund. The Fund is exposed to fixed income securities and is suitable for conservative investors with short term (<1yr) investment horizon.

### **REQUIREMENTS FOR ACCOUNT OPENING**

Any qualified investors may submit the following documents through the principal distributor, FAMI, or through any authorized investment solicitor:

- The Know-Your-Customer (KYC) documents (*may be updated from time to time*)
- a. Account Opening Form (AOF), Customer Data Sheet (CDS), Signature Card (per investor)
  - b. Photocopy of at least one (1) valid government-issued ID
  - c. Subscription/initial payment to First Metro Save and Fixed Income Fund, Inc.

For investors other than individuals, the following documents, in addition to the AOF, CDS, Signature Card and valid government-issued ID, must be submitted and shall be considered integral parts thereof:

- a. Investor's SEC Certificate of Registration, Articles of Incorporation and By-Laws;
- b. Latest Audited Financial Statement (AFS);
- c. Latest General Information Sheet (GIS);
- d. Notarized corporate secretary's certificate setting forth the resolutions of the Investor's Board of Directors or equivalent body:
  - i. Authorizing the purchase of the shares of the Fund;
  - ii. Designating the signatories for the purpose; and
  - iii. Certifying the percentage of capital stock held by non-Filipinos.

Applications for the number of shares and the applicable NAV are subject to acceptance and approval by the Principal Distributor. The Issuer or its Principal Distributor reserves the right to accept, reject, or reduce the number of shares subscribed for in any application at its discretion in such a manner that it may deem appropriate.

An application, once accepted, shall constitute an agreement between the Investor and the Fund Manager and Principal Distributor at the time, in the manner and subject to the conditions set forth in this Prospectus and the Application.

## **OFFERING PRICE AND SALES LOAD FEES**

The net asset value computation shall be made in accordance with the valuation method indicated in the prospectus and shall be applied consistently. Any change in the NAVPS computation or valuation method shall be subject to approval by the Commission.

The price at which the securities are to be sold is at the NAVPS computed at the end of each banking day. A sales load may also be charged on the day of the purchase.

The daily cut-off time for the receipt of the subscription proceeds shall be 12:00 NN (*may be updated from time to time*). The shares shall be valued based on the NAVPS for the same banking day if the proceeds are received on or before the said cut-off time. For subscriptions received after the cut-off time, it shall be deemed to have been received the following banking day. In both instances, a sales load fee may be charged based on the total price of the subscription.

The sales load fee is a maximum of 2%.

## **MINIMUM INVESTMENT**

The minimum initial and additional investment shall be P5,000.00 and P1,000.00 respectively or as otherwise prescribed by the Fund Manager and approved by the Commission.

## **PAYMENT TERMS AND METHODS**

Subscriptions shall be made in the form of cash, check or electronic transfer with a BSP authorized agent bank. All such authorized cash, checks and electronic transfer must be made payable to "First Metro Save and Learn Fixed Income Fund, Inc.," dated as of the date of subscription, and remitted directly to the Principal Distributor at its principal office.

Investors can make payments through FAMI cashier, local bank partners, mobile payment channels and other channels prescribed by the Fund Manager and approved by the Commission. The updated payment methods and procedures are available on the FAMI website, [www.fami.com.ph](http://www.fami.com.ph). A confirmation notice will be sent to the Investors once the subscription has been processed.

## **REDEMPTION OF SHARES**

Investors may redeem/withdraw their existing number of shares by submitting a duly signed Redemption Form accompanied by a photocopy of one (1) valid government-issued ID to the Principal Distributor or to the network of redemption centers acceptable to the Commission.

For redemption requests submitted before the daily cut-off time of 12:00NN (*may be updated from time to time*), the redemption price shall be computed based on the NAVPS on the same banking day when such request is received. Should the request for redemption be received after the said daily cut - off time, it shall be valued at the NAVPS on the following banking day.

An investor is allowed to switch every calendar year for each FAMI fund under every account he/she maintains. Sales load for fund switches, are subject to conditions (*may be updated from time to time*): fresh placements from money market fund, if switched to other funds, would be subject to the normal entry fee; fund switches may be a partial or full transfer from one FAMI fund to another; and the transferred amount should be beyond the originating fund's minimum holding period otherwise, redemption out of FAMI funds would be subject to exit fee of 1%.

Payments for shares redeemed, less any redemption charges and taxes applicable, shall be made within seven (7) banking days from receipt of the request for redemption. Redemption proceeds can be made available to the Investor through bank remittance or to other payment channels acceptable to the Commission.

The Fund may suspend redemption or postpone the date of payment for redemptions in accordance with R.A. 2629 and/or the Implementing Rules and Regulations of the Investment Company Act including its amendments as applicable. The Commission motu proprio or, upon the request of the Fund Manager, may suspend the redemption of securities of ICA if:

- a. The exchange, where eighty percent (80%) of the securities in the Fund's portfolio, is suspended;
- b. Eighty percent (80%) of the securities in the Fund's portfolio, could not be traded or liquidated; or
- c. Whenever necessary or appropriate in the public interest or for the protection of investors.

If the request for suspension of redemption of shares or units is made by the Fund Manager, for any of the grounds mentioned above, the approval of the IOE must be secured.

**MINIMUM HOLDING PERIOD AND REDEMPTION CHARGES**

There shall be a minimum holding period of at least six (6) months and redemption fees shall be deducted out of the redemption proceeds depending on the retention period of the Investor:

<b>Retention Period</b>	<b>Fee</b>
Less than 6 months	Maximum of 1% (excluding VAT)
6 months and beyond	None

**PROCEDURE FOR HANDLING CUSTOMER'S COMPLAINTS**

Investors may coordinate with FAMI through several platforms such as phone call (8891-2860 up to 65), email (fami@firstmetro.com.ph), social media [Facebook, Instagram, Twitter, Viber (@FirstMetroAsset)], and website ([www.fami.com.ph](http://www.fami.com.ph)).

Guidelines for each complaint category are implemented, such as endorsing concerns to specific subject matter expert or assigned Relationship Manager, to ensure speed and efficiency in achieving the goal of solving concerns via shortest handling and waiting time possible.

**DELIVERY OF STOCK CERTIFICATES**

In the interest of economy and convenience, a stock certificate representing ownership of shares in the Fund will not be issued unless requested by the shareholder in writing. Shares are recorded on a stock register; shareholders who do not elect to receive stock certificates have the same rights of ownership as if certificates had been issued to them. Issued stock certificate/s must be surrendered when redeeming the related shares or when transferring such assets from one fund to another. If the certificate is lost, the Investor cannot carry out such transaction in his/her/their Account until the certificate has been replaced, a process which, for legal reasons, can take more than one year. Applicable fees will be charged to replace a lost certificate.



The Investor shall not assign, transfer, or convey this stock certificate, and any of the Investor's rights and obligations, without the prior written consent of FAMI and/or the Fund.

## **BENEFITS TO THE INVESTOR**

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

### **Professional Management**

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

### **Diversification at Low Cost**

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

### **Liquidity**

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

### **Convenience**

Purchase of fund shares shall be through a broker, bank, accredited agent or any authorized distributor.

### **Protecting Investors**

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

## **USE OF PROCEEDS**

The proceeds of the shares of the Fund will be invested in government securities, SEC-registered commercial papers, among other debt instruments, in accordance with the policies and limitations set forth in the "Investment Objective and Restrictions" and other applicable laws. The Fund Manager shall be guided by the Fund's investment policies and legal limitations on investment prescribed by the Board of Directors and subject to the provisions of the ICA Rules and amendments and registration statements of the Fund. The Fund Manager shall exercise due diligence and prudence in connection with the investment of the Fund's assets; but, except for willful misfeasance, bad faith, gross negligence or reckless disregard of its duties. All the proceeds from the sale of shares, including the original subscription payments at the time of incorporation constituting the paid in capital of the Fund shall be held by the custodian bank. If there be any delegation or outsourcing of fund management functions or custody of assets, the Fund shall comply with the requirements of ICA Rule 5.1.6 and 3.3.6, respectively and any amendments thereto.

Expenses charged to the Fund include, but not limited to, SEC filing fees, documentary stamp taxes, registration statement fees, transfer, distribution, directors, and officers and management fees. No material amount of the proceeds is to be used to acquire assets or finance the acquisition of other business. The proceeds will not be used to discharge debt or reimburse any officer, director, employee or shareholder for services rendered, assets previously transferred, money loaned or advanced or otherwise or any expenses.

## DETERMINATION OF OFFER PRICE

The offer price is the NAVPS at the end of the day. NAVPS is computed by dividing net assets (total assets less total liabilities) by the total number of shares issued and outstanding as of the end of the reporting day. A sales load fee may be charged based on the total amount of the subscription.

The value of the assets of the Investment Company shall be determined based on the following:

- a. If quoted in an organized market, based on official closing price or last known transacted price;
- b. If unquoted or quoted investments where the transacted prices are not represented or not available to the market, based on fair value; Provided further that in determining the fair value of the investments, the Fund Manager shall, with due care and good faith:
  - i. Have reference to the price that the Investment Company would reasonably expect to receive upon the sale of the investment at the time the fair value is determined;
  - ii. Document the basis and approach for determining the fair value.

The net asset value shall be calculated by adding:

- The aggregate market value of the portfolio securities and other assets;
- The cash on hand;
- Any dividends on stock trading ex-dividend; and
- Any accrued interest on portfolio securities,

And subtracting:

- Taxes and other charges against the fund not previously deducted;
- Liabilities;
- Accrued expenses and fees; and
- Cash held for distribution to investors of the fund on a prior date.

The Fund Manager will compute and post the NAVPS of the Fund on a daily basis and shall upload daily in its website or industry association, through digital portals such as its website or social media accounts; or post them daily in a conspicuous place at the principal office of the investment company as well as in all its branches or correspondent offices which are designated redemption centers.

## PLAN OF DISTRIBUTION

The Fund does not have any underwriter and has not entered into any underwriting agreement. There are no shares designated to specified persons. There is no plan to apply the shares of the Fund for listing in any exchange. Thus, none of the Fund's shares are to be allocated to an exchange and/or to its members.

First Metro Asset Management, Inc. (FAMI) serves as the Fund's principal distributor. FAMI is licensed by the Commission to act as an Investment Company Adviser wherein the license was renewed last November 27, 2020 and is being renewed annually. The shares of the Fund will be offered through the principal distributor and other eligible sales agents licensed by the Commission, including agents/employees who are Certified Investment Solicitors (CiSol) and Mutual Fund Sub-Distributors, that have entered into an agreement to sell shares with the principal distributor.

As the principal distributor, FAMI will be in-charge of monitoring the Fund's distribution in all its accredited channels and sub-distributors. The following are the active sub-distributors of the Fund: First Metro Securities, COL Financial, Wealth Securities, Unicapital Securities, AB Capital Securities and CiSols. The sub-distributors may invest in the Fund for and in behalf of its customers and in accordance with specific instructions of the latter provided thru the sub-distributor's online platform or electronic means as approved by the SEC and provided or allowed by the sub-distributor's MFD license to

distribute the Fund. FAMI shall monitor their compliance with the Investment Company Act and its implementing rules and regulations through submission of daily reports per channel.

FAMI's marketing strategy will leverage on the strategic partnership of CEAP, Marist Brothers Congregation and First Metro Investment Corp. through joint programs or events that cater to their employees and other internal staff. It likewise capitalizes on its affiliation with the Metrobank Group.

The Fund will pay its principal distributor a monthly distribution fee equivalent up to a maximum of one-and-seventy-five percent (1.75%) per annum of the average net asset value of the Fund's assets, computed on a daily basis. In addition, as Investment Manager, FAMI shall be paid an incentive fee equivalent to 10% of the realized appreciation in the value of the fund's net assets in excess of the benchmark or any of its prior years' highest performance whichever is higher. The sales load, which will be directly used for commissions of sub-distributors, will not be more than 2%.

## **DESCRIPTION OF SECURITIES TO BE REGISTERED**

The Fund's authorized capital is One Billion Seven Hundred Million Pesos (Php1,700,000,000), composed of One Billion Seven Hundred Million (1,000,000,000) unclassified common shares with a par value of One Peso (Php1.00) per share.

Each shares of stock of the Fund shall have voting rights equal to every other outstanding share of stock of the same Fund in accordance with the Revised Corporation Code of the Philippines, and subject to the following:

### **Right of Redemption**

The holder of any share of the Fund, upon presentation of the duly accomplished redemption form, shall receive by way of redemption approximately his proportionate share in the Fund's current net assets or the cash equivalent thereof, i.e., the net current asset value per share, subject to existing laws and the By-Laws of the Fund.

### **Waiver of Pre-emptive Rights**

No stockholder shall, because of his ownership of stock, have a pre-emptive or other right to purchase, subscribe for, or take any part of any stock or of any other securities convertible into or carrying options or warrants to purchase stock of the Fund.

### **Distribution of Dividends**

Each shareholder has a right to any dividends that may be declared by the Fund in accordance to the Revised Corporation Code of the Philippines.

### **Right to Information**

The shareholders shall be provided, upon request, with periodic reports and information relating to matters for which the Fund is accountable for and should disclose to the shareholders. Except as may be provided other under the ICA-IRR as to manner or form of conveying reports or information to shareholders, each shareholder has a right to be notified of the matters concerning changes in the Fund through posting in the Fund's website and/or the office/s of the Fund's distributors or as prescribed by the Commission within the applicable period specified in the ICA-IRR. The Fund Manager shall maintain records and arrange for participants to receive accounts, reports and statements either in hard/physical copies or by electronic means such as but not limited to, transmitting via electronic communication with soft-copy attachments or as amended by the Commission.

There are also no provisions in the Articles of Incorporation or By-Laws that would delay, deter or prevent a change in control of the Fund.

In case of dissolution, all the shareholders have all the rights and entitlements granted to them under the Revised Corporation Code, the ICA and other relevant laws. The Fund Manager shall immediately stop the offer of shares and carry out the liquidation of assets within maximum of six (6) months from the receipt of the Investment Company the Order revoking the registration statement and its Certificate. Likewise, the Fund Manager shall file a monthly report to SEC, within ten (10) days after the end of every month, on the redemption of securities in the immediately preceding month. The report shall include the following: 1) number of shares redeemed, 2) number of shareholders whose securities were redeemed, 3) number of shareholders whose securities are yet to be redeemed, 4) reasons why their securities are not yet redeemed.

The Fund Manager shall carry out the liquidation of assets on behalf of the Fund. In all cases of revocation of the Registration Statement and Certificate of Permit to Offer Securities for Sale, the Fund Manager must liquidate the assets within a maximum period of six (6) months from the receipt of the Investment Company of the Order revoking the Registration Statement and its Certificate. The Fund must wind up or amend its business purposes within one (1) year from receipt of the same. The Fund and the Fund Manager shall comply with R.A. 2629 and/or the Implementing Rules and Regulations of the Investment Company Act including its amendments as applicable.

### **INTEREST OF NAMED EXPERTS AND INDEPENDENT COUNSEL**

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

### **INFORMATION WITH RESPECT TO THE REGISTRANT**

#### **DESCRIPTION OF BUSINESS**

##### **THE FUND**

The Fund is a Philippine corporation incorporated as an open-end investment company on June 3, 2005. The investment objective is to provide investors with the opportunity to access the capital markets and enable them to reap satisfactory returns on their investments through a selection of medium risk instruments consisting of government securities, commercial paper, corporate bonds and other debt instruments of varying tenors.

There are no sales or revenues and net income contributed by foreign sales (broken down into major markets such as Western Europe, Southeast Asia, etc.) for each of the last three years.

#### **COMPETITION**

The competitive environment for the Fund's product includes not only the products and services offered by the other Mutual Fund players, but all other investment instruments that the Fund's target market has access to.

The Fund's main competitors are the other mutual funds in the Fixed Income Fund category of Philippine mutual funds. As of June 30, 2021, the Fund considers the funds of Sunlife, Philam and ALFM, as its main competitors which represent around 89.95% of the total funds in this category.

<b>Mutual Fund Company</b>	<b>Net Asset Value</b>	<b>Market Share*</b>
ALFM Peso Bond Fund, Inc.	Php 44.32 Billion	71.10%
Philam Bond Fund, Inc.	Php 6.86 Billion	11.01%

Sun Life of Canada Prosperity Bond Fund, Inc.	Php 4.89 Billion	7.84%
First Metro Save and Learn Fixed Income Fund, Inc.	Php 1.95 Billion	3.12%

The institutional funds of this market (especially the bigger ones) evidently have access to almost all types of instruments locally available such as unit investment trust funds, pre-need plans, universal life products, and other bank products. The retail funds and smaller institutional funds, however, are more likely limited to simple bank products. There is a big opportunity to tap into both the institutional and retail investors. The Fund will be competing in terms of investment performance or fund return measured as the NAVPS appreciate over time. The Fund continues to be steadfast on the strategies and abilities of its appointed Fund Manager to effectively compete in this sector.

## DESCRIPTION OF PROPERTY

The Fund has financial assets in the form of cash and fixed income securities. It does not own any real property. As prescribed by SEC rules, all of the Fund's assets must be held by the custodian bank as disclosed in this prospectus.

## MARKET PRICE FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

### MARKET INFORMATION

The shares of First Metro Save and Learn Fixed Income Fund, Inc. are available for purchase through its appointed Principal Distributor and sub-distributors. The shares of the Fund are not traded publicly on an exchange.

Below is the history of Net Asset Value per Share (NAVPS) of the Fund for the first quarter of 2021, and the years 2020, 2019 and 2018:

Year		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2021	High	2.4540	2.4434	-	-
	Low	2.4188	2.4259	-	-
2020	High	2.3845	2.4517	2.4633	2.4540
	Low	2.3404	2.3556	2.4350	2.4421
2019	High	2.2753	2.3154	2.3596	2.3591
	Low	2.2096	2.2526	2.3113	2.3349
2018	High	2.2220	2.2190	2.2194	2.2183
	Low	2.2083	2.2108	2.2144	2.2024

## SHAREHOLDERS

As of May 31, 2021, there are 1,981 shareholders of the Fund.

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

## DIVIDENDS

Under the Revised Corporation Code, the Board of Directors of the Fund may 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 dividends are to be declared, the computation and distribution shall be proportionate to the holdings or ownership of each of the stockholders. A Philippine

corporation may retain all or any portion of such surplus when (i) justified by definite corporate expansion projects or programs approved by the Board of Directors; or (ii) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its/ his consent, and such consent has not yet been secured; or (iii) when it can clearly be shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is need for special reserve for probable contingencies. The Fund shall comply with Revised Corporation Code rulings including its amendments as applicable.

Consistent with the Fund's objective, the Fund may retain the surplus profits of the Fund in the retained earnings account when justified for a definite project or programs approved by the Board of Directors, or prohibited under any loan agreements with financial institutions or creditor, or when the retention is necessary under special circumstances in the Fund. Such accumulation is reflected in the computation of the NAVPS. Shareholders realize their gains when shares are redeemed. To date, there has been no distribution of dividends to shareholders. The Board of Directors of the Fund may amend the dividend policy as conditions warrant as long as the dividends to be declared will not impair the capital stock of the company.

## **LEGAL PROCEEDINGS**

There is no material pending legal proceeding to which the Fund or any of its affiliates is a party or in which any of its properties are the subject of the proceeding.

## **AFFILIATED COMPANIES**

First Metro Investment Corporation (FMIC) is affiliated with the Fund, being its majority founding shareholder. FMIC is the parent company of FAMI, principal distributor and fund manager, and it is also a stockholder of the other investment companies.

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

The Fund's Statements of Financial Position and Statements of Comprehensive Income as of and for the period ended June 30, 2021, and for the years ended December 31, 2020, 2019 and 2018 are presented below:

### **FINANCIAL POSITION**

As of June 30, 2021, the Fund's total assets stood at ₱1.98 billion, lower by ₱0.11 billion from ₱2.09 billion as of December 31, 2020. Total liabilities decreased to ₱99.65 million from ₱103.73 million to 4.08 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 rate ranging from 0.125% to 6.00% and 0.25% to 7.10% in 2021 and 2020, respectively. The decrease of 44.24% or ₱139.85 million from ₱316.13 million to ₱176.29 million was due to lower time deposits during the period.

#### **2. Financial assets**

.Financial assets at FVTPL consists of investments in government and private debt securities. The decrease of 2.21% or ₱21.63 million from ₱977.19 million to ₱955.56 million was mainly due to sale of investments during the quarter. As of June 30, 2021 and December 31, 2020, this account includes

fair value loss of ₱15.66 million and ₱8.41 million loss, respectively.

*Financial assets at Amortized Costs* consists of investments in government and private bonds. The increase of ₱22.82 million or 3.00% from ₱761.19 million to ₱784.01 million was mainly due to additional purchases during the period.

### 3. **Receivables**

This account consists of accrued interest receivable and other receivables. The increase of 174.36% or ₱27.56 million from ₱15.81 million to ₱43.36 million was due to higher accrued interest receivable from investments as of reporting date and sale of Fixed Income securities within the cut off period.

### 4. **Other assets**

This account remained at ₱16.01 million which pertains to creditable withholding taxes of the Fund.

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

This account consists of accounts payable, payable to FAMI, accrued expenses, withholding tax and documentary stamp tax (DST) payable. The decrease of 96.06% or ₱99.65 million from ₱103.73 million to ₱4.08 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 ₱11.58 million from ₱1.98 billion to ₱1.97 billion was mainly due to the effect of redemptions and net loss recognized during the period.

*Capital Stock* ended at ₱807.53 million, a decrease of ₱0.70 million from ₱808.23 million, mainly due to redemptions during the period. The Fund's authorized capital stock remained at ₱1.70 billion with par value of ₱1.00 per share. As of June 30, 2021 and December 31, 2020, the total issued and outstanding shares were 807,527,334 and 680,802,846, respectively, while the total number of holders of redeemable common shares is 1,979 and 1,955, respectively.

*Additional paid in capital* went down by ₱0.72 million from ₱1.08 billion to ₱1.07 billion due to redemptions made during the year.

*Retained earnings* decreased by 10.45% or ₱10.16 million from ₱97.19 million to ₱87.03 million mainly due to results of operations recognized during the year.

## RESULTS OF OPERATIONS

For the quarter ended June 30, 2021, the Fund realized a net loss of ₱10.17 million, lower by 116.47% or ₱71.94 million from last year's net loss of ₱61.76 million. Detailed discussions on the changes in the statement of income accounts are as follows:

### 1. **Interest income**

This account includes interest income earned from cash and cash equivalents, investments in government and private debt securities. Interest income dropped by 12.23% or ₱4.46 million from ₱36.48 million to ₱32.02 million mainly due to lower volume of investments in debt securities during the period.

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

This account includes realized and unrealized loss incurred from trading investments in debt securities. The decrease of 131.64% or ₱65.18 million from ₱49.51 million gain to ₱15.66 million loss was mainly due to lower realized gain from the sale and result of changes in fair value of debt securities held for trading during the quarter.

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

This account increased by ₱3.02 million from ₱15.91 million to ₱18.94 million mainly due to the increase in management fees relative to the increase in the Fund's net assets.

**4. Taxes and licenses**

This account pertains to taxes other than income tax, such as DST and local taxes. The increase of 111.46% or ₱0.55 million from ₱0.59 million to ₱1.05 million was due to higher DST incurred for the period.

**5. 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 ₱0.18 million for the quarter ended June 30, 2021 and 2020.

**6. Professional fees**

This account represents audit fees and other professional fees incurred by the Fund amounting to ₱0.16 million for the quarter ended June 30, 2021 and 2020.

**7. Custodian and clearing fees**

This account pertains to fees paid to the custodian of the Fund amounting to ₱0.13 million for the quarter ended June 30, 2021 and 2020.

**8. Miscellaneous expenses**

This account increased by 175.86% from last year's ₱0.02 million to ₱0.06 million mainly due to lower membership fee and dues and bank charges paid by the Fund during the period.

**2020**

**Financial Position (December 31, 2020 vs. December 31, 2019)**

As of December 31, 2020 and 2019, the total resources of the Fund increased by 29.65% or P447.17 million. The changes in total assets were primarily due to the movements in the following accounts:

**1. Cash and cash equivalents**

Cash and cash equivalents include cash in bank, time deposits and short-term placements. This account increased by 61.07% or P119.86 million primarily due to unpaid purchases of stocks and payable to shareholders for the unpaid redemption proceeds.

Cash in banks earn interest at the respective bank deposit rates. Time deposits bear annual interest rates ranging from 0.125% to 2.25%, and from 0.25% to 6.00% in 2020 and 2019, respectively.

**2. Financial assets at FVTPL**

Financial assets at FVTPL grew by P25.10 million or 2.64% from P952.09 million in 2019 to P977.19 million in 2020, mainly due to the additional investment in government and private debt securities during the year.

This account comprises of investments in private corporate and government bonds that bear annual interest rates ranging from 2.55% to 6.88% and from 4.25% to 8.00% in 2020 and 2019, respectively. The carrying values of financial assets at FVTPL include unrealized gain or loss of P6.93 million and P8.80 million in 2020 and 2019, respectively.

**3. Financial assets at amortized cost**

This account consists of private and government bonds that are purchased with the intention of holding the investment to maturity and reported at its amortized cost. The investment grew by



77.91% from P427.86 million to P761.19 million in 2019 to 2020, respectively, due to the additional investments in government and private debt securities during the year.

The bonds bear annual interest rates ranging from 2.58% to 8.00% in 2020 and 4.00% to 7.07% in 2019.

**4. Receivables**

This account decreased by 6.62% or P1.10 million due to lower accrued interest receivable as of reporting date.

Accrued interest receivable represents interests on time deposits, short-term placements, government and private debt securities held by the Fund.

**5. Others asset**

Other asset consists of creditable withholding tax on interest income earned from unquoted debt securities.

**6. Accounts payable and accrued expenses**

This account is composed of due to broker, accounts payable, payable to FAMI, accrued expenses, withholding and documentary stamp tax payable. This account increased by P100.48 million from P3.25 million last year to P103.72 million this year mainly due to higher unpaid purchases of stocks due to broker and payable to shareholders for the unpaid redemption proceeds as of reporting date.

**7. Equity**

The Fund's equity is comprised of its capital stock, additional paid-in capital, retained earnings and net unrealized gain on AFS investments.

*Capital Stock*

The Fund's authorized and issued capital stock follow:

	2020	2019
Authorized	<b>1,700,000,000 shares</b>	1,700,000,000 shares
Issued	<b>808,230,712 shares</b>	680,802,846 shares

The authorized capital of the Fund is P1.70 billion divided into 1.70 billion redeemable shares of P1.00 par value with each share carrying one vote. As of December 31, 2020 and 2019, issued and fully paid shares totaled 0.81 billion and 0.68 billion, respectively. The Fund's capital is represented by these redeemable shares.

On February 25, 2013 and July 13, 2013, the BOD approved and the stockholders ratified the increase in ACS from P1.70 billion (1.70 billion redeemable common shares) to P4.00 billion (4.00 billion redeemable common shares) with par value of P1.00 per share. The BOD adopted a resolution that the increase in the authorized capital stock to P4.00 billion be made in several tranches. The ACS will be initially increased by P1.00 billion while the succeeding increase will be executed upon determination and approval of the BOD without the need of going back to the stockholders for approval.

As of December 31, 2020, the Fund has yet to file an application for the increase in authorized capital stock with the SEC.

As of December 31, 2020 and 2019, the total number of holders of redeemable common shares is 1,896 and 1,722, respectively.

*Additional paid-in capital* increased by P186.37 million or 20.92% mainly due to subscriptions made during the year.

*Retained earnings* rose by P62.89 million or 183.34% due to net effect of the Fund's results of operations and redemption of shares for 2020.

### **Results of Operations (January 1– December 31, 2019 vs. January 1– December 31, 2018)**

For the year ended December 31, 2020, the Fund realized a net income of P62.89 million, 41.69% or P44.97 million lower than the previous year's net income of P107.86 million mainly due to lower trading gain and interest income recognized during the year.

The highlights of the results of operations for the year ended December 31, 2020 are as follows:

#### **1. Interest income**

Interest income amounting to P72.77 million consists of earnings from investments in government and private debt securities and cash and cash equivalents. The decrease of P11.12 million or 13.26% on interest income was due to lower volume of government securities placed by the Fund for the year ended December 31, 2020.

#### **2. Trading and securities gains (losses)**

This account went down by P32.19 million or 43.40%, from P74.17 million to P41.98 million gain due to market decline during the current year.

#### **3. Miscellaneous income**

This account resulted to nil balance during the year and this pertains to various income recognized in the book.

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

This account includes management fees and retainer's fees. The P2.67 million or 8.40% increase from P31.83 million to P34.51 million is mainly attributed to higher accrual of management fee during the year relative to the increase in net assets of the Fund.

#### **5. Taxes and licenses**

Taxes and licenses include documentary stamp taxes and filing fees. Taxes and licenses during the year went rose by P1.69 million or 280.59% due to the higher payment of local taxes in 2020.

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

This account increased by 6.00% mainly due to higher directors' and officers' per diem and bonus this year.

#### **7. Custodian and clearing fees**

Custodian and clearing fees pertain to payment made to the custodian of the Fund.

#### **8. Professional fees**

This account increased by 6.28% mainly due to higher audit fee and other professional services acquired during the year.

#### **9. Transaction charges**

Transaction charges includes transaction and mapping fees paid equivalent to 0.0025% of the face amount of fixed income securities traded during the year. This account decreased by 56.78% mainly due to lower transaction charges during the year.

#### **10. Miscellaneous fees**

Miscellaneous fees consist of notarial fee, membership fee and dues, postage and mailing fee and bank charges paid by the Fund. This account increased by 9.09% mainly due to higher other operating expenses.

## 2019

### Financial Position (December 31, 2019 vs. December 31, 2018)

As of December 31, 2019 and 2018, the total resources of the Fund declined by 0.27% or ₱4.31 million. The changes in total assets were primarily due to the movements in the following accounts:

#### 1. Cash and cash equivalents

Cash and cash equivalents include cash in bank, time deposits and short term placements. This account decreased by 52.08% or ₱213.28 million primarily due to decrease in the Time Deposit placements.

Cash in banks earn interest at the respective bank deposit rates. Time deposits bear annual interest rates ranging from 0.25% to 3.75% and from 0.25% to 7.10% in 2019 and in 2018, respectively.

#### 2. Financial assets at FVTPL

Financial assets at FVTPL grew by ₱352.26 million or 58.73% from ₱599.84 million in 2018 to ₱952.09 million in 2019, mainly due to the additional investment in government securities during the year.

This account comprises of investments in private corporate and government bonds that bear annual interest rates ranging from 4.25% to 8.00% for the year 2019 and 5.38% to 8.00% for the year 2018. The carrying values of financial assets at FVTPL include unrealized gain or loss of ₱8.80 million and ₱2.54 million in 2019 and 2018, respectively.

#### 3. Financial assets at amortized cost

This account consists of private and government bonds that are purchased with the intention of holding the investment to maturity and reported at its amortized cost. The investment went down by 26.11% from ₱579.01 to ₱427.86 million in 2018 and 2019, respectively, due to the maturity of some investments.

The bonds bear annual interest rates ranging from 4.00% to 7.07% and from 4.00% to 5.63% in 2019 and 2018, respectively.

#### 4. Receivables

Receivables comprised of accrued interest receivables and other receivables.

Accrued interest receivable as of December 31, 2019 and 2018 represents interests on time deposits, short-term placements, government and private debt securities held by the Fund.

#### 5. Other asset

Other asset consists of creditable withholding tax on interest income earned from unquoted debt securities.

#### 6. Accounts payable and accrued expenses

This account is composed of accounts payable, payable to FAMI, accrued expenses, withholding and documentary stamp tax payable. Accounts payable and accrued expenses went down by ₱2.63 million or 44.73% from ₱5.88 million at the beginning of the year to ₱3.25 million at the end of the year mostly due to the decline in unclaimed redemptions and reduction of unidentified deposits by clients.

#### 7. Equity

The Fund's equity is comprised of its capital stock, additional paid-in capital, retained earnings and net unrealized gain on AFS investments.

*Capital Stock*

The Fund's authorized and issued capital stock follow:

	2019	2018
Authorized	<b>1,700,000,000 shares</b>	1,700,000,000 shares
Issued	<b>680,802,846 shares</b>	729,101,211 shares

The authorized capital of the Fund is ₱1.70 billion divided into 1.70 billion redeemable shares of ₱1.00 par value with each share carrying one vote. As of December 31, 2019 and 2018, issued and fully paid shares totaled 0.68 billion and 0.73 billion, respectively. The Fund's capital is represented by these redeemable shares.

On February 25, 2013, the BOD approved the increase in authorized capital stock from ₱1.70 billion divided into 1.70 billion shares with a par value of ₱1.00 per share to ₱4.00 billion divided into 4.00 billion shares with a par value of ₱1.00 per share. This action was ratified by the stockholders on July 13, 2013. The BOD also adopted a resolution that the increase in the authorized capital stock to ₱4.00 billion be made in tranches. The authorized capital stock will be initially increased by ₱1.00 billion while the succeeding increase will be executed upon determination and approval of the BOD without the need of going back to the stockholders for approval.

As of December 31, 2015, the Fund has yet to file an application for the increase in authorized capital stock with the SEC.

As of December 31, 2019, 2018 and 2017, the total number of holders of redeemable common shares is 1,722, 1,822 and 1,951, respectively.

*Additional paid-in capital* went down by ₱46.75 million for 2019 as compared to previous year.

*Retained earnings* rose by ₱93.37 million or 158.07% due to net effect of the Fund's results of operations and redemption of shares for 2019.

**Results of Operations (January 1– December 31, 2019 vs. January 1– December 31, 2018)**

For the year ended December 31, 2019, the Fund posted a net income of ₱107.86 million compared to a net loss of ₱10.97 million in 2018 as the Fund's operating expenses decline during the year.

The highlights of the results of operations for the year ended December 31, 2019 are as follows:

**1. Interest income**

Interest income amounting to ₱83.90 million consists of earnings from investments in financial assets at FVTPL, financial assets at amortized cost investments, receivables and cash and cash equivalents. The increase of ₱9.29 million on interest income was due to higher volume of government securities placed by the Fund for the year ended December 31, 2019.

**2. Trading and securities gains (losses)**

This account rose by ₱107.50 million or 322.56%, from ₱33.33 million loss to ₱74.17 million gain due to market improvements during the current year.

**3. Miscellaneous income**

Miscellaneous income consists of various income recognized during the year.

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

This account includes management fees and retainer's fees. The ₱4.57 million or 12.56% decline from ₱36.40 million to ₱31.83 million is mainly attributed to lower accrual of management fee during the year relative to the decrease in net assets of the Fund.

**5. Taxes and licenses**

Taxes and licenses includes documentary stamp taxes and filing fees. Taxes and licenses during the year went down by ₱0.10 million or 14.30% due to the lower payment of local taxes in 2019.

**6. Directors' and officers' fees**

This account pertains to payment of directors' and officers' per diem and bonus for the year.

**7. Custodian and clearing fees**

Custodian and clearing fees pertains to payment made to the custodian of the Fund. The 6.05% increase of this account was due to the higher custody fee caused by the growth in outstanding portfolio of the Fund for 2019.

**8. Professional fees**

This account pertains to audit fee and other professional services acquired during the year.

**9. Transaction charges**

Transaction charges includes transaction and mapping fees paid equivalent to 0.0025% of the face amount of fixed income securities traded during the year.

**10. Miscellaneous fees**

Miscellaneous fees consists of notarial fee, membership fee and dues, postage and mailing fee and bank charges paid by the Fund.

**Plan of Action**

FAMI is licensed by SEC to act as Investment Company Adviser/Manager, Administrator and Principal Distributor of mutual funds.

Being the principal distributor of the Fund's shares of stock, it intends to increase its marketing network and accredit sub-dealers or agents to sell the Fund's share.

**Subsequent Events**

There were no material subsequent events that occurs after the year ended December 31, 2020.

**Other Matters**

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, which was subsequently extended to May 15, 2020, for NCR and other areas in Luzon which were considered high-risk areas. While the low-risk to moderate-risk areas in Luzon and the rest of the country were placed under general community quarantine (general community quarantine (GCQ) or a less strict quarantine).

Subsequent to May 15, 2020, the NCR, Laguna and Cebu had been subjected to modified enhance community quarantine (MECQ). Beginning June 1, 2020, NCR and certain areas were put under GCQ until July 31, 2020. Thereafter, NCR, Bulacan, Cavite, Laguna, and Rizal were then put under MECQ

beginning August 4, 2020 until August 18, 2020. GCQ was imposed again in NCR and certain areas from August 19, 2020 until December 31, 2020.

On September 16, 2020, Proclamation No. 1021 was issued, extending the State of Calamity throughout the Philippines due to COVID-19 for a period of one-year effective September 13, 2020 to September 12, 2021, unless earlier lifted or extended as circumstances may warrant.

On December 28, 2020, the government further extended the GCQ until January 31, 2021 in NCR and nine (9) other areas in Luzon and Visayas. The rest of the country was under modified GCQ until January 31, 2021. On January 29, 2021, NCR and certain areas in the Philippines continued to be under GCQ until February 28, 2021, while the rest of the country as under modified GCQ. On February 27, 2021, the GCQ in NCR and other nine areas in the Philippines is extended until March 31, 2021. On March 21, 2021, the GCQ is extended in NCR surrounding provinces of Bulacan, Cavite, Laguna and Rizal starting March 22, 2021. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

FAMI, the Fund's Fund Manager, implements a work-from-home set-up that will be effective until the enhanced community quarantine is lifted for all its employees to resolve the impact of the pandemic. At this stage, known impact of COVID-19 to the Fund includes the decrease in net asset value due to fair valuation losses on investments in 2020.

Aside from the issued disclosed above, the Fund Manager is not aware of any event and/or uncertainties that:

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

## **DISCUSSION OF KEY PERFORMANCE INDICATORS**

The Fund has identified the following as its key performance indicators - performance vs. benchmark, net income and market share. The Fund's performance can be measured against 60% Bloomberg Philippine Sovereign Bond Index AI + 30% S&P Philippines Corporate Bond Index + 10% PH 30day Saving Rate (Net of 20% WHT). The Bloomberg Index consists of PHP-denominated government bond while S&P Corporate Index also tracks the performance of local-currency denominated corporate bonds from the Philippines. Full details on the benchmark are available on the website of Bloomberg and S&P Global.

The Fund was incorporated on June 3, 2005. It seeks to provide a high level of current income that is consistent with the preservation of capital and liquidity.

FAMI serves as its Investment Company Adviser and Principal Distributor. With the SEC's approval of FAMI's license to act as such on September 6, 2005, active management of the Fund's assets was initiated during the latter part of the same month with the objective to consistently outperform its benchmark and achieve a sizable net income.

The Fund has an initial capitalization of P50.00 million which translates to a minimal share in the mutual fund industry (under the bond fund category).

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

- *Net Asset Value per Share.* Net Asset Value per share decreased to P2.4410 as of June 30, 2021 from P2.4532 as of December 31, 2020. The Fund’s average daily net asset value increased by 11.94% or P207.82 million from P1.74 billion as of December 31, 2020 to P1.95 billion as of June 30, 2021.
- *Sales for the period ended.* The Fund’s total sales of P255.21 million for the period ended June 30, 2021 was 119.13% or ₱138.74 million higher than P116.46 million sales for the same period last year.
- *Redemptions for the period ended.* The Fund’s total redemptions of P 256.63million for the period ended June 30, 2021, was 107.54% or ₱132.98 million higher than last year’s P132.98 million.
- *Net Income (Loss) vs. Benchmark.* The Fund incurred ₱10.17 million net loss for the period ended June 30, 2021, ₱71.94 million lower than ₱61.76 million net loss for the same period last year.
- *Market Share vs. Benchmark –* As of June 30, 2021 the Fund garnered 3.15% share in the Fixed Income Funds (Peso) category while 0.50% share among all mutual funds in terms of net assets. On the basis of account holders, the Fund has 1,979 account holders or 3.24% of the total accounts in the Fixed Income category (Peso) category.

The following basic ratios measure the financial performance of the Company for the period ended June 2021 and June 2020:

	As of		
	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)	December 31, 2020 (Audited)
Current ratio <sup>1/</sup>	35585.16%	35478.10%	1262.03%
Acid test ratio <sup>2/</sup>	35585.16%	35478.10%	1262.03%
Debt-to-equity ratio <sup>3/</sup>	0.21%	0.21%	5.23%
Asset-to-equity ratio <sup>4/</sup>	100.21%	100.21%	105.23%
Interest rate coverage ratio <sup>5/</sup>	n.a.	n.a.	n.a.
Profitability ratios:			
Return on assets <sup>6/</sup>	-2.00%	1.88%	3.40%
Return on equity <sup>7/</sup>	-2.06%	1.89%	3.50%

<sup>1/</sup> Current Assets divided by Current Liabilities

<sup>2/</sup> Quick Assets (Cash and cash equivalents, Financial assets at FVTPL securities and Current receivables) divided by Current Liabilities

<sup>3/</sup> Total Liabilities divided by Total Equity

<sup>4/</sup> Total Assets divided by Total Equity

<sup>5/</sup> Earnings Before Interest and Tax divided by Interest Expense

<sup>6/</sup> Annualized Net Investment Income divided by Average Total Assets

<sup>7/</sup> Annualized Net Investment Income divided by Average Total Equity

## CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

### Audit and Audit-Related Fees

For 2020 and 2019, aggregate fees billed for professional services rendered by the external auditor for the audit of the Fund’s annual financial statements amounted to ₱231,067.

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 refer thereto in their respective reports on the financial statements for such years.

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 2020, 2019 and 2018. The reports of auditors on the financial statements of the company for the years ended December 31, 2019, 2018 and 2017 contained unqualified opinions.

**Tax Fees**

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

**All Other Fees**

There are no other fees billed by the external auditor for any other products and services for the last two fiscal years.

The Fund’s audit and compliance committee reviews the client service plan and service fee proposal presented by the external auditor and recommends such for the approval of the Board of Directors, if found acceptable. Under the supervision of the Audit Committee, rules and procedures on financial reporting and internal control shall be formulated in accordance with the following guidelines: the Fund should consistently comply with the financial reporting requirements of the Commission; the external auditor should be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Fund, should be changed with the same frequency; and amendments approved by the Board or as required by the Commission.

**DIRECTORS AND OFFICERS OF THE FUND**

The Board of Directors is responsible for conducting all the businesses of the Fund. It shall exercise general supervision over the duties performed by the Fund Manager, Principal Distributor, Transfer Agent and Custodian of the Fund. The number of directors of the corporation as stated on the Articles of Incorporation shall be five (5) who are to serve until their successors are elected and qualified as provided by the By-Laws.

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

NAME	CITIZENSHIP	AGE	POSITION
Bro. Manuel V. de Leon	Filipino	62	Chairman
Victor A. Abola	Filipino	76	President
Eduardo S. Mendiola	Filipino	64	Director
Fr. Rafael K. Eloriaga, CM	Filipino	56	Independent Director
Edgar B. Solilapsi	Filipino	68	Independent Director
Nimfa B. Pastrana	Filipino	58	Corporate Secretary
Maricel L. Madrid	Filipino	41	Treasurer
Jonathan T. Tabac	Filipino	65	Compliance Officer

Below is a description of the business experiences of each director/officer during the last five (5) years:

**BRO. MANUEL V. DE LEON, FMS**

Chairman

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 & 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.

### **VICTOR A. ABOLA**

President

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&P). He is the Executive Director of the UA&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 & 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).

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 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).

### **EDUARDO S. MENDIOLA**

Director

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 & 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.

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.

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.

**FR. RAFAEL K. ELORIAGA, CM**

Independent Director

Fr. Rafael K. Eloriaga, 56, Filipino, term of office is one year. Independent Director for First Metro Save and Learn Fixed Income Fund, Inc., First Metro Save and Learn Equity Fund, Inc. and First Metro Asia Focus Equity Fund, Inc.

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

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

**EDGAR B. SOLILAPSI**

Independent Director

Mr. Edgar B. Solilapsi, 68, Filipino, term of office is one year. Independent Director for First Metro Save and Learn Fixed Income Fund, Inc. and First Metro Save and Learn Equity Fund, Inc. Mr. Solilapsi served as the Executive Vice President (EVP) for Investments in the Social Security System (SSS) (2010 to 2014). Prior to his stint as EVP, he held various positions in SSS from 1988 to 2010. Prior to joining SSS, Mr. Solilapsi held various positions in other institutions, He was also Teacher for International School and a professional lecturer at the University of the Philippines College of Business Administration.

Mr. Solilapsi received his Bachelor of Science in Mathematics degree from the University of the Philippines in 1973 and earned a master in business administration from the University of the Philippines in 1981. He also took a course on Operations Research / Management Science, Fellow, Life Management, from the Institute of Atlanta, Georgia also in 1981.

**OFFICERS**

**MARICEL L. MADRID**

Treasurer

Ms. Maricel Madrid, 41 years old, Filipino. Term of office is one year. Ms. Madrid joined First Metro Investment Corporation as First Vice President in November 2017. She currently heads the company's Controllershship Group and holds directorship with SBC Properties, Inc., Prima Ventures Development Corporation and FMIC Equities, Inc. Ms. Madrid also serves as the Adviser to the Board and the Audit Committee for First Metro Securities Brokerage Corporation and the Treasurer of First Metro Asset Management, Inc., First Metro Save & Learn Equity Fund, Inc., First Metro Save and Learn Balanced Fund, Inc., First Metro Save and Learn Fixed Income Fund, Inc., First Metro Save & Learn Dollar Bond Fund, Inc., First Metro Asia Focus Equity Fund, Inc., First Metro Save and Learn Money Market Fund, Inc. and First Metro Save and Learn FOCCUS Dynamic Fund, Inc.

She has almost 20 years of solid experience in the banking industry in the areas of audit, risk management, controllershship and finance. She was the Controller during her six years stint with East West Banking Corporation. She served as a director and a member of the audit committee for one of the subsidiaries of East West Bank. She also held key management positions for some entities under East West Bank Group. She started her career as an external auditor with Punongbayan & Araullo.

Ms. Madrid is a Certified Public Accountant and graduated cum laude with a degree of Bachelor of Science in Accountancy from the University of Santo Tomas.

**ATTY. NIMFA B. PASTRANA**

Corporate Secretary

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 & 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 & 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.

**JONATHAN T. TABAC**

Compliance Officer

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

**INCORPORATORS**

The following are the incorporators of the Fund:

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

**SIGNIFICANT EMPLOYEES**

The Fund has no significant employees or persons other than the above-mentioned directors and officers who are expected to make a significant contribution to the business of the Fund.

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

## INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

None of the directors or executive officers of the Fund, its Fund Manager, and its Fund Manager's directors and officers were involved during the past five (5) years in any legal proceeding which is material to an evaluation of their ability or integrity to serve as such, including, bankruptcy petition, conviction by final judgment, domestic or foreign criminal proceeding, being subject to any order, judgment or decree, or violation of a securities, banking or commodities law. Likewise, there is no material pending legal proceeding to which the Fund, any of its affiliates is a party or in which any of its properties are the subject of the proceeding.

## EXECUTIVE COMPENSATION

The Fund pays its directors, corporate secretary and officers as per diem of P10,000.00, P3,000.00, P2,500.00, respectively, The payment is given during the Annual Stockholders' and regular board meetings.

	2021 (Estimated)	2020	2019	2018
Directors	₱250,000	₱233,268	₱225,000	₱205,000
Executive Officers	77,500	76,239	67,000	77,000
Aggregate Annual Per Diem	₱327,500	₱309,507	₱225,000	₱282,000

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

## SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AND MANAGEMENT

### SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNER

The following stockholders own more than 5% of the common voting securities as June 30, 2021:

Title of Class	Name and Address of Owner	Name of Beneficial Owner	Citizenship	No. of Shares Held	Percent to Outstanding Shares
Common Shares	First Metro Investment Corporation (FMIC) <sup>1/</sup>	Same	Filipino	175,807,043	21.59%
Common Shares	Metrobank Trust Banking as IM for Girl Scout of the Philippines <sup>2/</sup>	Same	Filipino	48,230,464	5.92%
Common Shares	Gawad Kalinga Community Devt. Foundation Inc. 2F Cheng Bldg., 212 Haig St. Daang Bakal	Same	Filipino	40,994,565	5.03%

<sup>1/</sup> First Metro is the registered owner of the shares in the books of the Company. The Board of Directors of First Metro 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 Metro is Mr. Francisco C. Sebastian or Mr. Rabboni Francis B. Arjonillo or any officers appointed by the Board.

<sup>2/</sup> Metrobank Trust Banking as IM for Girl Scout of the Philippines is the registered owner of the shares in the books of the Company. The Board of Directors of Metrobank Trust Banking as IM for Girl Scout of the Philippines

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 Metro is Mr. Eduardo C. Ramirez or any officers appointed by the Board.

<sup>13</sup> Gawad Kalinga Community Devt. Foundation Inc. is the registered owner of the shares in the books of the Company. The Board of Directors of Gawad Kalinga 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 Gawad Kalinga is Mr. Luis Oquinena, Chairperson, or any officers appointed by the Board.

## SECURITY OWNERSHIP OF MANAGEMENT

Following are the securities owned by directors and officers of the Fund as of June 30, 2021:

Title of Class	Name of Beneficial Owners	Amount and Nature of Ownership	Citizenship	Percent to Outstanding Shares
Common Shares	Manuel V. De Leon	1	Filipino	0.000%
Common Shares	Fr. Rafael K. Eloriaga*	1	Filipino	0.000%
Common Shares	Victor A. Abola	1	Filipino	0.000%
Common Shares	Edgar B. Solilapsi*	1	Filipino	0.000%
Common Shares	Eduardo S. Mendiola	1	Filipino	0.000%
Common Shares	Nimfa B. Pastrana	4,000	Filipino	0.001%
Common Shares	Jonathan T. Tabac	94,531	Filipino	0.012%

\*Independent Director

## VOTING TRUST

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

## CHANGE OF CONTROL

There has been no change in control of the Fund since the beginning of the last fiscal year. There is no arrangement which may result in a change in control of the Fund.

## CERTAIN 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.

Related party transactions consist mainly of management and other fees paid in accordance with the management agreement with FAMI as Fund Manager.

## RULES AND REGULATIONS GOVERNING INVESTMENT COMPANIES

### INVESTMENT COMPANY ACT OF 1960

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

of stockholders. The Fund shall comply with R.A. 2629 and/or the Implementing Rules and Regulations of the Investment Company Act including its amendments, as well as other SEC issuances and BSP regulations as applicable.

The Compliance Management Unit (CMU) of the Fund Manager is responsible for the compliance with the requirements of the SEC/PSE, SRC, the ICA, the AMLA regulations, the Data Privacy Act and other relevant rules and regulations. CMU has 2 staffs and is headed by the Chief Compliance Officer who is licensed by the SEC to perform compliance function.

### **PREVENTION OF MONEY-LAUNDERING AND TERRORIST FINANCING**

As part of the Fund's responsibility for the prevention of money-laundering under the Anti-Money Laundering Act of 2001 (AMLC), R.A. 9160, as amended, the Terrorism Financing Prevention and Suppression Act of 2012 (R.A. 10168) and other relevant rules and regulations, the Fund or an entity acting on its behalf may require evidence verifying the identity of a prospective purchaser of shares and the source of the relevant funds. Whether or not such evidence will be required and, if so, the nature and extent of such evidence will depend on the particular circumstances. The Fund and any entity acting on its behalf reserve the right to request such information as considered necessary to verify the identity of a proposed purchaser of shares in each case, and the Fund has absolute discretion to refuse to accept a subscription for shares in the event of delay or failure in the provision of any such information required. The Fund and/or relevant government agencies shall immediately preserve the subject property or funds upon receipt of the notice of a freeze order, in accordance with the order of the court of competent jurisdiction or the AMLC. The owner or holder of the property or funds shall be given a copy of the notice of the freeze order.

### **COMPLIANCE WITH DATA PRIVACY ACT OF 2012 (REPUBLIC ACT NO. 10173)**

To enable the Fund to comply with the requirements of the Data Privacy Act of 2012 (Republic Act No. 10173), the Fund requires all investors to expressly authorize the Fund to collect, process, use, destroy his/her personal and sensitive personal information and any information related to him/her and his/her account as well as its sharing, transfer and/or disclosure to any of the Fund's branches, subsidiaries, affiliates, agents and representatives, industry associations and third parties such as but not limited to outsourced service providers, external auditors, and local and foreign regulatory authorities in relation to any matter including but not limited to those involving anti-money laundering and tax monitoring, review and reporting, statistical and risk analysis, provision of any products, service, or offers made through mail/email/fax/sms/telephone, customer satisfaction surveys; compliance with court and other lawful orders and requirements. The Fund further requires the investors to hold the Funds and FAMI free and harmless from any liability that may arise from any transfer, disclosure, processing, collection, use, storage or destruction of said information.

### **COMPLIANCE WITH FOREIGN ACCOUNT TAX COMPLIANCE ACT**

For purposes of compliance with the Foreign Account Tax Compliance Act (FATCA or Chapter 4 of the US Internal Revenue Code) particularly, Change in Circumstances (in compliance with the Foreign Account Tax Compliance Act also known as FATCA or Chapter 4 of the US Internal Revenue Code), the Fund requires the investors to notify the Funds in writing and provide the required details or documents within thirty (30) days from a change of your circumstances.

Failure to accomplish the foregoing gives the Fund the right to exercise any of the following: a) continue the account on the same terms and conditions; b) continue the investment on the same terms and conditions and deduct from it any amounts that the Fund has to withhold under the applicable laws; or c) terminate your account. The right to terminate the account will only be exercised after the investor have failed to provide the required information within thirty (30) days from written notice from the

Fund and only after the Fund is unable to transfer your policy or take any steps other than termination in order to comply with applicable laws.

## **CORPORATE GOVERNANCE**

All of the directors and officers of the Fund have attended seminars on corporate governance given by a SEC-accredited provider. The Board reviews and updates its Manual on Corporate Governance (“Manual”) at least annually to ensure that it is kept abreast of global leading practices and principles on good corporate governance. At least annually, the directors accomplish a Board Effectiveness Questionnaire to determine their level of compliance, as well as top management’s. There have been no deviations from the manual. The Board recently amended the Corporate Governance manual to incorporate provisions requiring the annual performance evaluation of the BOD members and the executive management. The Fund have adopted self-rating sheets which are being accomplished by the directors and senior officers. Charters of all board-level committees were also updated to incorporate this corporate governance scorecard.

The Fund Manager has put in place a Code of Ethics governing the conduct and behaviour of its employees, directors and suppliers/customers. The Board of Directors also created the Related Party Transactions Committee to address possible conflict of interest situations in its dealings with related parties. The Fund Manager shall avoid any situation or engagement which may lead to conflict of interest and shall refrain from engaging in any other business, transaction or activity which will be prejudicial to the interest of the Company.

## **EFFECT OF EXISTING OR PROBABLE GOVERNMENTAL REGULATIONS ON THE BUSINESS**

Senate and congressional bills amending R.A. 2629, which is the main law that regulates the mutual fund industry, have been filed. The most prominent of these are the bills on the proposed Collective Investment Schemes Law (“CISL”). One of the provisions of the CISL bill is the exemption of the mutual fund companies from certain requirements of the Corporation Code as regards increasing ACS. If passed into law, this would be of possible benefit to the mutual fund companies which, with their numerous stockholders, find it difficult to obtain at least 2/3 votes of eligible stockholders to approve certain corporate actions. The Fund expects the regulatory environment to improve with the passage of the CISL bill to the benefit of investors.

## **TAXATION**

Investors are advised to consult their own professional advisers as to the tax implications of subscribing for, purchasing, holding, and redeeming shares of the Fund. Tax related laws, rules and regulations are factors that are subject to rapid change and which could affect the performance of the Fund.

Gains realized by investors upon redemption of their shares in a mutual fund have been excluded from the definition of gross income effective January 1, 1998, and are, therefore, not subject to personal income tax stated in R.A. # 8424, otherwise known as the Tax Reform Act of 1997.

Dividends received from a domestic corporation by individual investors who are citizens and residents of the Philippines are subject to withholding tax of 10%. Dividends received from a domestic corporation by domestic corporations are not subject to income tax.

A documentary stamp tax (DST) is imposed on every original issuance of stock certificates at the rate of P2.00 for every P200 (or a fraction thereof) of par value. The said DST is paid by the Fund.

Income derived from doing business in the Philippines, net of allowable deductions, is subject to tax at the rate of twenty-five percent (25%) effective July 1, 2020 as amended by the Comprehensive Recovery and Tax Incentives for Enterprises (CREATE) Act (Republic Act 11354).

## **PARTIES INVOLVED IN THE FUND**

### **INVESTMENT MANAGER AND PRINCIPAL DISTRIBUTOR**

First Metro Asset Management Inc., (FAMI), the Investment Manager/Fund Manager and Principal Distributor of the shares of the Fund, was incorporated on April 21, 2005. The guidelines for the investment management, fund administration and shares distribution of the Company are set in the Management and Distribution Agreement between the parties.

The Audit Committee of the Board of Directors was designated and authorized as the Independent Oversight entity (IOE). It performs oversight on the transactions and functions of the Fund Manager to ensure compliance with the requirements of the Registration Statement, other requirements of the SRC, ICA and their implementing rules and regulations. It also has oversight on the processing of subscription and redemption transactions being performed by the Fund Manager.

Under the Agreement, FAMI shall formulate and implement the investment strategy, provide and render management, technical, and administrative services, authorized to purchase and sell investment securities for the account of the Fund FAMI shall provide services to the Funds such as: coordination of the activities; preparation of reports, circulars, notices and other information as may be required from time to time; representation with government offices; and other administrative services; and other roles stated in the Management and Distribution Agreement or as approved by the Commission. Such agreement shall not contain any provision which protects or purports to protect any director or officer of such Fund Manager against any liability to the Investment Company or to its security holders to which it would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of its office. The agreement is presented annually to the Board of Directors for its approval.

The Fund agrees to pay to FAMI, as compensation for the services and facilities provided by FAMI, a monthly fee equivalent up to 1.75% per annum of the average net asset value of the Fund's assets. In addition, as Investment Manager, FAMI shall be paid an incentive fee equivalent to 10% of the realized appreciation in the value of the fund's net assets in excess of the benchmark or any of its prior years' highest performance whichever is higher.

### **CUSTODIAN BANK AND FUND ACCOUNTANT**

The Custodian Bank of the Company is Citibank Philippines. All proceeds from the sale of shares/securities, including the original subscription/payments at the time of incorporation constituting the paid-in capital of the Fund shall be in custody/held by the designated custodian banks. In consideration of the services to be rendered by the custodians, the Fund shall pay the custodians all fees, charges and obligations incurred from time to time for services rendered pursuant to the Direct Custodial Services Agreements between each registrant and custodian with the terms of the fees schedule specified from time to time by the custodian, upon prior notice to the registrants. The designated custodian and fund accounting charge 4bps of total AUM as of month-end. Citibank is the independent entity responsible for the calculation and cross-checking of the Fund's net asset value.

Citibank is also the fund accountant. Under the agreement, Citibank shall calculate the Net Asset Value, maintain the Fund's books and records solely to facilitate NAV calculation, reconcile all custodial and/or broker/clearer statements, periodically provide portfolio and unitholder reports, including NAV reports, transaction reports, trial balances, and such other reports as may be agreed and other roles stated in the Agreement or as approved by the Commission.

Under this agreement, the Custodian Bank shall receive, safe keep, record, and account for the proceeds of the sale of the shares of stock of the Fund. The Custodian Bank shall, likewise, hold all the certificates when applicable, representing the investments made by the Fund Manager in behalf of the Fund in



accordance with the regulations, and other roles stated in the Custodian Bank Agreement or as approved by the Commission.

## **TRANSFER AGENT**

The transfer agent of the Fund is Metropolitan Bank and Trust Company-Trust Banking Group. The primary responsibility of the transfer agent is the accurate record keeping of individual shareholdings and the issuance and cancellation of stock certificates.

Under this agreement, the Stock and Transfer Agent shall provide certain services such as: filing of reports as may be required by the Commission; preparing of list of stockholders for all regular or special meetings; preparing and mailing out all notices, reports, and circulars to all stockholders; preparing and mailing dividend checks; preparing and issuing stock certificates; and registering all liens constituted on the shares of stock of the Fund.

## **EXTERNAL AUDITOR**

The external auditor of the Fund is the accounting firm of Sycip, Gorres, Velayo and Company (SGV & Co.). SGV & Co. will continue being the external auditors for the Fund. The auditor will not have any direct or indirect interest in the Fund or in any securities thereof (including options, warrants or rights thereto) nor has it acted at any time as promoter, underwriter, voting trustee, director, officer or employee of the Fund.

For 2020, aggregate fees billed for professional services rendered by the external auditor for the audit of the Fund's annual financial statements amounted to P231,067, while the aggregate fees paid for the year 2019 is P217,408.

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 2020, 2019 and 2018. The reports of auditors on the financial statements of the company for the years ended December 31, 2019, 2018 and 2017 contained unqualified opinions.

SIGNATURES

Pursuant to the requirements of the Code, this registration statement is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of \_\_\_\_\_ on \_\_\_\_\_.

By:

*[Signature]*  
VICTOR A. ABOLA  
President

*[Signature]*  
MARICEL L. MADRID  
Treasurer

*[Signature]*  
NIMFA BALMES- PASTRANA  
Corporate Secretary

AUG 06 2021

SUBSCRIBED AND SWORN to before me on \_\_\_\_\_ day of \_\_\_\_\_ in MAKATI CITY, Philippines, affiant(s) exhibiting to me their respective IDs, as follows:

NAMES	Government Issued Id and No.
Victor A. Abola	Unified Multi-Purpose ID CRN.
Maricel L. Madrid	Passport No. P39572388
Nimfa Balmes-Pastrana	Unified Multi-Purpose ID CRN. 00396224383

*[Signature]*  
ATTY. GERVACIO B. ORTIZ JR.  
Notary Public City of Makati  
NOTARY PUBLIC  
IBP No. 05729-Lifetime Member  
MCLE Compliance No. VI-0024312  
Appointment No. M-82-(2021-2022)  
PTR No. 8531011 Jan. 4, 2021  
Makati City Roll No. 40091  
101 Urban Ave. Campos Rueda Bldg.  
Brgy. Pio Del Pilar, Makati City

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