

# FINAL PROSPECTUS

RELATING TO THE PUBLIC OFFER OF

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

**FIRST METRO  
SAVE & LEARN EQUITY FUND, INC.**

An Open-End Investment Company  
ISSUER



The number of securities to be offered, as increased, inclusive of what has already been subscribed to upon incorporation is 2.25 Billion (2,250,000,000) shares which corresponds to the authorized capital stock First Metro Save & Learn Equity Fund, Inc. at par value of P1.00 per share. The price at which the additional One Billion (1,000,000,000) shares are to be offered is based on the net asset value per share computed on a daily basis plus a front-end sales load fee. The shares to be offered are unlisted and will be traded through the over-the-counter market.

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

THIS PROSPECTUS IS DATED  
16 JUNE 2015

The number of securities to be offered, inclusive of what has already been subscribed to upon incorporation is 2.25 Billion (2,250,000,000) shares. One Billion (1,000,000,000) shares have been subscribed at par value of P1.00 per share. The price at which the additional One Billion shares are to be offered is based on the net asset value per share computed on a daily basis plus a front-end sales load fee. Using the Net Asset Value per share of Php5.9644 as of March 31, 2015, for the One Billion shares, the total estimated gross proceeds to be raised by the offering is P5,964,400,000. The gross proceeds from the sale of the shares of stock of the registrant shall be held by the Issuer's Custodian Bank which is The Hong Kong and Shanghai Banking Corporation. The shares to be offered are unlisted and will be traded through the over-the-counter market.

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

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

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

On December 4, 2014, the Securities and Exchange Commission (SEC) approved the amendment to the Articles of Incorporation of First Metro Save and Learn Equity Fund, Inc., increasing its authorized capital stock from One Billion Two Hundred Fifty Million (1,250,000,000) to Two Billion Two Hundred Fifty Million (2,250,000,000) common shares. Said amendments were approved by the Board of Directors on February 25, 2013 and ratified by the stockholders on May 23, 2013.

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

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

The total fees payable to First Metro Asset Management, Inc. (FAMI), is a monthly fee equivalent to one point eight seventy five percent (1.875%) per annum of the average net asset value of the Fund's assets, computed on a daily basis. The "net asset value" shall be determined by computing the total value of the Fund's assets less its liabilities in accordance with the procedure used in computing the net asset value of each share of the Fund. In addition, as Investment Manager, FAMI shall be paid an incentive fee equivalent to ten percent (10%) of the realized appreciation in value of the Fund's net assets in excess of the "hurdle rate" defined as: PSEi annual performance +6.5%. FAMI will also receive from the Fund a sales load fee based on the following schedule:

<u>Investment Amount</u>	<u>Sales Load</u>
P5,000 to less than P100,000	2.0%
P100,000 to less than P500,000	1.5%
P500,00 to less than P2,000,000	1.0%
P2,000,000 and above	0.5%

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

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

The information contained in this Prospectus has been supplied by First Metro Save & Learn Equity Fund unless otherwise stated. First Metro Save & Learn Equity Fund accepts full responsibility for the accuracy of the information given herein. First Metro Asset Management, Inc., the Fund Administrator of First Metro Save & Learn Equity Fund, has exerted reasonable efforts to verify the information herein and does not make any representations or warranties as to the accuracy or completeness of the materials contained herein.

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


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



**HECTOR C. DE LEON**  
President

SUBSCRIBED AND SWORN to before this 16<sup>th</sup> day of June 2015, affiant  
exhibiting to me his Passport No. EB3946257 issued on 26 October 2011 at  
DFA Manila and valid until 25 October 2016.

Doc. No. 14;  
Page No. 15;  
Book No. I;  
Series of 2015.



**ATTY. MARGARETE ANGELE B. ROBLES**  
Notary Public for City of Manila  
4 June 21 Decree of 2013  
Appointment No. M-303 (2015-2016)  
IBP Lifetime Member No. 012099  
PTR No. 0421181 / 01-22-2016 / Pasig City  
MCLE Compliance No. IV-0017525 / 04-19-13 / Pasig City  
Roll No. 58052

**SUMMARY OF FINANCIAL INFORMATION**

## STATEMENTS OF ASSETS AND LIABILITIES

	As of March 31		As of December 31	
	2015	2014	2013	
	(Unaudited)	(Audited)	(As restated) (Audited)	
Total Assets	Php7,956,654,318	Php7,395,500,412	Php7,311,415,243	
Total Liabilities	581,377,140	55,217,893	2,250,786,772	
Net Assets	Php7,375,277,178	Php7,340,282,519	Php5,060,628,471	
Net Asset Value per Share (NAVPS)	Php5.9644	Php5.5722	Php4.7548	

## STATEMENT OF INCOME &amp; EXPENSES

	Period ended March 31		Years Ended December 31	
	2015	2014	2013	
	(Unaudited)	(Audited)	(Audited)	
Trading Gain on Investment	Php543,626,912	Php1,379,022,032	(Php164,364,439)	
Dividend Income	39,391,782	116,783,280	111,526,598	
Interest and Miscellaneous Income	5,503,646	20,515,185	23,673,558	
Gross Income	588,522,340	1,516,320,497	(29,164,283)	
Less: Expenses	65,602,959	266,477,952	231,124,088	
Net Income Before Tax	522,919,381	1,249,842,545	(260,288,371)	
Provision for Income Tax	887,247	4,061,306	3,851,629	
Net Income	Php522,032,134	Php1,245,781,239	(Php264,140,000)	

As of March 31, 2015, December 31, 2014 and December 31, 2013, the percentage contributions of the various sources of income are as follows:

	For the Period Ended 31-Mar-15 (Unaudited)		For the Year Ended 31-Dec-14 (Audited)		For the Year Ended 31-Dec-13 (Audited)	
	Amount	%	Amount	%	Amount	%
	Trading Gain on Investment	Php543,626,912	92	Php1,379,022,032	91	(Php164,364,439)
Dividend Income	39,391,782	7	116,783,280	8	111,526,598	382
Interest and Miscellaneous Income	5,503,646	1	20,515,185	1	23,673,558	81
	Php588,522,340		Php1,516,320,497		(Php29,164,283)	

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## RISK DISCLOSURE STATEMENT

### I. GENERAL RISK WARNING

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

### II. PRUDENCE REQUIRED

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

### III. PROFESSIONAL ADVICE

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

## Prospectus Summary

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

### Issuer

First Metro Save & Learn Equity Fund, Inc.

### Investment Objective

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

### Type of Issue

Open-end investment company.

**Shares Offered**

Common stock.

**Par Value**

One Peso (Php1.00) per share.

**Offering Price**

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

**Sales Load Fee**

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

**Minimum Investment**

The minimum initial investment shall be P5,000.00 and the minimum additional investment shall be P1,000.00. All sales shall be on cash basis and installment sales are prohibited.

**Redemption Price**

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

**Daily Cut-Off Time**

12:00 Noon

**Redemption Charge**

<u>Retention Period</u>	<u>Fee</u>
Less than 180 days	1.0%
180 days and beyond	none

**Risks of Investing**

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

may vary, the investor may lose money, and the investor cannot be certain that the Fund will achieve its investment objective.

**Risk Factors**

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

**Stock market risk**

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

**Interest rate risk**

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

**Inflation risk**

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

**Manager risk**

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

it that all the investment policies and restrictions enumerated in this prospectus are strictly followed. The board will meet more often to continually monitor the investment manager's performance in this area.

### Glossary

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

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

which it is the issuer.

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

## The Fund

### Background and Purpose

First Metro Save & Learn Equity Fund is an open-end investment company, which was incorporated on May 27, 2005 and subsequently registered under R.A. 2629 on September 6, 2005. It is principally engaged in the sale of its shares of stock and in the investment of the proceeds from these sales into a portfolio of quality, high grade equity securities. The Fund's main objective is to provide small investors with the opportunity to access the capital markets and enable them to reap satisfactory returns on their investments through prudent selection of equity securities, and the professional management and supervision of the Fund.

### Capitalization and Ownership

The Fund's authorized capital stock is TWO BILLION TWO HUNDRED FIFTY MILLION (2,250,000,000) common shares with a par value of Php1.00 per share. One Billion (1,000,000,000) shares of which represent the recent increase in the authorized capital stock and the same are being registered with the Securities and Exchange Commission.

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

Name	Nationality	Number of shares subscribed	Amount subscribed (in Php)	Percentage (%)
1. First Metro Investment Corporation	Filipino	24,999,991	24,999,991.00	100.00
2. Victor C. Macalincag	Filipino	1	1.00	0
3. Antonio M. Bernardo	Filipino	1	1.00	0
4. Francisco G. Co	Filipino	1	1.00	0
5. Roberto Juanchito T. Dispo	Filipino	1	1.00	0
6. Manuel V. De Leon, FMS	Filipino	1	1.00	0
7. Gloria C. Garrovillo	Filipino	1	1.00	0
8. Eduardo A. Mendoza	Filipino	1	1.00	0
9. Nimfa B. Pastrana	Filipino	1	1.00	0
10. Edwin B. Valeroso	Filipino	1	1.00	0
TOTAL		25,000,000	25,000,000.00	100.00

Pursuant to ICA Rule 35-1(c)(3), the incorporators of the Fund agreed not to sell, transfer, convey, encumber or otherwise dispose of their shares in the Fund within twelve (12) months from the registration date of the Fund.

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

- Right of Redemption – The holder of any shares of stock of the Fund, upon presentation to the Fund or to any of the Fund's duly authorized representatives of the Confirmation Receipt or stock certificate, and upon filing of the duly accomplished redemption form, shall receive by way of redemption approximately his proportionate share in the Fund's current net assets or the cash equivalent thereof, i.e., the net current asset value per share, subject to existing laws and the By-Laws of the Fund.
- Waiver of Pre-emptive Rights – No stockholder shall, because of his ownership of stock, have a pre-emptive or other right to purchase, subscribe for, or take any part of any stock or of any other securities convertible into or carrying options or warrants to purchase stock of the Fund. The Fund's Articles of Incorporation further provide that any

part of such stock or other securities may at any time be issued, auctioned for sale, and sold or disposed of by the Fund pursuant to the resolution of its Board of Directors, to such persons and upon such terms as the Board may deem proper, without first offering such stock or securities or any part thereof to existing stockholders.

- Restrictions on Transfer – No transfer of shares of the Fund, which would reduce the stock ownership or equity interest of Filipino citizens to less than the percentage required by applicable laws or regulations shall be caused or allowed to be recorded in the books of the Fund.
- Distribution of Dividends - As provided for in the Fund's By-laws, the Board of Directors may make arrangements with its stockholders whereby dividends and/or other distributions may be reinvested in the Fund's securities in lieu of cash to be paid to the stockholders. The arrangement with shareholders shall be such that the dividends to be reinvested shall be valued at the net asset value per share of the Fund at the time said dividends are paid.

### Properties

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

### Market Information

There is no principal market where the Fund's shares will be traded, not even in the Philippine Stock Exchange due to its nature as an open-end investment company. The Fund's shares shall be sold by First Metro Asset Management, Inc., its appointed Principal Distributor.

### Market Price

Below is the list of the highest and lowest Net Asset Value per Share (NAVPS) of SALEF for first quarter of 2015 and all quarters of 2014, 2013 and 2012, respectively.

Year		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2015	Highest	5.9811			
	Lowest	5.5628			
2014	Highest	5.1065	5.3472	5.5211	5.6050
	Lowest	4.6756	5.0620	5.2211	5.2815
2013	Highest	5.4617	5.8136	5.3540	5.2222
	Lowest	4.8069	4.7075	4.7210	4.6472
2012	Highest	4.4007	4.5761	5.5776	4.8299
	Lowest	3.7426	4.1954	4.4712	4.5445

**Top 20 Stockholders**

As of March 31, 2015 there are 17,084 shareholders of the Company's common stock. Shown below are the top twenty (20) shareholders, including the number of shares and percentage of ownership held by each. :

NO	ACCOUNT NO	NO OF SHARES	PERCENTAGE OF OWNERSHIP
1	00000007	249,088,945	20.14%
2	17319	69,793,393	5.64%
3	16657	59,292,788	4.80%
4	00001391	40,490,717	3.27%
5	00000430	29,613,604	2.40%
6	16909	26,008,044	2.10%
7	00011195	16,525,183	1.34%
8	00000078	14,751,400	1.19%
9	34350	13,662,944	1.11%
10	00005562	12,714,717	1.03%
11	29926	8,978,353	0.73%
12	00000186	8,289,195	0.67%
13	23726	7,955,684	0.64%
14	14912	6,752,763	0.55%
15	5352	6,711,338	0.54%
16	00000771	6,615,857	0.54%
17	00008984	6,062,597	0.49%
18	00004796	6,047,214	0.49%
19	00008260	5,296,697	0.43%
20	27178	4,872,844	0.39%

**Dividends**

The Corporation Code generally requires a Philippine corporation with surplus profits in excess of 100% of its paid-up capital to declare and distribute such surplus to its shareholders in the form of dividends. Notwithstanding this general requirement, a Philippine corporation may retain all or any portion of such surplus when (i) justified by definite corporate expansion projects or programs approved by the Board of Directors; or (ii) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its/his consent, and such consent has not yet been secured; or (iii) when it can clearly be shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is need for special reserve for probably contingencies.

The Board of Directors of the Fund has adopted a policy, consistent with the Fund's objective of capital appreciation, to retain the surplus profits of



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

The fund has not issued cash dividends since its inception. The Board of Directors of the Fund may decide to declare dividends from the unrestricted retained earnings of the Fund at a time and percentage as the same Board may deem proper and in accordance with law. Dividends, if any, are automatically re-invested.

The Fund may declare or pay dividends but limits those dividends to come from the Fund's accumulated undistributed net income, determined in accordance with good accounting practice and including profits or losses realized upon the sale of securities; or from the Fund's earned surplus so determined for the current or preceding fiscal year.

### **Affiliated Companies**

The following firms are affiliated with the Fund:

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

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

#### **March 31, 2015**

#### ***Financial Position (March 31, 2015 vs. December 31, 2014)***

As of March 31, 2015, the resources of the Fund increased to ₱7.96 billion, an increment of 7.59% or ₱561.15 million from ₱7.40 billion as of December 31, 2014. The changes in total assets are primarily due to the movements in the following accounts:

#### ***a. Cash and cash equivalents***

Cash and cash equivalents represents the Fund's savings and checking accounts as well as time deposits in local banks. Cash in banks earn interest at the respective bank deposit rates while time deposits bear annual interest rates ranging from 0.25% and 0.25% to 2.25% for period ended March 31, 2015 and for the year ended December 31, 2014, respectively.

This account increased by 195.11% or ₱411.52 million mainly due to higher outstanding savings account and time deposits balances this year.

**b. Financial assets at FVPL**

Financial assets at FVPL decreased by ₱105.14 million due to trading of equity securities and private bonds portfolio during the period. As of March 31, 2015, this account consists of quoted equity securities and private corporate bonds amounting to ₱6,705.25 million and ₱217.94 million, respectively, and as of December 31, 2014, the balances were ₱6,816.82 million and ₱211.51 million, respectively. Private bonds bear nominal annual interest rates of 4.63% to 6.00% for both reporting dates.

As of March 31, 2015 and December 31, 2014, this account includes fair value gain of ₱398.48 million and ₱545.62 million, respectively.

**c. Available-for-sale investments (AFS)**

This account represents investments in private corporate bonds which bear annual interest rates ranging from 4.41% to 6.15%. The 5.73% or ₱5.72 million increase was mainly due to the higher market value of securities held as of reporting date.

**d. Receivables**

Loans and receivables consist of accrued interest receivables, due from brokers, dividend receivable and accounts receivables. This account increased by 453.06% or ₱249.05 million from ₱54.97 million to ₱304.02 million mainly due to the following:

Due from brokers represent receivables for securities sold but not yet settled as of reporting date. It increased by ₱248.37 million due to the higher sales transactions of investments as of March 31, 2015.

Dividend receivable pertains to cash dividends which has been declared but not yet collected as of reporting date. The increase of 893.24% or ₱18.69 million from ₱2.09 million to ₱20.78 million was mainly attributable to the higher uncollected dividends as of March 2015.

Accrued interest receivable decreased by ₱0.12 million or 5.88% mainly due to collection of accrued interest receivable while accounts receivable rose by ₱17.49 million due to the advance payment made to broker to exercise stock rights.

**e. Accounts payable and accrued expenses**

Due to brokers represents amounts payable to brokers for securities purchased but not yet settled as of reporting date. The account is short term and is settled three days after the trade date. The decrease of 67.95% or ₱17.89 million from ₱26.33 million to ₱8.44 million is attributed to the lower volume of purchases of stocks as of March 31, 2015.

Accounts payable represents amounts payable to shareholders for the unpaid redemption proceeds, subscriptions without confirmation from clients and per diem payable to Directors under other accounts payable. This account grew by ₱542.48 million due to the increase in redemptions not yet settled. A subscription is confirmed by submitting the required subscription documents. Once confirmed, these subscriptions are reclassified to

equity. During the period, most of the subscriptions were already identified and reclassified under equity.

Payable to FAMI includes management fees, redemption fees and sales load fees. This account rose by 10.17% from ₱11.65 million to ₱12.83 million mainly due to the increase in asset under management this year.

Accrued expenses, which include unpaid professional fees, custodianship fees and retainer's fee, totaled ₱0.68 million, 79.29% or ₱0.30 million higher than year-end balance of ₱0.38 million. The increase was due to higher balances of unpaid custodianship fee and audit fee this year.

Withholding tax payable pertains to taxes withheld from fees payable to the fund manager and various stock transactions. The 10.55% or ₱0.21 million rise from ₱1.97 million to ₱2.18 million was mainly due to increase in management fee this year.

Documentary stamps tax payable decreased by 61.87% or ₱0.12 million and this pertains to unpaid documentary stamp tax as of March 2015.

**f. Capital stock**

The Fund's authorized and issued capital stock follow:

	March 31, 2015		December 31, 2014	
	Shares	Amount	Shares	Amount
Authorized	2,250,000,000	₱2,250,000,000	2,250,000,000	₱2,250,000,000
Issued and outstanding	1,236,547,788	1,236,547,788	1,318,414,776	1,318,414,776

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

As of March 31, 2015 and December 31, 2014, the total number of holders of redeemable common shares (including holders of shares in the deposits for future shares subscription) is 17,074 and 16,842, respectively.

*Increase in Authorized Capital Stock*

On February 25, 2013 and July 13, 2013, an increase in authorized capital stock was approved by the BOD and stockholders, respectively, from ₱1.25 billion (1.25 billion redeemable common shares) to ₱3.00 billion (3.00 billion redeemable common shares) with a par value of ₱1.00 per share. The BOD adopted a resolution that the increase in the authorized capital stock to ₱3.00 billion be made in several tranches. The authorized capital stock will be initially increased by ₱1.00 billion while the succeeding increases will be executed upon determination and approval of the BOD without the need of going back to the stockholders for approval.

The application of the first tranche of increase amounting to ₱1.00 billion was filed with the SEC on December 22, 2014. On December 29, 2014, the SEC has approved the increase in authorized capital stock to ₱2.25 billion. As of March 31, 2015, the application for registration of shares of stock with the SEC is still in process.

**g. *Additional paid-in capital***

Additional paid-in capital declined by ₱336.15 million or 7.37% due to redemptions made during the period.

**h. *Retained earnings***

This account grew by 30.56% due to the Fund's results of operations during the period amounting to ₱522.03 million net of decrease in retained earnings due to redemptions totaling to ₱74.74 million.

**i. *Net unrealized gains / (losses) on available-for-sale investments***

Net unrealized gains/(losses) on AFS investments increased by 179.59% or ₱5.72 million due to the improvement in market value of the Fund's outstanding AFS investments.

**Results of Operations (January 1– March 31, 2015 vs. January 1– March 31, 2014)**

For the period ended March 31, 2015, the Fund posted a net income of ₱522.03 million as compared to ₱459.31 million for the same period in 2014 as the local equities market increased this year.

The highlights of the results of operations for the period ended March 31, 2015 are as follows:

**a. *Trading and securities gain***

This account pertains to the income recognized in the sale and change in the fair value of investments held by the fund during the period. This account increased by 14.93% or ₱70.61 million from ₱473.02 million to ₱543.63 million this year due to improvements in fair market value and realized gains from the sale of equity securities.

**b. *Dividend income***

This account pertains to dividend earned amounting to ₱39.39 million. The decline of 11.38% from ₱44.45 million for the same period last year was due to the lower dividend declared by investee of the shares held by the fund for the period ended March 31, 2015.

**c. *Interest income***

Interest income consists of interest earned from deposit in banks, financial assets at FVPL and AFS investments. This account totaled ₱4.44 million which is 6.82% or ₱0.32 million lower than ₱4.76 million for the same period last year due to the lower amount of investment in fixed income securities during the period.

**d. *Miscellaneous income***

Miscellaneous income amounting to ₱1.07 million came from refunds of OTC charges this year.

**e. *Management fee and retainer's fee***

This account includes management fees paid to FAMI, incentive fees and retainer's fees. The increase of ₱1.19 million or 3.02% is mainly attributable to the higher net asset value of the Fund this year.

**f. *Taxes and licenses***

This account includes filing fees, documentary stamp tax and stock transaction taxes. The increase of 22.24% or ₱2.60 million is mainly attributable to higher stock transaction taxes on purchase and sale of equity securities during the period.

**g. *Brokers' commission***

Broker's commission amounting to ₱9.78 million pertains to the fee paid to brokers for executing trade transactions.

**h. *Transaction charges***

This account totaled ₱0.46 million and this pertains to the payment of over-the-counter and stock trading charges.

**i. *Custodian and clearing fees***

This account pertains to payment to the custodian of the Fund. The growth of 85.67% or ₱0.13 million from ₱0.15 million to ₱0.27 million this year is mainly due to the increase in the number of trades for the period.

**j. *Directors' and officers' fees***

This account increased by 97.84% from ₱0.07 million to ₱0.14 million as there were more meetings held this period compared to the same period last year.

**k. *Professional fees***

This account pertains to audit fee and other professional services acquired for the period.

**l. *Miscellaneous expense***

This account consists of various operational expenses of the Fund. The decrease of ₱0.06 million or 91.62% was due to lower bank charges this year.

**2014**

Financial Position (December 31, 2014 vs. December 31, 2013)

The total resources of the Fund rose by ₱0.08 billion or 1.15% from ₱7.31 billion at the beginning of the year to ₱7.40 billion as of December 31, 2014.

**a. *Cash and cash equivalents***

This account decreased by 64.18% or ₱377.89 million from ₱588.80 million at the beginning of the year to ₱210.91 million as of December 31, 2014 mainly due to the decrease in placement to time deposit which was used for various funding requirement.

As of December 31, 2014, cash and cash equivalents amounting to ₱210.91 million consists of savings and current deposits of ₱26.38 million and time deposits of ₱184.53 million.

Cash in banks earn interest at the respective bank deposit rates. Time deposits earn annual interest rates of 0.25% and 0.25% to 1.75% in 2014 and 2013, respectively.

**b. Financial assets at FVPL**

Financial assets at FVPL represents 95.04% of the total assets. It rose by 7.10% or ₱465.90 million from ₱6,562.42 million to ₱7,028.33 million due to the increase of trades and market value of the equity portfolio.

As of December 31, 2014 and 2013, financial assets at FVPL include fair value gain of ₱545.62 million and fair value loss of ₱702.11 million, respectively.

**c. AFS investments**

AFS investments represents investments in government securities and private bonds. This account decreased by 31.97% or ₱46.91 million from ₱146.72 million to ₱99.81 million mainly due to the net effect of sale of government securities amounting to ₱98.99 million and additional investment in private bonds amounting to ₱53.00 million.

Dividend income earned from quoted equity securities amounted to ₱116.78 million and ₱111.53 million in 2014 and 2013, respectively.

In 2013, government securities bear annual interest rates ranging from 1.90% to 2.10%.

In 2014 and 2013, private bonds bear annual interest rates ranging from 4.41% to 6.15% and 4.41% to 5.09%, respectively.

**d. Loans and receivables**

Loans and receivables consist of accrued interest receivables, due from brokers, dividend receivables and accounts receivables. The increase of 358.29% or ₱42.98 million was mainly due to the increase of ₱35.37 million receivables from other funds and ₱15.05 million increase in due from brokers.

Due from brokers represent receivables for securities sold but not yet settled as of reporting date. The increase was mainly due to the increase in sales transactions of investments as of December 31, 2014.

Dividend receivable pertains to cash dividends which has been declared but not yet collected as of financial position date. The decline of ₱1.43 million is mainly attributable to the collection of dividends from various issuers.

Accrued interest receivable increased by ₱0.15 million due to collections made during the year.

**e. Other assets**

Other assets is composed of creditable withholding tax and has no changes during the year.

**f. Accounts payable and accrued expenses**

Accounts payable and accrued expenses decreased by 42.35% or ₱40.56 million mainly due to the settlement of accounts payable to shareholders for the unpaid redemption proceeds.

Accounts payable represents amounts payable to shareholders for the unpaid redemption proceeds, subscriptions without confirmation from clients and per diem payable to Directors. This account decreased by 74.41% or ₱42.73 million. A subscription is confirmed by submitting the required subscription documents. Once confirmed, these subscriptions are reclassified to equity. During the year, most of the subscriptions were already identified and reclassified under equity.

Due to brokers represents amounts payable to brokers for securities purchased but not yet settled as of reporting date. The account is short term and is settled three days after the trade date. The increase in due to brokers by 16.47% or ₱3.72 million is attributed to the increase in purchases of stocks as of December 31, 2014.

Payable to FAMI includes management fees, sales load payable and redemption fee. This account decreased by 1.03% or ₱0.12 million during the year.

Accrued expenses include professional fees, custodianship fees and retainer's fee. This account increased by 37.9% or ₱0.10 million mainly due to the volume of transaction during the year and increase in market value of the equity portfolio.

Withholding tax payable decrease by 43.55% or 1.52 million from ₱3.49 million to ₱1.97 million. The decrease is mainly due to decrease in trades of equity for the month of December 2014 compared to December 2013.

Documentary stamp tax payable decreased by 8.21% or ₱0.02 million due to the decrease of subscription in the last month of the year.

**g. Equity**

The Fund's equity is comprised of its capital stock, additional paid-in capital, retained earnings and net unrealized loss on AFS investments. The growth is mainly due to the net income for the year.

*Capital Stock*

The Fund's authorized and issued capital stock follow:

	2014	2013
Authorized	2,250,000,000	1,250,000,000
Issued and outstanding	1,318,414,776	1,127,053,870

The BOD approved on March 14, 2012 and ratified by the stockholders on August 4, 2012 the increase in authorized capital stock from ₱1.00 billion (1.00 billion redeemable common shares) to ₱1.25 billion (1.25 billion redeemable common shares) with a par value of ₱1.00 per share. The application for increase in authorized capital stock was presented for filing with the SEC on November 13, 2012 and was approved by the SEC on January 24, 2013.

The next tranche of the increase in authorized capital stock was approved by the BOD and stockholders on February 25, 2013 and July 13, 2013, respectively, from ₱1.25 billion (1.25

billion redeemable common shares) to ₱3.00 billion (3.00 billion redeemable common shares) with a par value of ₱1.00 per share. The BOD adopted a resolution that the increase in the authorized capital stock to ₱3.00 billion be made in several tranches. The authorized capital stock will be initially increased by ₱1.00 billion while the succeeding increases will be executed upon determination and approval of the BOD without the need of going back to the stockholders for approval. The first tranche of increase in authorized capital stock amounting to ₱1.00 billion was approved by the SEC on December 29, 2014.

As of December 31, 2014, the applications for registration of the additional ₱0.25 billion and ₱1.00 billion shares are still in process with SEC.

As of December 31, 2014 and 2013, the total number of holders of redeemable common shares (including holders of shares in the deposits for future shares subscription) is 16,842 and 16,154, respectively.

*Additional paid-in capital* went up by 35.94% or ₱1.21 billion due to the subscriptions made during the year.

*Retained earnings* improved by 152.16% due to the Fund's results of operations during the year amounting to ₱1.25 billion net of decrease in retained earnings due to redemptions amounting to ₱362.68 million.

*Net unrealized loss on AFS investments* increased by 31.69% or ₱0.77 million due to the trade of AFS investments realizing the increase in market values of investments and decline in market value of the Fund's outstanding AFS investments.

### **Results of Operations (January 1– December 31, 2014 vs. January 1– December 31, 2013)**

The Fund realized a net income of ₱1.25 billion for the year ended December 31, 2014, 571.64% higher than the last year's net loss of ₱264.14 million.

The highlights of the results of operations for the year ended December 31, 2014 are as follows:

**a. Trading gain**

Trading gain which contributed ₱1.38 billion to the total income generated by the fund for the year represents realized gain of ₱833.79 million from sale of financial assets at FVPL, a loss of ₱0.39 million from sale of AFS investment and unrealized gain on marking-to-market of ₱545.62 million on HFT securities.

**b. Dividend income**

Dividend income increased by 4.71% from ₱111.53 million last year to ₱116.78 million which came from shares held by the fund for the year ended December 31, 2014.

**c. Interest income**

Interest income declined by 11.44% or ₱2.65 million due to the shifting of portfolio percentage during the year.



**d. *Miscellaneous income***

This account decreased by 98% since there was no pre-termination of unquoted debt security compared last year.

**e. *Management fee and retainer's fee***

This account includes management fees, incentive fees and retainer's fees. The increase of ₱5.39 million or 3.47% is mainly attributable to the increase in the net asset value of the Fund during the year.

**f. *Brokers' commission***

Broker's commission amounting to ₱49.26 million pertains to payments for purchase and sale transactions of investments. The ₱15.88 million or 47.56% increase was due to higher stock transactions during the year.

**g. *Taxes and licenses***

This account includes filing fees, documentary stamp taxes and stock transaction taxes. The rise of ₱13.10 million is mainly attributable to stock transaction taxes on the purchase and sale of equity securities during the year.

**h. *Custodian and clearing fees***

This account pertains to payment to the custodian of the Fund. The decrease of 4.26% or ₱0.07 million, from ₱1.60 million to ₱1.53 million during the year, is mainly due to the decline in market value of the portfolio.

**i. *Professional fees***

This account pertains to audit fee and other professional services acquired for the year which decreased by 13.70% or ₱0.06 million.

**j. *Directors' and officers' fees***

This account consists of fees paid to the Board of Directors for their attendance to general and special meetings. Directors and officers fees for the year amounted to ₱0.40 million.

**k. *Miscellaneous expense***

This account grew by 49.46% and consists of various operational expenses of the Fund. The increase was mainly brought by the stock transaction charges billed by broker-dealer for trading equity securities amounting to ₱0.88 million.

**l. *Provision for final tax***

Provision for income tax moved proportionately with interest income as it represents the 20% final tax on the interest earned from time deposit placements, government securities and bank deposits.

**2013**

**Financial Position (December 31, 2013 vs. December 31, 2012)**

The total resources of the Fund rose by ₱1.72 billion or 30.73% from ₱5.59 billion at the beginning of the year to ₱7.31 billion as of December 31, 2013. This consists of the following:

**a. Cash and cash equivalents**

This account increased by 70.78% or ₱244.04 million from ₱344.76 million to ₱588.80 million mainly due to the rise in placement in time deposit.

As of December 31, 2013, cash and cash equivalents amounting to ₱588.8 million consist of savings and current deposits amounting to ₱30.41 million and time deposits of ₱558.39 million.

Cash in banks earn interest at the respective bank deposit rates. Time deposits earn annual interest rates ranging from 0.25% to 1.75% and 1.75% to 4.75% in 2013 and 2012, respectively.

**b. Financial assets at FVPL**

Financial assets at FVPL represents 89.76% of the total assets. It increased by 28.72% or ₱1.46 billion from ₱5.10 billion to ₱6.56 billion due to additional investments and increase in market value of the equity portfolio.

**c. AFS investments**

These securities were acquired in 2013 which is composed of government securities and private bonds that bear annual interest rates ranging from 1.90% to 2.10% and from 4.41% to 5.09%, respectively.

**d. Loans and receivables**

This account represents 0.16% of the total assets. The decrease of 91.98% or ₱137.64 million is mainly due to the pre-termination of unquoted debt securities amounting to ₱140 million.

**e. Other assets**

Other assets is composed of creditable withholding tax from interest income in unquoted debt securities held by the Fund during the year.

**f. Accounts payable and accrued expenses**

Accounts payable and accrued expenses increased by 177.85% or ₱61.31 million mainly due to the increase in accounts payable to shareholders for the unpaid redemption proceeds and due to brokers. Part of the accounts payable also represents subscriptions without confirmation from clients.

Accounts payable increased by 541.35% or ₱48.47 million due to the increase of accounts payable to participants.

Due to brokers increased by 171.55% or ₱14.28 million due to the increase in trade by the last three working days of the year. It represents amounts payable to brokers for securities purchased but not yet settled as of reporting date.

Payable to FAMI includes management fees, sales load payable and redemption fees. It decreased by 23.70% or ₱3.66 million mainly due to the decrease in AUM which is the basis for management fee.

Accrued expenses, including professional fees, custodianship fees and retainer's fee, increased by 10.91% or ₱0.03 million.

Withholding tax payable increased by 166.25% or 2.18 million from ₱1.31 million to ₱3.49 million. The increase is mainly due to increase in trades of equity for the month of December 2013 compared to December 2012.

Documentary stamp tax payable increased by 1.27% due to the increase of subscription in the last month of the year.

**g. Equity**

Total stockholders' equity slightly increased by 29.81% or ₱1.66 billion due to net subscriptions to the fund of ₱780.50 million, deposit for future subscription of ₱1.43 million and net loss of ₱264.14 million. During the year, the Fund issued 301.8 million shares and redeemed 173.1 million shares.

*Capital Stock*

The Fund's authorized and issued capital stock follow:

	2013	2012
Authorized	1,250,000,000	1,000,000,000
Issued and outstanding	1,127,053,870	938,450,880

On March 14, 2012, the BOD approved the increase in authorized capital stock from ₱ 1.00 billion divided into 1.00 billion redeemable common shares with a par value of ₱1.00 per share to ₱1.25 billion divided into 1.25 billion redeemable common shares with a par value of ₱1.00 per share. This action was ratified by the stockholders on August 4, 2012. The application for increase in authorized capital stock was filed with the SEC on November 13, 2012 and was approved by the SEC on January 24, 2013. Registration with the SEC of the 250 million shares increase is in process.

On February 25, 2013, the BOD approved the increase in the authorized capital of the Fund from ₱1.25 billion divided into 1.25 billion redeemable common shares with a par value of ₱1.00 per share to ₱3.00 billion divided into 3.00 billion redeemable common shares with a par value of ₱1.00 per share. The BOD also adopted a resolution that the increase in the authorized capital stock of ₱1.75 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. The first tranche of increase amounting to ₱1.00 billion was filed on SEC on October 17, 2013. The authority of the BOD to increase the authorized capital stock is limited to ₱3.00 billion.

*Deposits for future shares subscriptions* pertain to total consideration received in excess of the authorized capital of the Fund with the purpose of applying the same as payment for future issuance of redeemable shares.

As of December 31, 2013 and 2012, the Fund classified its deposit for future shares subscriptions under equity section of the statement of financial position since the fund met the following elements/conditions as of the reporting date in accordance with Financial Reporting Bulletin (FRB) No. 6 issued by SEC.

1. The unissued authorized capital stock of the Fund is insufficient to cover the amount of shares classified as deposits for future shares subscriptions;
2. There is BOD approval on the proposed increase in authorized capital stock (for which a deposit was received by the Fund);
3. There is stockholders' approval of said proposed increase; and
4. The application for the approval of the proposed increase has been filed with the SEC.

If any or all of the foregoing elements are not present, the deposit for future share subscription should be recognized as a liability.

As of December 31, 2013 and 2012, the Fund's balance of deposits for future shares subscriptions was received in cash from the following counterparties:

	2013	2012
Existing stockholders:		
Other stockholders	₱1,369,545,115	₱545,514,436
Other related parties	5,380,560	420,650,000
New investors	780,084,949	70,769,992
	<u>₱2,155,010,624</u>	<u>₱1,036,934,428</u>

As of December 31, 2013 and 2012, the total number of holders of redeemable common shares is 16,123 and 11,334, respectively.

*Additional paid-in capital* increased by 37.14% or ₱908.70 million due to the subscriptions made during the year.

*Retained earnings* declined by 48.92% due to the Fund's net loss during the year amounting to ₱264.14 million and decrease in retained earnings due to redemptions amounting to ₱291.62 million.

*Net unrealized loss on AFS investments* amounted to ₱2.42 million due to decline in market value of the Fund's outstanding AFS investments.

### Results of Operations (January 1– December 31, 2013 vs. January 1– December 31, 2012)

For the year ended December 31, 2013, the Fund realized a net loss of ₱264.14 million or a decrease of ₱1.24 billion from last year's net income of ₱973.03 million.

The highlights of the results of operations for the year ended December 31, 2013 are as follows:

#### a. *Trading and securities loss*

This account contributed ₱164.36 million to the total loss generated by the fund for the year. It represents net realized gain of ₱537.74 million from sale of financial assets at FVPL, and AFS investments and net unrealized loss on marking-to-market of ₱702.11 million.

**b. Dividend income**

Dividend income amounting to ₱111.53 million came primarily from the cash dividend received from equity securities held as financial assets at FVPL.

**c. Interest Income**

Interest income declined by 32.07% or ₱10.93 million from last years' ₱34.09 million due to the decrease in placements in corporate bonds.

**d. Miscellaneous income**

This account represents the realized gain on the pre-termination of unquoted debt security.

**e. Operating Expenses**

Operating expenses rose by 64.57% or ₱90.68 million from last year's ₱140.44 million due to the increase in broker's commission, taxes and licenses and management fees.

The increase in management fee of ₱60.78 million or 64.45% is mainly attributable to the increase in the net asset value of the Fund during the year.

Broker's commission amounting to ₱33.38 million pertains to payment to brokers relative to purchase and sale transactions of investments.

Taxes and licenses includes filing fees and documentary stamp taxes, and stock transaction taxes.

**f. Provision for income tax**

Provision for income tax moved proportionately with interest income as it represents the 20% final tax on the interest earned from time deposit placements, government securities and bank deposits.

## DISCUSSION OF KEY PERFORMANCE INDICATORS

The Fund was incorporated on May 27, 2005 with the objective of seeking long-term capital appreciation by investing primarily in carefully selected listed and non-listed equity securities.

FAMI serves as its Investment Company Adviser, Administrator and Principal Distributor. With the SEC's approval of FAMI's license to act as such on September 6, 2005 and its procedures firmed-up at the end of the same month, active management of SALEF's assets was initiated in October 2005 with the objective of consistently outperforming its benchmark, which is the PSEi, and achieves a sizable net income.

From an initial paid-up capitalization of ₱25.00 million which translates to a minimal share in the mutual fund industry (under the equity fund category).

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

- *Net Asset Value Per Share* - Net Asset Value per share increased from ₱5.5722 as of December 31, 2014 to ₱5.9644 as of March 31, 2015, representing an increment of 7.04% over a three-month period.
- *Sales for the period ended* - The Fund had total sales of ₱327.27 million for the period ended March 31, 2015. This is ₱14.22 million or 4.54% lower compared to the ₱313.05 million sales (classified as deposit for future shares subscription under liability) for the same period in 2014.
- *Redemptions for the period ended* - The Fund had total redemptions of ₱820.03 million for the period ended March 31, 2015. This is ₱523.24 million or 176.29% higher as compared to the ₱296.80 million redemptions for the same period last year.
- *Net Income vs. Benchmark* - The Fund posted a net income of ₱522.03 million for the period ended March 31, 2015 as compared to a net income of ₱459.31 million net income in the same period last year.
- *Market Share vs. Benchmark* - As of March 31, 2015 the Fund garnered 7.50% share in the Equity Funds category while 3.00% share among all mutual funds in terms of net assets. On the basis of account holders, the Fund has 17,074 account holders (including holder of deposits for future subscription) or 15.55% of the total accounts in the Equity Funds category.

## OTHER INFORMATION

### Discussion and analysis of material events and/or uncertainties

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.

## FINANCIAL SOUNDNESS INDICATORS AS OF March 31, 2015

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)	December 31, 2013 (Audited)
Current ratio <sup>1/</sup>	1,350.43%	13,212.54%	7480.67%
Acid Test Ratio <sup>2/</sup>	1,350.18%	13,209.87%	7,466.60%
Debt-to-equity ratio <sup>3/</sup>	7.88%	0.75%	1.33%
Asset-to-equity ratio <sup>4/</sup>	107.88%	100.75%	101.33%

Interest rate coverage ratio <sup>5/</sup>	n.a.	n.a.	n.a.
Profitability ratios:			
Return on assets <sup>6/</sup>	27.20%	16.94%	-4.09%
Return on equity <sup>7/</sup>	28.38%	20.09%	-4.14%

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

<sup>2/</sup> Quick Assets (Cash and cash equivalents, Financial assets at FVPL 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 Investment Income divided by Average Total Equity

### Directors and Officers of the Fund

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

#### Board of Directors

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

- **Bro. Manuel V. de Leon, FMS** - 56 years old, Filipino. Term of office is one year. Director (2005 – present). He is the Chairman of the Board. He is also Chairman and Director of First Metro Save and Learn Fixed Income Fund, Inc. since 2005, First Metro Save and Learn Equity Fund, Inc since 2008, First Metro Save and Learn Dollar Bond Fund, Inc. (since 2008) and First Metro Global Opportunity Fund, Inc. (since 2009) He is also Director of First Metro Asset Management, Inc. (2005-present), Provincial Superior of Marist Brothers of the Schools - East Asia Province (from 2003 to 2013). He is the Founding President of SAGIP KA 2000 Foundation, Inc. (2000-present). He is Chairman of the Board of Notre Dame of Dadiangas University (2007-present), Notre Dame of Kidapawan College (2003-present), Notre Dame of Marbel University (1990-present). Among his past positions during the last five years, he was a Director of Catholic Educational Association of the Philippines (CEAP-NCR), Treasurer of CEAP, Board Member of COCOPEA and accreditor of PAASCU. He was an awardee of the Ten Outstanding Young Men (TOYM) in 1992. He has masteral and doctorate degrees in Education from University of the Philippines.
- **Mr. Hector C. De Leon** – 51 years old, Filipino. Term of office is one year. President since June 2011. Mr. De Leon is also the President of First Metro Global Opportunity Fund, Inc. (since 2010), First Metro Save and Learn Fixed Income Fund, Inc. (since June 2011), First Metro Save and Learn Balanced Fund, Inc. (since June 2011) and First Metro Save and Learn Dollar Bond Fund, Inc. (since June 2011) and First Metro Global Currency Fund, Inc. He is currently the Executive Vice President of First Metro Asset Management, Inc., a position he has held since August of 2007. He was formerly the EVP and Head of Sales and Marketing for Philequity Management, Inc (2006 to 2007). Before joining Philequity, he served as FVP for Capital Markets of Philam Asset Management Inc. (1996 to 2006) where he was instrumental in setting up and operating most of the company's mutual funds. He was former Chairman of the Board of Trustees of the Investment Company Association of the Philippines from 2005 to 2006. Mr. de Leon has a Bachelors Degree in Electronics and Communications Engineering

from De La Salle University and took up Masters in Business Administration (MBA) at the Ateneo Graduate School of Business.

- **Victor A. Abola**, 71 years old, Filipino. Independent Director. 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 also the Executive Director of the UA&P-FMIC Capital Market Research Center; an Independent Director for First Metro Securities Brokerage Corp., First Metro Save and Learn Equity Fund, Inc. (2010) First Metro Save and Learn Fixed Income Fund, Inc., (2010) First Metro Save and Learn Dollar Bond Fund, Inc., First Metro Save and Learn Balanced Fund, Inc. and One Wealthy Nation, and the Corporate Secretary of Research, Education and Institutional Development Foundation, Inc. (REID). He is the 2015 elected President of the Philippine Economic Society (PES). He lectures on Macroeconomic Policy at the graduate school level of the School of Economics. He was a lecturer on 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 C.P.A. 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).
- **Bernadette M. Nepomuceno**, 63 years old, Filipino, Independent Director. Term of office is one year. Ms. Nepomuceno is also an Independent Director of First Metro Save & Learn Equity Fund, Inc. (since August 2012), First Metro Save & Learn Fixed Income Fund, Inc. (since August 2012), First Metro Save & Learn Balanced Fund, Inc. (since August 2012), First Metro Save & Learn Dollar Bond Fund, Inc. (since August 2012). Ms. Nepomuceno is the President of Private Education Retirement Annuity Association (PERAA) (from 2007-present). Among her past positions during the last five years, She was President of Holy Angel University (1994-August 2006); Board of Directors, Philippine Association of Colleges and Universities (1995-2006); Board of Directors, Coordinating Council of Private Education



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

- **Ms. Rhodora Angela F. Ferrer** - 48 years old, Filipino. Independent Director since 2014. Term of office is one year. Ms. Ferrer currently serves as Executive Director for Catholic Educational Association of the Philippines (since 2010); Asst. Professor, Education Department and Natural Science Department, St. Scholastica's College (since 2007); Trainer for Teacher-Training Programs, Foundation for Upgrading the Standards of Education (FUSE), since 2004. She also served as Chairperson of the Training Committee, Foundation for Upgrading the Standards of Education, Inc. (FUSE) (2009 to 2010); Associate Professor, College of Education at the University of the East (2009 to 2012); Chairperson, Natural Science Department, St. Scholastica's College, Dean of Student Affairs, St. Scholastica's College (2004 to 2007), Ms. Ferrer is also and Independent Director for First Metro Save and Learn Dollar Bond Fund, Inc. (since June 2014).

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

### Executive Officers

- **Mr. Hector C. De Leon** – 51 years old, Filipino. President since June 2011. Mr. De Leon is also the President of First Metro Global Opportunity Fund, Inc. (since 2010), First Metro Save and Learn Fixed Income Fund, Inc. (since June 2011), First Metro Save and Learn Balanced Fund, Inc. (since June 2011) and First Metro Save and Learn Dollar Bond Fund, Inc. (since June 2011) and First Metro Global Currency Fund, Inc. He is currently the Executive Vice President of First Metro Asset Management, Inc., a position he has held since August of 2007. He was formerly the EVP and Head of Sales and Marketing for Philequity Management, Inc. (2006 to 2007). Before joining Philequity, he served as FVP for Capital Markets of Philam Asset Management Inc. (1996 to 2006) where he was instrumental in setting up and operating most of the company's mutual funds. He was former Chairman of the Board of Trustees of the Investment Company

Association of the Philippines from 2005 to 2006. Mr. de Leon has a Bachelor's Degree in Electronics and Communications Engineering from De La Salle University and took up Masters in Business Administration (MBA) at the Ateneo Graduate School of Business.

- **Atty. Nimfa B. Pastrana** - 53 years old, Filipino, Corporate Secretary. Term of office is one year and has served as such since 2005. She is the First Vice President, Group Head for Strategic Services and the Assistant Corporate Secretary of First Metro Investment Corporation. She is also the Corporate Secretary of First Metro Save and Learn Fixed Income Fund, Inc., (since 2005) First Metro Save and Learn Equity Fund, Inc., (from May 2005 to present) First Metro Save and Learn Dollar Bond Fund, Inc. (from 2008 to present), First Metro Save and Learn Balanced Fund, Inc., (since 2007) First Metro Securities Brokerage Corporation (2004 to present), PBC Capital Investment Corporation (2004 to present), Prima Ventures Development Corporation (2004-present) and First Metro Asset Management Inc. (since 2005). She graduated from the University of the Philippines with a degree A.B. Philosophy and from San Beda College with a Bachelor of Laws degree.
  
- **Mr. Jonathan T. Tabac** - 60 years old, Filipino, Compliance Officer. Term of office is one year and has served as such since 2005. He is also the Compliance Officer of First Metro Investment Corporation, First Metro Securities Brokerage Corporation, First Metro Save & Learn Fixed Income Fund, First Metro Save & Learn Equity Fund, and First Metro Asset Management, Inc. (from May 2005 to present). He was AVP & Compliance Officer of Citystate Savings Bank (2002-2003), Vice President of Maybank Philippines (formerly PNB Republic Planters Bank)-1997-2001 and Chairman of the Board of RPB Provident Fund, Inc. (1997-2001) Mr. Tabac finished BSC-Accounting from University of Baguio and MBA units from the University of Santo Tomas. He is a Certified Public Accountant.
  
- **Ms. Marie Arabella D. Veron** - 53 years old, Filipino, Treasurer. Term of office is one year and has served as such since 2005. She is the Controller and First Vice President of First Metro Investment Corporation, Treasurer/Director of SBC Properties, Inc. (2003-present), Treasurer of First Metro Save & Learn Dollar Bond Fund, Inc., First Metro Save & Learn Fixed Income Fund, First Metro Save & Learn Equity Fund, First Metro Asset Management, Inc. (from May 2005 to present), Treasurer of PBC Capital Investment Corporation (2006-present). She was a manager of MBTC Domestic Subsidiaries, a Senior Auditor of Joaquin Cunanan & Co./Price Waterhouse (1980-1985) and of Philippine International Trading Corporation (1985-1990). Ms. Veron finished her Bachelor of Science Degree in Business Administration, major in Accounting from University of the East. She is a Certified Public Accountant and a Certified Management Accountant.

- **Dr. Edwin B. Valeroso** - 51 years old, Filipino, Vice President. Term of office is one year. He is First Vice President of First Metro Asset Management, Inc. He was the President of First Metro Save & Learn Balanced Fund (Jan 2007 to June 2011), First Metro Save & Learn Fixed Income Fund and First Metro Save & Learn Equity Fund (from May 2005 to June 2011), and President of First Metro Save and Learn Dollar Bond Fund, Inc. (2008 to 2011). He is Vice President/Trustee/Corporate Secretary of Philippine Investment Funds Association, Inc. (2006-present) and an Associate Professorial Guest Lecturer at De La Salle University-Graduate School of Business (2000-present). He was a Mutual Fund Strategist/Consultant at First Metro Investment Corp. (2004-2005). Mr. Valeroso has a BS Actuarial Mathematics degree from University of Santo Tomas, a Master's degree in Applied Mathematics from University of the Philippines, and a Doctor of Business Administration degree from De La Salle University-Manila. He is also an alumnus of the Trust Institute Foundation of the Philippines.
- **Rey D.C. Erlano** - 52 years old, Filipino. He is currently the Assistant Treasurer of First Metro Save and Learn Equity Fund, First Metro Save & Learn Fixed Income Fund, First Metro Save and Learn Balanced Fund, One Wealthy Nation, Inc. since 2014 and Vice President of First Metro Asset Management, Inc. He was Product Manager of Diversified Holdings, Inc. (1989-1993), Marketing Manager of Praise Music, Inc. (1996-2001), Managing Partner of New York Life Philippines (2002-2005), Business Development Director/Manager of Generali Pilipinas Insurance Company (2005-2008) and Assistant Vice President - Agency Director of Manulife Philippines (2008-2014). He has a Bachelor of Science Degree in Mechanical Engineering from the University of the Philippines.

#### Significant Employee

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

#### Family Relationship

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

#### Executive Compensation

##### Compensation of Directors and Officers

	Per Diem		
	2014	2013	2012
Directors	₱318,059	₱201,765	₱180,000
Executive Offices	82,500	42,000	37,200
Aggregate Annual Per Diem	₱400,559	₱243,765	₱217,000

Per diem of Directors, Corporate Secretary and Officers of the Fund amounting to ₱10,000.00, ₱3,000.00, ₱2,500.00, respectively, are given during organizational and regular/special meetings. Estimated per diem for 2015 is P340,000.00

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

### **Legal Proceedings**

The Registrant has no material pending legal proceedings to which the registrant or any of its common affiliates is a party. No member of the Board of Directors is:

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

**Security Ownership of Certain Record and Beneficial Owners as of March 31, 2015:**

The following stockholders own more than 5% of the common voting securities as of March 31, 2015:

Title of Class	Name and Address of Owner/Relationship to the Issuer	Name of Beneficial Owner	Citizenship	No. of Shares Held	Percent to Outstanding Shares
Common Shares	First Metro Investment Corporation <sup>1</sup>  45th Flr. GT Tower Int'l, Ayala Ave., corner HV Dela Costa St., Makati City	Same	Filipino	249,088,945	20.14%
Common Shares	Ramon Aboitiz Foundation, Inc. #35 Lopez Jaena Street, Cebu City	Same	Filipino	69,793,393	5.64%

The number of accountholders of the Fund as of March 31, 2015 is 17,084.

**Security Ownership of Management as of March 31, 2015:**

Title of Class	Name of Beneficial Owners	Amount and Nature of Ownership	Citizenship	Percent to Outstanding Shares
Common shares	Bro. Manuel V. de Leon, FMS	1	Filipino	0.00%
Common shares	Victor A. Abola	1	Filipino	0.00%
Common shares	Bernadette M. Nepomuceno	21,262	Filipino	0.00%
Common shares	Hector C. de Leon	117,575	Filipino	0.01%
Common shares	Nimfa B. Pastrana	128,010	Filipino	0.01%
Common shares	Jonathan Tabac	1,277,291	Filipino	0.10%
Common shares	Marie Arabella D. Veron	22,492	Filipino	0.00%
Common shares	Edwin B. Valeroso	122,538	Filipino	0.01%

<sup>1</sup> FMIC, is the registered owner of the shares in the books of the Company. The Board of Directors of FMIC has the right to appoint actual person or persons acting individually or jointly to direct the voting or disposition of the shares held by the corporation. The person who will exercise the voting powers over the shares of FMIC is Mr. Francisco C. Sebastian or Mr. Roberto Juanchito T. Dispo or any officers appointed by the Board.

<sup>2</sup> Ramon Aboitiz Foundation, Inc. is the registered owner of the shares in the books of the Company. The person who will exercise the exercise the voting powers over the shares of BSP is the Chairman, Roberto E. Aboitiz.

**Certain Relationships and Related Transactions**

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

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

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

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

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

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

**Compliance with the Investment Company Act**

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

**Investment Policy**

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

**Investment Guidelines and Restrictions**

The Fund is a growth fund which seeks good return through long-term capital appreciation by investing in listed and non-listed equity securities of Philippine and non-Philippine companies. It can be categorized as moderate to high risk investment. ICA Rule 35-1 provides that an investment company shall not change its investment objective without prior approval of a majority of its shareholders. For this purpose, the term "equity securities" generally includes common stock, preferred stock and securities convertible into or exchangeable

for such equity securities, such as convertible debentures and convertible preferred shares, or shares which carry warrants to purchase such securities.

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

For liquidity purposes, unless otherwise prescribed by the SEC, at least five percent (5%) of the fund shall be invested in liquid/semi-liquid assets such as:

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

As a tactical or defensive move, the Fund may also invest in fixed-income securities such as SEC-registered commercial papers and bonds, and other allowed fixed-income instruments, both Peso and Dollar denominated.

Moreover-

1. The maximum investment of the Fund in any single enterprise shall be limited to fifteen percent (15%) of the Fund's NAV, except for investments in securities of the Philippine Government or its instrumentalities and, in no case, shall the total investment of the Fund exceed 10% of the outstanding securities of any one investee company;
2. Pursuant to the governing rules and regulations of the SEC, the Fund shall not invest in any of the following: margin purchases of securities; commodity futures contracts; precious metals; unlimited liability investments; short-selling of currencies; short-selling of investments; and, other investments as the SEC shall, from time to time, prescribe;
3. The Fund shall not incur any further debt or borrowing, unless at the time it is incurred or immediately thereafter, there is asset coverage of at least three hundred percent (300%) for all its borrowings. In the event that such asset coverage shall at any time fall below 300%, the Fund shall within three (3) days thereafter, reduce the amount of borrowings to an extent that the asset coverage of such borrowings shall be at least 300%;

4. The Fund shall not participate in an underwriting or selling group in connection with the public distribution of securities, except for its own capital stock;
5. The Fund shall not invest in real estate properties and developments;
6. The Fund shall not invest in any company for the purpose of exercising control or management;
7. The Fund shall not invest in the securities of other investment companies;
8. The Fund shall not purchase from or sell to any of its officers or directors or the officers or directors of its investment adviser/s, manager or distributor/s or firm/s of which any of them are members, any security other than the capital stock of the Fund;
9. The total operational expenses of the Fund shall not exceed ten percent (10%) of its total investment fund or total net worth as shown in the previous year's audited financial statements;
10. The Fund shall focus on industries and enterprises with strong growth potentials or profitable historical financial performance. There may be concentration on certain industries at various points in time, depending on the overall condition of the financial and capital markets;
11. The Fund shall not engage in lending operations without prior approval of the Board of Directors. Such approval shall be limited only to corporations or other entities, public or private, determined to be financially sound by the Board of Directors;
12. The Fund anticipates a gradual turnover in portfolio with the aim of ensuring the preservation of capital and liquidity.

**Use of Proceeds**

The proceeds from the sale of the 1,000,000,000 shares will be primarily invested in listed and non-listed equity securities in accordance with the policies set forth in the sections headed "Investment Policy" and "Investment Guidelines and Restrictions."

Using the Net Asset Value per share of P5.9644 as of March 31, 2015, for the One Billion shares, the total estimated gross proceeds to be raised by the offering is P5,964,400,000. The gross proceeds from the sale of the shares of stock of the registrant shall be held by the Issuer's Custodian Bank. The shares to be offered are unlisted and will be traded through the over-the-counter market.

No material amount of the proceeds is to be used to acquire assets or finance the acquisition of other business. The proceeds will not be used to discharge



debt or reimburse any officer, director, employee or shareholder for services rendered, assets previously transferred, money loaned or advanced or otherwise or any expenses.

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

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

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

1. Allowances of independent directors for every shareholders' and board meeting held;
2. Audit and legal fees;
3. Fees of custodian bank;
4. cost of printing and delivering notices, reports, proxies and other communication material for existing shareholder;
5. Fees of transfer agent;
6. Taxes, including income taxes, documentary stamp taxes and license fees as may be required by law or by the rules and regulations of the SEC; and
7. Management, distribution and administration fees computed in accordance with the Management, Distribution and Administration Agreement between the Fund and the Investment Company Adviser.

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

The Fund has appointed FAMI as principal distributor of its shares of stock and will not sell or agree to sell any shares of its capital stock except through FAMI. FAMI will set up a marketing network and accredit sub-dealers or gents to sell the shares and they are directly liable to FAMI. FAMI shall be compensated with 1.875% per annum of the average net assets representing fees for fund management, distribution and administration.

FAMI is licensed by SEC to act as the Investment Company Adviser/Manager, Administrator and Principal Distributor. Its license was issued on September 7, 2005 and its 2015 license was renewed on 29 December 2014. There is no arrangement whereby FAMI has the right to designate or nominate a member or members of the board of directors of the Registrant.

**Competition**

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

Currently the big players in this category are Philam, BPI, and Sunlife. These companies have big sales force and they have life insurance companies as affiliates which they utilize to market their mutual funds. Two of these companies have big multinational financial institutions as their parent companies. They have longer track records and experience not only in the mutual fund industry but also in other financial products and services. The top three competitors represent around 63% of the total equity funds. Sunlife, BPI and Philam have P13 billion, P12 billion and P10 billion, respectively.

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

The institutional funds of the target market (especially the bigger ones) evidently have access to almost all types of instruments locally available such as unit investment trust funds, pre-need plans, universal life products and other bank products. The retail funds and smaller institutional funds, however, are limited to simple bank products. Appropriately formulated marketing strategies, sales tactics and promotional activities will be employed by the Fund's principal distributor as it competes in this industry.

**Effect of existing governmental regulation**

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

**Subscription Procedure**

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

subject to the conditions set forth in this Prospectus and the Investment Application Form.

**Eligible Investors**

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

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

**Requirements for Corporate Applicants**

For Investors other than individuals, the following documents, in addition to the Investment Application Form and the signature cards, must be accomplished and shall be considered integral parts thereof: copy of the Investor's SEC Certificate of Registration, Articles of Incorporation and By-Laws; notarized corporate secretary's certificate setting forth the resolutions of the Investor's Board of Directors or equivalent body: authorizing the purchase of the shares of the Fund; designating the signatories for the purpose; and, certifying the percentage of capital stock held by non-Filipinos.

**Minimum Investment**

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

**Offering Price**

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

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

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

**Acceptance of Investment Applications**

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

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

**Payment Terms**

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

**Refunds**

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

**Delivery of Stock Certificates**

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

**Redemption of Shares**

Investors in redeemable securities issued by an open-end investment company shall have the right to have their securities redeemed in accordance with the terms of the issue thereof and the procedures indicated in this prospectus. The redemption price surrendered before the daily cut-off time shall be the next computed NAVPS. Payments for securities redeemed shall be effected within seven (7) banking days from receipt of the request for redemption, in accordance to ICA Rule 35-1(e)(5) of the Investment Company Act. The Commission may, whenever necessary or appropriate in the public interest or for the protection of investors, suspend the redemption of securities of open-end companies. The investment company may establish a network of redemption centers acceptable to the Commission.

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

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

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

There shall be no minimum holding period, however, redemption fees shall be deducted out of the redemption proceeds depending on the retention period.

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

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

### **Benefits to the Investor**

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

### **Professional Management**

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

### **Diversification at Low Cost**

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

### **Liquidity**

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

### **Convenience**

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

### **Protecting Investors**

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

**Parties Involved in the Fund****Investment Manager, Fund Administrator and Principal Distributor**

First Metro Asset Management, Inc., ("FAMI"), the Investment Manager, Fund Administrator and Principal Distributor of the shares of the Company, was incorporated on April 21, 2005 with an authorized capital stock of Forty Million Pesos (Php40,000,000.00) divided into Four hundred Thousand (400,000) shares at a par value of One Hundred Peso (Php100.00) per share. It has a subscribed and paid-up capital of Twenty Three Million Five Hundred Thirty Thousand Pesos (Php23,530,000.00).

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

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

**MR. FRANCISCO C. SEBASTIAN**  
**60, Filipino**  
**CHAIRMAN OF THE BOARD**

Prior to his appointment as Chairman of the Board of Directors in April 2011, Mr. Sebastian was the President of First Metro Investment Corporation from 1997 to 2011. His investment banking and financial advisory experience spans over 30 years and covers the Asian region as he was based in Hong Kong for 20 years.

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

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

**MR. ROBERTO JUANCHITO T. DISPO**  
**VICE CHAIRMAN**  
**50, Filipino**

Mr. Dispo currently serves as President and Director of First Metro Investment Corporation, the investment banking arm of the Metrobank Group. He is also a member of the Advisory Board of Metropolitan Bank & Trust Co.; Chairman of First Metro Securities Brokerage Corporation and PBC Capital Investment Corporation; Vice Chairman of First Metro Asset Management, Inc.; President of Resiliency (SPC), Inc.; and Director of AXA Philippines and Travel Services, Inc.

Prior to joining First Metro in 1998, he held various positions in different government offices, including the Department of National Defense, the Department of Trade and Industry, the

Department of Finance and the Central Bank. His last government post was Deputy Treasurer of the Philippines with the rank of Assistant Secretary.

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

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

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

**MR. AUGUSTO M. COSIO, JR.**  
**PRESIDENT**  
**62, Filipino**

Mr. Cosio assumed this position in June 2010. He has been a member of the First Metro Investment Corporation (FMIC) Investment committee since 2008. In FMIC he held the position of Vice President since September 2006.

Mr. Cosio has had extensive experience in investments and the capital markets both locally and internationally. He served as consultant to the Mutual Fund Company of the Philippines (Kabuhayan Fund) from 2005 to 2006 and with the GSIS Mutual Fund (Kinabukasan Fund) from 2003 to 2003. He was Vice President at Bank Austria Private Banking in Hong Kong from 2000 to 2001 managing portfolios for private clients. He was previously, President of PNB Securities Inc. (1997 to 2000), a nominee and a member of the board of the Philippine Stock Exchange (1999).

He had been an international capital markets practitioner from 1977 to 1994 having been connected with Banque Nationale de Paris (1977 to 1981) and Banque Paribas (1984 to 1994), the predecessors of the present BNP Paribas. Mr. Cosio worked in Hong Kong and Singapore for the Paribas capital markets group.

He is also a resource speaker for fixed income courses at the Ateneo Center for Continuing Education and the University of Asia and the Pacific as well as for the PSE Certified Securities Specialist Course. He pursued his course of AB Social science at the University of the Philippines finishing in 1974. He received further training in international capital markets through seminars and courses conducted by BNP and Banque Paribas in London, Paris, Tokyo in New York.



**BRO. MANUEL V. DE LEON, FMS**  
**DIRECTOR**  
**55, Filipino**

Bro. De Leon has been serving as a member of the Board of Director since 2005. Bro. de Leon is also the Chairman of First Metro Save and Learn Equity Fund, Inc., First Metro Save & Learn Fixed Income Fund, Inc. First Metro Save and Learn Balanced Fund, Inc., First Metro Save and Learn Dollar Bond Fund, Inc. and First Metro Save and Learn Global Opportunity Fund, Inc.; President, Notre Dame of Kidapawan College. He is the Founding President of SAGIP KA 2000 Foundation, Inc. Bro. De Leon is a member of the BEDFORD FUND CANDA. He held the following positions: Provincial Superior of Marist Brothers of the Schools - East Asia Province; Chairman of the Board of Notre Dame of Dadiangas University and Notre Dame of Marbel University; Treasurer of Catholic Educational Association of the Philippines. He was an awardee of the Ten Outstanding Young Men (TOYM) in 1992. He has Masteral and Doctorate degrees in Education from University of the Philippines.

**BRO. PATERNO S. CORPUS, FMS**  
**DIRECTOR**  
**60, FILIPINO**

Bro. Pat Corpus is the Chairman of the Corporations of Marist Schools in the Philippines and the Chairman: BOT, ND Cotabato, Business Resource Center.

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

**ATTY. ABELARDO V. CORTEZ**  
**INDEPENDENT DIRECTOR**  
**68, FILIPINO**

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

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

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

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

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

**MR. JUSTINO JUAN R. OCAMPO**  
**DIRECTOR**  
**50, Filipino**

Mr. Ocampo joined the Board on June 20, 2012. Concurrently, he is the Executive Vice President and Investment Banking Group Head of First Metro Investment Corporation (since 2010). He is also director of SBC Properties Inc. (since 2011) and Prima Venture Development Inc. (since 2012). He started his career in banking at the Far East Bank and Trust Co. in 1985 and later moved on to the Development Bank of the Philippines in 1990, PCIBank in 1992, AB Capital and Investment Corp. in 1996 and ABN Amro Bank N.V., Manila in 1999. In 2010, he joined First Metro investment Corp. as Senior Vice-President and Deputy Group Head of the Investment Banking Group, a position he still presently holds. Mr. Ocampo brings with him over 25 yrs. of banking and investment experience covering a considerable range of banking related areas.

Mr. Ocampo had undergone intensive training abroad in management, finance, capital markets, negotiations and even non-bank related areas such energy and petroleum & petrochemicals during his previous employments.

A product of the University of the Philippines, Diliman, Justino Juan R. Ocampo graduated Cum Laude with a degree in BS Business Administration in 1984.

**FR. HERMINIO DAGOHYOY, O.P., Ph.D.**  
**DIRECTOR**  
**49, FILIPINO**

Director since February 2014. Fr. Dagohoy is the Rector of the University of Sto. Tomas, member of the Board of Trustees of Aquinas University, Colegio de San Juan de Letran (Intramuros and Calamba), Angelicum College and Angelicum School. He is the President of the Dominican Network of Schools (DOMNET), President of the Association of Catholic Universities of the Philippines (ACUP), Treasurer of the Catholic Educational Association of the Philippines (CEAP), member of PAMI and PhilCare and the Industry-Academe Council of the Philippines.

He held the following positions: Internal Auditor of Colegio de San Juan de Letran, Manila (2004); Dean of the College of Business and Administration and Director of Research and Development of Colegio de San Juan de Letran, Calamba (1996) Director of Caleruega Retreat Center (1997); Rector and President of Angelicum College (2000); Director for Finance and Administration of UST Hospital (2008) and Internal Auditor of UST (2010).

Fr. Dagohoy finished AB Philosophy at the UST Ecclesiastical Faculty of Sacred Theology in 1993; Masters of Arts in Philippines Studies in Philosophy at the University of the Philippines,

Diliman, Quezon City in 2000. Licentiate in Philosophy at the UST Ecclesiastical Faculty of Philosophy in 2011; and Doctorate in Philosophy also at UST in 2012.

**MR. NILO L. PACHECO, JR.**  
**DIRECTOR**  
**59, Filipino**

Director since December 2010. He is the Vice Chancellor for Finance of De La Salle Group (from June 1, 2011 to present). Mr. Pacheco has an Advanced Management Program at the Harvard Business School Boston, Massachusetts, USA and Masters in Business Administration at the University of the Philippines. He finished Bachelor of Arts major in Mathematics from De La Salle University.

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

**MR. JOSE C. NOGRALES**  
**INDEPENDENT DIRECTOR**  
**65, Filipino**

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

He pursued collegiate studies at the Ateneo de Manila University, earning an AB degree in Economics and graduating as Cum Laude. He also completed Master's degree in Business Administration from the Asian Institute of Management and undertook diploma courses-Career Executive Service Officer III ; Fellow, Institute of Corporate Directors.

**MS. MARIE ARABELLA D. VERON**  
**DIRECTOR/TREASURER**  
**53, FILIPINO**

Ms. Veron was elected to the Board in April 2011. She is the Controller and First Vice President of First Metro Investment Corporation, Treasurer/Director of SBC Properties, Inc. (2003-present), Treasurer of First Metro Save & Learn Money Market Fund, Inc., First Metro Global Opportunity Fund, Inc., First Metro Save & Learn Fixed Income Fund, First Metro Save & Learn Equity Fund, First Metro Save and Learn Balanced Fund, Inc., Treasurer of PBC Capital Investment Corporation (2006-present). She was a manager of MBTC Domestic

Subsidiaries, a Senior Auditor of Joaquin Cunanan & Co./Price Waterhouse (1980-1985) and of Philippine International Trading Corporation (1985-1990). Ms. Veron finished her Bachelor of Science Degree in Business Administration, major in Accounting from University of the East. She is a Certified Public Accountant and a Certified Management Accountant.

**MR. HECTOR C. DE LEON**  
**EXECUTIVE VICE PRESIDENT**  
**51, FILIPINO**

Mr. de Leon is also the President of First Metro Global Opportunity Fund, Inc. (since 2010), First Metro Save and Learn Equity Fund, Inc. (since June 2011) First Metro Save and Learn Fixed Income Fund, Inc. (since June 2011), First Metro Save and Learn Dollar Bond Fund, Inc. (since June 2011) and First Metro Save and Learn Balanced Fund Inc. (2011 to present). He was formerly the EVP and Head of Sales and Marketing for Philequity Management, Inc. (2006 to 2007). Before joining Philequity, he served as FVP for Capital Markets of Philam Asset Management Inc. (1996 to 2006) where he was instrumental in setting up and operating most of the company's mutual funds. He was former Chairman of the Board of Trustees of the Investment Company Association of the Philippines from 2005 to 2006. Mr. de Leon has a Bachelors Degree in Electronics and Communications Engineering from De La Salle University and took up Masters in Business Administration (MBA) at the Ateneo Graduate School of Business.

**DR. EDWIN B. VALEROSO**  
**FIRST VICE PRESIDENT**  
**50, Filipino**

Dr. Valeroso is the Asst. Treasurer for First Metro Save & Learn Balanced Fund (Jan 2007 to June 2011), First Metro Save & Learn Fixed Income Fund and First Metro Save & Learn Equity Fund (from May 2005 to June 2011), and First Metro Save and Learn Money Market Fund, Inc. (2008 to 2011). He is Vice President/Trustee/Corporate Secretary of Investment Company Association of the Philippines-ICAP (2006-present) and an Associate Professorial Guest Lecturer at De La Salle University-Graduate School of Business (2000-2009). He was appointed Mutual Fund Strategist at First Metro Investment Corporation (2004-2005). Mr. Valeroso has a BS Actuarial Mathematics degree from University of Santo Tomas, a Master's degree in Applied Mathematics from University of the Philippines, and a Doctorate degree in Business Administration from De La Salle University-Manila. He is also an alumnus of the Trust Institute Foundation of the Philippines.

**ATTY. NIMFA B. PASTRANA**  
**CORPORATE SECRETARY**  
**53, FILIPINO**

Atty. Pastrana is the First Vice President, General Counsel and Asst. Corporate Secretary of First Metro Investment Corporation. She is also the Corporate Secretary of First Metro Save & Learn Fixed Income Fund, Inc., (from May 2005 to present) First Metro Save & Learn Dollar Bond Fund, Inc. (from 2008 to present) First Metro Global Opportunity Fund, Inc. (from 2010 to present), First Metro Securities Brokerage Corporation (2004 to present), PBC Capital Investment Corporation (2004 to present), Prima Ventures Development Corporation and First

Metro Asset Management Inc. She graduated from the University of the Philippines with a degree A.B. Philosophy and from San Beda College with a Bachelor of Laws degree.

**MR. JONATHAN T. TABAC**  
**COMPLIANCE OFFICER**  
**60, FILIPINO**

Compliance Officer since 2005. Term of office is one year. He is also the Compliance Officer of First Metro Investment Corporation, First Metro Securities Brokerage Corporation, First Metro Save & Learn Fixed Income Fund, First Metro Save & Learn Equity Fund, and First Metro Asset Management, Inc. (from May 2005 to present). He was AVP & Compliance Officer of Citystate Savings Bank (2002-2003), Vice President of Maybank Philippines (formerly PNB Republic Planters Bank)-1997-2001 and Chairman of the Board of RPB Provident Fund, Inc.(1997-2001) Mr. Tabac finished BSC-Accounting from University of Baguio and MBA units from the University of Santo Tomas. He is a Certified Public Accountant.

### **CORPORATE GOVERNANCE**

The Board approved the Fund's Corporate Governance Manual on June 19, 2013 to monitor and assess the level of the Fund's compliance with leading practices on good corporate governance as specified in Philippine SEC Circulars. Aside from establishing specialized committees to aid in complying with the principles of good corporate governance, the Manual also outlines specific investor's rights and protections and enumerates particular duties expected from the Fund's Board members, officers and employees. It also features a Disclosure System which highlights adherence to the principles of transparency, accountability and fairness. A Compliance Officer is tasked with the formulation of specific measures to determine the level of compliance with the Manual by the Fund's Board members, officers and employees. To date, the Fund has not encountered any deviations from the Manual's standards.

#### **Custodian Bank**

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

#### **Transfer Agent**

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

#### **External Auditor**

The present auditor of FMSALEF is Sycip, Gorres, Velayo and Company. The reports of said auditors on the financial statements of the company for the years ended December 31, 2013 and 2012 contained unqualified opinions.

There are no disagreements with the auditors on any matter of accounting principles or practices, financial statement disclosures, auditing scope or procedures, which disagreements, if

not resolved to their satisfaction, would have caused the auditors to make reference thereto in their respective reports on the financial statements for such years.

The aggregate fees paid for the professional services rendered by SGV & Company for the audit of our Financial Statements for the years 2013 and 2012 is ₱449,680 and ₱422,960, respectively. Expected audit fee for 2014 is ₱388,080. SGV & Co. conducted the audit in accordance with auditing standards generally accepted in the Philippines to obtain reasonable assurance about whether the financial statements are free of material misstatements. Their audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation.

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

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

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

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

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

### **Material Contracts and Agreements**

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

#### ***Management and Distribution Agreement***

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

1. Coordination of the activities of, and extension of all necessary cooperation or assistance to the Fund's Custodian Bank, the Transfer Agent, the auditors, and the legal counsel without prejudice to the direct responsibility of such firms to the Fund;
2. Preparation of such reports, circulars, notices and other information on internal corporate affairs that may be required, from time to time, by the Fund, its stockholders, board of directors, and/or officers, which shall include a monthly report

- on: a.) Revenues and disbursements broken-down as to investments and expenses; b.) Sales and redemptions; and c.) Performance, change or status of the Fund's assets;
3. Representation with Government offices, instrumentalities and agencies, including all work required in registering the Fund's securities, obtaining proper licenses and permits, complying with other legal requirements including those requirements relevant to FAMI's own operations, and submitting regular reports to various government agencies;
  4. Accounting, bookkeeping, clerical and other administrative services in the ordinary conduct of the Fund's activities, other than those services provided by the Custodian Bank, the auditors, and the legal counsel;
  5. Provide office space and other administrative facilities;
  6. Distribution of the shares of the Fund
  7. Investment and reinvestment of the resources of the Fund in accordance with the investment policies and guidelines set by the Fund's board of directors in conformity with the Fund's Prospectus, the Investment Company Act and other applicable laws and regulations;
  8. Preparation and submission of such information and data relating to economic conditions, industries, business, corporations, or securities as may be reasonably required by the Fund's Board of Directors or as FAMI may deem to be helpful in formulating and evaluating its investment policies or guidelines;
  9. Transactions with stockbrokers for the account of the Fund in connection with the investment and reinvestment of the Fund's assets;

The fees payable to FAMI, is a monthly fee equivalent to 1.875% per annum of the average net asset value of the Fund's assets, computed on a daily basis. The "net asset value" shall be determined by computing the total value of the Fund's assets less its liabilities in accordance with the procedure used in computing the net asset value of the Fund. In addition, as Investment Manager, FAMI shall be paid an incentive fee which is defined in the earlier part of this prospectus.

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

Investment Amount (in Php)	Sales Load
5,000 to less than 100,000	2.0%
100,000 to less than 500,000	1.5%
500,000 to less than 2,000,000	1.0%
2,000,000 and above	0.5%

#### ***Custodian Bank Agreement***

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

***Stock and Transfer Agency Agreement***

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

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

**Applicable Philippine Laws****Investment Company Act of 1960**

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

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

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

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

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



rules and regulations or order as the Commission may from time to time prescribe for the protection of investors.

### Dividends

The corporation may pay dividends only out of its unrestricted retained earnings, the unrestricted retained earnings of the corporation that have not been allocated for any managerial, contractual, or legal purposes and that are free for distribution to shareholders. The corporation may satisfy dividends in cash, by the distribution of property, or by the issuance of shares of stock. Dividends satisfied by the issuance of shares may only be paid with the approval of shareholders representing at least two-thirds (2/3) of the outstanding capital stock at a shareholders' meeting specially called for that purpose.

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

### Rights of Minority Shareholders

The right of a shareholder to institute proceedings on behalf of the corporation in a derivative suit is recognized by Philippine law. Derivative suits may be filed where the corporation itself is unable or unwilling to institute the necessary proceedings to redress wrong committed against the corporation or to vindicate corporate rights. Derivative suits involving intra-corporate disputes are filed before the Courts of general jurisdiction of the appropriate Regional Trial Court per Sec 5.2 of the Securities Regulation Code.

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

### Management

Corporate powers are exercised, all business conducted, and all properties of a corporation are controlled and held by the board of directors. However, a corporation may enter into a management contract with another corporation, for a period not exceeding five (5) years for any one term, subject to the approval of the board of directors and stockholders owning at least a majority (or in certain instances, two-thirds) of the outstanding capital stock of both