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BPI Invest Sustainable Global Bond Fund-of-Funds

Financial Statements
As at December 31, 2022 and for the period from March 28, 2022 (launch date) to December 31, 2022

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Isla Lipana & Co.

Isla Lipana & Co.

Independent Auditor's Report

To the Unitholders and Trustee of
BPI Invest Sustainable Global Bond Fund-of-Funds
7th Floor, BPI Buendia Center,
Sen. Gil Puyat Avenue, Makati City

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BPI Invest Sustainable Global Bond Fund-of-Funds (the "Fund") as at December 31, 2022, and its financial performance and its cash flows for the period from March 28, 2022 (launch date) to December 31, 2022 accordance with Philippine Financial Reporting Standards (PFRSs).

What we have audited

The financial statements of the Fund comprise:

- the statement of financial position as at December 31, 2022;
- the statement of total comprehensive income for the period from March 28, 2022 (launch date) to December 31, 2022;
- the statement of changes in net assets attributable to holders of redeemable units for the period from March 28, 2022 (launch date) to December 31, 2022;
- the statement of cash flows for the period from March 28, 2022 (launch date) to December 31, 2022; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and Code of Ethics.

Other Matter - Restriction on Use

This report is intended solely for the information and use of the unitholders, the trustee of BPI Invest Sustainable Global Bond Fund-of-Funds and the Bangko Sentral ng Pilipinas and is not intended for any other purpose.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Isla Lipana & Co.

Ruth F. Blasco
Partner
CPA Cert. No. 112595
P.T.R. No. 0018519, issued on January 9, 2023, Makati City
SEC A.N. (individual) as general auditors 112595-SEC, Category A; valid to audit 2020 to 2024 financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024 financial statements
TIN 235-725-236
BIR A.N. 08-000745-133-2023, issued on May 9, 2023; effective until May 8, 2026
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
June 21, 2023

BPI Invest Sustainable Global Bond Fund-of-Funds

Statement of Financial Position
As at December 31, 2022
(All amounts in United States Dollar)

	Notes	Amount
ASSETS		
CURRENT ASSETS		
Deposits in bank	2	5,279
Financial assets at fair value through profit or loss	3	144,153
Total assets		149,432
LIABILITIES AND NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	4	68
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	5	149,364
Total liabilities and net assets attributable to holders of redeemable units		149,432

(The notes on pages 1 to 13 are an integral part of these financial statements.)

BPI Invest Sustainable Global Bond Fund-of-Funds

Statement of Total Comprehensive Income
For the period from March 28, 2022 (launch date) to December 31, 2022
(All amounts in United States Dollar)

	Notes	Amount
INCOME (LOSS)		
Net loss on financial assets at fair value through profit or loss		
Fair value loss	3	(5,948)
Realized loss on sale	3	(380)
		(6,328)
EXPENSES		
Trust fees	7	436
Other	6	4
		440
LOSS BEFORE TAX		(6,768)
FINAL WITHHOLDING TAX		-
NET LOSS FOR THE PERIOD		(6,768)
OTHER COMPREHENSIVE INCOME		-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(6,768)

(The notes on pages 1 to 13 are an integral part of these financial statements.)

BPI Invest Sustainable Global Bond Fund-of-Funds

Statement of Changes in Net Assets
Attributable to Holders of Redeemable Units
For the period from March 28, 2022 (launch date) to December 31, 2022
(All amounts in United States Dollar)

	Note	Amount
BALANCE AS AT MARCH 28		-
COMPREHENSIVE LOSS		
Net loss for the period		(6,768)
Other comprehensive income		-
Total comprehensive income for the period		(6,768)
TRANSACTIONS WITH UNITHOLDERS		
Issuance of units	5	173,992
Redemption of units	5	(17,860)
Total transactions with unitholders		156,132
BALANCE AS AT DECEMBER 31	5	149,364

(The notes on pages 1 to 13 are an integral part of these financial statements.)

BPI Invest Sustainable Global Bond Fund-of-Funds

Statement of Cash Flows
For the period from March 28, 2022 (launch date) to December 31, 2022
(All amounts in United States Dollar)

	Notes	Amount
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax		(6,768)
Adjustments for:		
Net loss on financial assets at fair value through profit or loss		
Fair value loss	3	5,948
Realized loss on sale	3	380
Operating loss before change in working capital		(440)
Change in working capital		
Increase in accounts payable and accrued expenses		68
Net cash used in operations		(372)
Payments on acquisition of securities	3	(155,481)
Proceeds from sale of securities	3	5,000
Net cash used in operating activities		(150,853)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of redeemable units	5	173,992
Payments for redemption of redeemable units	5	(17,860)
Net cash from financing activities		156,132
NET INCREASE IN DEPOSITS IN BANK		5,279
DEPOSITS IN BANK		
At March 28		-
At December 31		5,279

(The notes on pages 1 to 13 are an integral part of these financial statements.)

BPI Invest Sustainable Global Bond Fund-of-Funds

Notes to the Financial Statements
As at December 31, 2022 and for the period from March 28, 2022 (launch date) to December 31, 2022
(In the notes, all amounts are shown in United States Dollar (USD) unless otherwise stated)

1 General information

BPI Invest Sustainable Global Bond Fund-of-Funds (the "Fund") is a foreign currency-denominated equity index Unit Investment Trust Fund (UITF) operating as a Fund-of-Funds, established in accordance with, and operates subject to the provisions of, the Fund's Plan Rules and regulations issued by the Bangko Sentral ng Pilipinas (BSP). UITFs are created by virtue of BSP Circular No. 447 which also governs the administration and investments of UITFs and requires that an external audit of the Fund be conducted annually.

The BSP approved the Fund's Plan Rules on March 8, 2022 and it started operating as a UITF since March 28, 2022.

The Fund aims to outperform its benchmark which is the Bloomberg Barclays Global Aggregate Bond Index (Unhedged).

Pursuant to the existing BSP rules and regulations, as a Fund-of-Funds, the Fund is mandated to invest at least 90% of its assets in more than one collective investment scheme. The underlying collective investment schemes are referred to as the Target Funds. The Fund seeks to achieve capital appreciation and income by investing in a diversified portfolio of global fixed income collective investment schemes which integrate environmental, social, and governance criteria in its investment process.

BPI Asset Management and Trust Corporation ("BPI AMTC") serves as the Fund Manager ("Fund Manager") and Trustee ("Trustee") of the Fund. The Fund has no employees.

In February 2023, BPI AMTC announced the change in its trade name from BPI Asset Management and Trust Corporation to BPI Wealth - A Trust Corporation, or simply BPI Wealth.

The Fund Manager is a wholly-owned subsidiary of Bank of the Philippine Islands ("BPI" or "Parent Bank"), a domestic commercial bank with an expanded banking license in the Philippines.

Approval of the financial statements

These financial statements were approved and authorized for issue by the Fund's Trustee on June 21, 2023.

2 Deposits in bank

The account at December 31, 2022 consists of regular non-interest bearing savings deposit amounting to USD5,279.

3 Financial assets at fair value through profit or loss (FVTPL)

The account at December 31, 2022 consists of investments in mutual funds amounting to USD144,153.

The detailed list of investments follows:

	Number of shares	Amount
Wellington Global Impact Bond Fund	6,003	59,356
PIMCO Global Bond ESG Fund	4,686	49,631
PIMCO Global Investment Grade Credit ESG Fund	1,962	20,432
NB Short Duration High Yield Bond Fund	712	9,970
PIMCO Emerging Markets Bond ESG Fund	336	4,764
	13,699	144,153

Movements in the account for the period ended December 31, 2022 are as follows:

	Amount
At March 28	-
Additions	155,481
Disposals	(5,380)
Fair value adjustment, net	(5,948)
At December 31	144,153

Payments for acquisitions of securities in 2022 amount to USD155,481.

For the period ended December 31, 2022, proceeds from disposals of financial assets at FVTPL amount to USD5,000. Realized loss resulting from the sale of financial assets at FVTPL which is presented in the statement of total comprehensive income amounts to USD380.

4 Accounts payable and accrued expenses

The account at December 31, 2022 consists of:

	Note	Amount
Trust fees payable	7	64
Accrued professional fees		4
		68

5 Net assets attributable to holders of redeemable units

The consideration received or paid for units issued or redeemed is based on the value of the Fund's net asset value (NAV) per redeemable unit at the date of the transaction. The total equity as shown in the statement of financial position represents the Fund's NAV based on Philippine Financial Reporting Standards (PFRS NAV).

NAV consists of principal and accumulated earnings.

As at December 31, 2022, the PFRS NAV is equal to the Fund's trading NAV amounting to USD149,365 decreased by adjustment on accrual of professional fees amounting to USD1. The adjustment is due to timing differences only and does not materially affect the reported trading NAV of the Fund.

The Fund's trading NAV per unit at December 31, 2022 is computed as follows:

	Amount
Trading NAV	149,365
Outstanding units	1,610
Trading NAV per unit	92.77

Proceeds from issuance of and payments for redemptions of units for the period ended December 31, 2022 amount to USD173,992 and USD17,860, respectively.

The movements in the number of redeemable units of the Fund are as follows:

	Amount
At March 28	-
Issuances	1,804
Redemptions	(194)
At December 31	1,610

6 Other expenses

The account for the period ended December 31, 2022 consists of professional fees amounting to USD4.

7 Related party transactions

As the Fund's Trustee, BPI-AMTC shall have the exclusive management, administration, operation and control of the Fund and full discretion in respect of investments, and the sole right, at any time, to sell, convert, reinvest, exchange, transfer or otherwise change or dispose of the assets comprising the Fund.

In consideration for the above management, distribution and administration services, the Fund pays BPI-AMTC a fee of not more than 0.50% per annum based on the Fund's trading NAV, net of applicable taxes.

Total trust fees for the period ended December 31, 2022 amount to USD436, of which USD64 remains unpaid and recorded under accounts payable and accrued expenses in the statement of financial position (Note 4).

The Fund's units are being distributed through BPI branches. BPI acts as the receiving bank for the subscriptions and redemptions related to the Fund.

There were no remunerations paid by the Fund to the members of the Board of Directors.

8 Financial risk and capital management

8.1 Risk management process

The Fund's activities expose it to financial risks: market risk (primarily price risk), credit risk and liquidity risk by virtue of its investment in the Target Fund. The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Fund's financial performance.

The management of these risks is carried out by the Trustee under policies approved by the Board of Directors. The Board of Directors approves written policies covering overall risk management. Any prospective investment shall be limited to the type of investments described in the Plan Rules of the Fund thereby limiting the risk exposure of the Fund to the risk inherent in investments approved by the investors.

The Fund, operating as a Fund-of-Funds, intends to achieve for its participants capital appreciation and income by investing in a diversified portfolio of global fixed income collective investment schemes which integrate environmental, social, and governance criteria in its investment process. It aims to outperform its benchmark which is the Bloomberg Barclays Global Aggregate Bond Index (Unhedged). Pursuant to the existing BSP rules and regulations, as a Fund-of-Funds, this Fund is mandated to invest at least 90% of its assets in more than one collective investment scheme.

8.2 Market risk

The Fund invests at least 90% of its assets in the Target Fund, which bears the market price risk.

The Target Fund trades in financial instruments, taking tactical and strategic positions in traded equity instruments. Investment positions are reported at estimated market value with changes reflected in profit or loss. Investment positions are subject to various risk factors, which primarily include exposures to price risk. This arises from investments held by the Target Fund for which prices in the future are uncertain.

The Fund's overall market position is monitored on a daily basis by the Trustee and reviewed on a monthly basis by the Board of Directors. Compliance with the Fund's investment policies is reported to the Board of Directors on a monthly basis.

Pursuant to the existing BSP rules and regulations, as a Fund-of-Funds, this Fund is mandated to invest at least 90% of its assets in more than one collective investment scheme. Such underlying collective investment schemes are referred to as the Target Funds and selected consistent with the provisions on investment objective and investment policy following the Trustee's established investment process.

The exposure of the Fund to a single entity and its related parties shall not exceed fifteen percent (15%) of the NAV except for non-risk assets as defined by the BSP. In the case of Fund-of-Funds, the exposure limit shall be applied on the Target Fund's underlying investments. Furthermore, the investment in the Target Fund shall not exceed ten percent (10%) of the total net asset value of the Target Fund.

To estimate its exposure to price risk, the Trustee evaluates the impact of changes in the Bloomberg Barclays Global Aggregate Bond Index (Unhedged) on the Fund's net income (loss) on financial assets at FVTPL for the period ended December 31:

	2022
Change in Bloomberg Barclays Global Aggregate Bond Index (Unhedged).	8.83%
Increase/decrease on net income (loss) on financial assets at FVTPL	12,753

The sensitivity analysis takes into account the annualized volatility of Bloomberg Barclays Global Aggregate Bond Index (Unhedged) during the period. Annualized volatility determines how much the return of the Fund will deviate from normal returns because of the movement of the Bloomberg Barclays Global Aggregate Bond Index (Unhedged).

8.3 Credit risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Fund's main credit risk exposures are from bank deposits and investment in Target Fund classified as financial assets at FVTPL. The carrying amounts of these financial assets, as shown in the statement of financial position, represent the Fund's maximum exposure to credit risk.

The Fund manages credit risk by the selection and approval of counterparties and brokers with stable credit ratings. In accordance with the Fund's policy, the Fund's overall credit position is monitored on a daily basis by the Trustee and reviewed on a monthly basis by the Board of Directors.

All transactions in traded securities are coursed through approved counterparties. Pre-settlement and/or settlement risk exposures are earmarked against approved trading lines and lifted upon settlement of the transaction.

The maximum exposure to credit risk before any enhancements at December 31, 2022 is the carrying amount of the financial assets as set out below:

	Amount
Deposits in bank	5,279
Financial assets at FVTPL	144,153
	149,432

For financial assets measured at amortized cost, the Fund measures credit risk and expected credit loss (ECL) using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any ECL. As a result, no loss allowance has been recognized based on 12-month ECL as any such impairment would be insignificant to the Fund.

As at December 31, 2022, all of the Fund's financial assets are classified as Stage 1 accounts (performing). There are no financial assets classified under Stage 2 (underperforming) and Stage 3 (impaired).

The credit quality of the Fund's financial assets as at December 31, 2022 follows:

(a) Deposits in bank

The Fund's exposure in deposits in bank is with a highly reputable universal bank in the Philippines, with an average credit rating of Baa2 by Moody's.

(b) Financial assets at FVTPL

The Fund's financial assets at FVTPL or loss consists of investments in the Target Fund with excellent capacity to meet financial commitments and with very low credit risk.

8.4 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to daily cash redemptions of redeemable units. It therefore invests the majority of its assets in investments that are regularly traded in an active market and can be readily disposed of. The Fund's investment portfolio consists mainly of a liquid Target Fund and deposit instruments.

In accordance with the Fund's policy, the Trustee monitors the Fund's liquidity position on a daily basis and excess cash positions are invested in securities that are readily realizable to ensure that redemptions are funded within the prescribed period indicated in the Fund's Plan Rules.

The Trustee also has in place a liquidity contingency plan drawn up specifically for its UITFs and other managed accounts. The liquidity contingency plan provides a framework for addressing potential liquidity crisis situations which consists of identifying early warning indicators of a potential liquidity problem, setting out response action plans and defining the roles and responsibilities of key units and personnel to effectively manage the liquidity situation and ensure client's liquidity requirements are met in a timely and orderly manner.

The Fund's financial liabilities pertain to trust fees payable and accrued professional fees which are contractually due within twelve (12) months from the reporting date.

Overall, due to the Fund's structure and strong liquidity position, the liquidity risk exposure of the Fund is negligible.

8.5 Capital management

The capital of the Fund is represented by the net assets attributable to holders of redeemable units as shown in the statement of financial position. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders of the Fund. Units are redeemed on demand at the holder's discretion.

As at reporting date, the Fund does not foresee any imminent significant redemptions as holders of these investments typically retain their holdings for the medium-term to long-term period.

The Fund is not subject to externally imposed minimum capital requirements.

8.6 Fair value of financial instruments

As at December 31, 2022, the Fund's financial assets at FVTPL amounting to USD144,153 are classified under Level 1. There are no financial instruments at fair value which are classified under Level 2 and Level 3. There were no transfers between categories during the reporting periods.

The fair value of the Target Fund is based on the closing price in Bloomberg.

The carrying amount of the Fund's other financial assets and financial liabilities at reporting period approximate their fair values considering that these have short-term maturities.

9 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

9.1 Basis of preparation

The financial statements of the Fund have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). The term PFRSs, in general, includes all applicable PFRSs, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee, Standing Interpretations Committee and International Financial Reporting Interpretations Committee which have been approved by the Financial and Sustainability Reporting Standards Council and adopted by the Philippine Securities and Exchange Commission.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at FVTPL.

There are currently no areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Fund's financial statements.

Changes in accounting policy and disclosures

(a) New standards, amendments to standards and interpretations

There are no new standards, amendments to standards and interpretations that are effective for annual periods beginning in 2022 that are considered relevant and have a material effect on the financial statements of the Fund.

(b) New standards, amendments to standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2023 and have not been early adopted in preparing these financial statements. None of these are considered relevant and expected to have a material effect on the financial statements of the Fund.

9.2 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Fund recognizes a financial instrument in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the instrument.

9.2.1 Measurement methods

Amortized cost and effective interest rate

Amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider ECL and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Fund revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognized in the statement of total comprehensive income.

Initial recognition, measurement and derecognition

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade date, the date on which the Fund commits to purchase or sell the asset.

At initial recognition, the Fund measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in the statement of total comprehensive income. Immediately after initial recognition, an ECL allowance is recognized for financial assets measured at amortized cost and investments in debt instruments measured at fair value through other comprehensive income (FVOCI), if any, as described in Note 9.3.1.2.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Fund recognizes the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.

- In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognized when they have been redeemed or otherwise extinguished (i.e. when the obligation is discharged or is cancelled or has expired).

Financial instruments are included in current assets or current liabilities, except if the financial instruments are expected to be realized or settled longer than twelve (12) months after the reporting period, which are then classified as non-current.

9.3 Financial assets

9.3.1 Classification and subsequent measurement

The Fund applies PFRS 9 and classifies its financial assets in the following measurement categories: at FVTPL, at FVOCI, and at amortized cost.

The classification requirements for debt instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on the Fund's business model for managing the asset and the cash flow characteristics of the asset.

Based on these factors, the Fund classifies its financial assets into one of the following measurement categories:

- *Amortized cost*

  Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any ECL allowance recognized and measured. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method. Amortized cost financial assets include deposits in bank.

  Deposits in bank include deposits held at call with a bank and short-term highly liquid investments with maturities of three months or less from the date of acquisition which are considered as cash equivalents.

- *FVOCI*

  Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, if any, on the instrument's amortized cost which are recognized in the statement of total comprehensive income.

When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

As at December 31, 2022, the Fund has no financial assets under the FVOCI category.

- *FVTPL*

  Assets that do not meet the criteria for amortized cost or FVOCI and the collection of contractual cash flows is only incidental to achieving the Fund's business model objective are measured at FVTPL. A gain or loss on a debt security that is subsequently measured at FVTPL and is not part of a hedging relationship is recognized in profit or loss and presented in the statement of total comprehensive income under 'Net income (loss) on financial assets at fair value through profit or loss' in the period in which it arises.

  As at December 31, 2022, the Fund's investments in the Target Fund are mandatorily classified at FVTPL as disclosed in Note 3.

Business model: The business model reflects how the Fund manages the assets in order to generate cash flows. That is, whether the Fund's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Fund in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Fund assesses whether the financial instruments' cash flows represent SPPI (the 'SPPI test'). In making this assessment, the Fund considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The Fund reclassifies debt instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

9.3.2 Impairment

The Fund assesses on a forward-looking basis the ECL associated with its debt instruments carried at amortized cost and FVOCI. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

At each reporting date, the Fund shall measure the loss allowance on deposits in bank at an amount equal to the lifetime ECL if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month ECL. Significant financial difficulties of the counterparties, probability that the counterparties will enter bankruptcy or financial reorganization, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

9.4 Financial liabilities

The Fund classifies its financial liabilities in the following categories: financial liabilities at FVTPL and financial liabilities at amortized cost.

(a) Financial liabilities at FVTPL

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the Fund as at FVTPL upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Gains and losses arising from changes in fair value of financial liabilities classified as held for trading are included in profit or loss.

The Fund has no financial liabilities held for trading or designated at FVTPL as at December 31, 2022.

(b) Other liabilities measured at amortized cost

Financial liabilities that are not classified as FVTPL fall into the category of other liabilities measured at amortized cost. Financial liabilities measured at amortized cost include accounts payable and accrued expenses.

9.5 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the Fund will not fulfill an obligation.

The Fund classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3.

The Fund has no financial assets and liabilities carried at fair value other than its investments in the Target Fund classified as financial assets at FVPTL (Note 3).

9.6 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund or the counterparty.

As at December 31, 2022, there are no financial assets and liabilities that have been offset.

9.7 Subscriptions and redemptions

Subscriptions and additional investments are recorded upon receipt of notice of subscription from unitholders. Redemptions are recorded upon receipt of notice of redemption.

9.8 Redeemable units

The Fund issues redeemable units, which are redeemable at the holder's option and are classified as equity in accordance with PAS 32, *Financial Instruments: Presentation*. The equity of the Fund is represented by the net assets attributable to holders of redeemable units. Each unit has the following features which allow it to be classified as an equity:

- it entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation;
- the unit has no priority over other claims to the assets of the Fund on liquidation, and it does not need to be converted into another instrument before it is classified as such; and
- all units impose a contractual obligation on the Fund to deliver a pro rata share of its net assets on liquidation.

In addition, the Fund has no other financial instrument or contract that has:

- total cash flows based substantially on profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund (excluding any effects of such instrument or contract); and
- the effect of substantially restricting or fixing the residual return to the unitholders.

Should the redeemable units' terms or conditions change such that they do not comply with the strict criteria as mentioned above, the redeemable units would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument's fair value at the date of reclassification. Any difference between the carrying value of the equity instrument and fair value of the liability on the date of reclassification would be recognized in equity.

Redeemable units are issued and redeemed at prices based on the Fund's trading NAV per unit at the time of issue or redemption. The Fund's trading NAV per unit is calculated by dividing the net assets attributable to the holders of redeemable units with the total number of outstanding redeemable units. In accordance with the provisions of the Fund's regulations, investment positions are valued based on the last traded market price for the purpose of determining the NAV per unit for subscriptions and redemptions.

Redeemable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's NAV calculated in accordance with the Fund's regulations.

9.9 Revenue and expense recognition

Net income (loss) on financial assets at fair value through profit or loss

Net income (loss) on financial assets at FVTPL includes all realized and unrealized fair value changes.

Interest income on financial assets measured at amortized cost

Interest is recognized on a time-proportionate basis using the effective interest rate method. Interest income on financial assets measured at amortized cost includes interest from deposits in banks and other investments.

Trust fees and other expenses

Expenses are recognized in the period in which they are incurred.

9.10 Taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The Fund may earn interest income from cash deposits from its investment in the Target Fund, which are subject to final withholding tax. Such income is presented at gross amount and the related final tax is presented in the statement of total comprehensive income as final withholding tax. Realized gain on sale of financial assets at FVTPL is tax-exempt.

9.11 Functional and presentation currency

The subscriptions and redemptions of the Fund's redeemable units are denominated in USD. The performance of the Fund is measured and reported to the investors in USD. The Fund's Trustee considers the USD as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements of the Fund are presented in USD, which is the Fund's functional currency.

9.12 Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors or unitholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

9.13 Events after the reporting date

Post year-end events that provide additional information about the Fund's position at the end of the reporting period (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

Revised – March 2021

FS Distribution Sheet

Odyssey Diversified Capital Fund	**31009387**	**A022**
(Name of client)	Client code	Matter code

Representation letter

Signed representation letter received prior to reproduction?

☑ **Yes** Received by Michiko Mikami-Cruz on June 21, 2023

☐ **No** If No, approval for printing is required from all of the following:
Engagement partner: ____________
Assurance managing partner: ____________
Senior partner or deputy senior partner: ____________

Signed representation letter must be received prior to release of the audit report. A photocopy of the letter must be included in the central file copy of the report.

ACS FS review clearance

All significant comments raised in the review of the financial statements have been cleared to the satisfaction of Accounting Consulting Services (ACS).

☐ **Yes**

☑ **Not applicable**

If applicable, ACS should review the final draft of the financial statements and should be satisfied with the financial statements and notes disclosures and presentation. This section must be signed off by the ACS Partner when applicable.

Required consultations

Is/are there a significant matter/s in the audit documentation?

☐ **Yes** ☑ **No**

If Yes, does/do the significant matter/s involve difficult or contentious issue/s that require/s ACS/RM consultation?

☐ **Yes** ☐ **No** ☑ **Not applicable**

If Yes, did the audit team consult with ACS/RM/Methodology?

☐ **Yes** ☐ **No** ☑ **Not applicable**

If the significant matter/s required consultation and the team consulted with ACS/RM/Methodology, clearance should be approved by ________ ACS/RM/Methodology dated ________.

☑ **Not applicable**

Audit reports

Classify the client as Category A or B as follows:

Category A

☐ Higher Profile Client (HPC)

☐ Listed

☐ Significant Public Interest Entity (PIE)

Category B

☑ Others

What type of audit opinion are you about to issue?

☑ Unqualified

☐ Unqualified with Emphasis of Matter

☐ Qualified

☐ Adverse

☐ Disclaimer

Category A

If the client is under Category A and the **opinion is unqualified,** approval is required from the following:

Roderick Danao Quality Review Partner (QRP), dated Nov 3, 2021; and
________ Methodology, dated ________, if Listed entity.

If the client is under Category A and the opinion is **other than unqualified,** approval is required from the following:
________ ACS dated ________; and
________ RM dated ________; and
________ Methodology, dated ________; and
________ Territory Assurance Leader (TAL) dated ________.

Category B

If the client is under Category B and the **opinion is unqualified but has been assigned with a QRP,** approval is required from the following:

________ Quality Review Partner (QRP), if assigned, dated ________.

☑ **Not applicable**

If the client is under Category B and the opinion is **unqualified with emphasis of matter (EOM),** approval is required from:
________ Second Partner Reviewer dated ________; or
________ Quality Review Partner (QRP), if assigned, dated ________.

☑ **Not applicable**

If the client is under Category B and the opinion is **qualified, adverse or a disclaimer,** approval is required from:
________ ACS dated ________; and
________ RM dated ________; and
________ Methodology, dated ________.

☑ **Not applicable**

Distribution	**Print option**	**No. of copies**
Central file	✓ Double-sided	1
Working papers	✓ Double-sided	1
Client	✓ Single-sided* ☐ Double-sided	2
SEC**	☐ Single-sided	
BIR**	☐ Single-sided	
Others (BSP Copy)	☐ Single-sided* ☐ Double-sided	2
Total		4

*Partner's approval for single-sided printing.
**Partner's approval when client requests for additional SEC and BIR copies.

Called by:	[signature]
Called to:	
Footed by:	
Figures traced by:	
Corrections done by:	[signature]
Certified by:	[signature]
Spell check done by:	[signature]

Reviewed by:

Michiko Mikami-Cruz/Ruth F. Blasco-Viguilla

Approved by:

Ruth F. Blasco-Viguilla

Odyssey Diversified Capital Fund

Financial Statements
As at and for the years ended December 31, 2022 and 2021

Independent Auditor's Report

To the Unitholders and Trustee of
Odyssey Diversified Capital Fund
7th Floor, BPI Buendia Center,
Sen. Gil Puyat Avenue, Makati City

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Odyssey Diversified Capital Fund (the "Fund") as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

What we have audited

The financial statements of the Fund comprise:

- the statements of financial position as at December 31, 2022 and 2021;
- the statements of total comprehensive income for the years ended December 31, 2022 and 2021;
- the statements of changes in net assets attributable to holders of redeemable units for the years ended December 31, 2022 and 2021;
- the statements of cash flows for the years ended December 31, 2022 and 2021; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and Code of Ethics.

Other Matter - Restriction on Use

This report is intended solely for the information and use of the unitholders, the trustee of Odyssey Diversified Capital Fund and the Bangko Sentral ng Pilipinas and is not intended for any other purpose.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Isla Lipana & Co.

Ruth F. Blasco
Partner
CPA Cert No. 112595
P.T.R. No. 0018519, issued on January 9, 2023, Makati City
SEC A.N. (individual) as general auditors 112595-SEC, Category A; valid to audit 2020 to 2024 financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024 financial statements
TIN 235-725-236
BIR A.N. 08-000745-133-2023, issued on May 9, 2023; effective until May 8, 2026
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
June 21, 2023

Odyssey Diversified Capital Fund

Statements of Financial Position
December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
ASSETS			
CURRENT ASSETS			
Deposits in bank	2	19,913,538	47,794,318
Financial assets at fair value through profit or loss	3,10	1,134,892,562	1,282,226,600
Receivables	5	12,349,687	10,848,423
Total assets		1,167,155,787	1,340,869,341
LIABILITIES AND NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	6	2,453,515	2,362,185
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	7	1,164,702,272	1,338,507,156
Total liabilities and net assets attributable to holders of redeemable units		1,167,155,787	1,340,869,341

(The notes on pages 1 to 19 are an integral part of these financial statements.)

Odyssey Diversified Capital Fund

Statements of Total Comprehensive Income
For the years ended December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
INCOME (LOSS)			
Net income (loss) on financial assets at fair value through profit or loss:			
Interest income	3	43,252,537	42,027,163
Realized (loss) gain on sale	3	(21,251,062)	28,239,364
Fair value loss	3	(58,662,475)	(96,106,633)
Dividend income	3	6,902,795	6,932,001
Interest income on:			
Deposits in bank	2	585,417	146,574
Other investments	4	-	720,333
Other income		-	225,000
		(29,172,788)	(17,816,198)
EXPENSES			
Trust fees	9	18,560,073	21,134,683
Other	8	245,245	394,654
		18,805,318	21,529,337
LOSS BEFORE TAX		(47,978,106)	(39,345,535)
FINAL WITHHOLDING TAX		8,767,591	8,578,814
NET LOSS FOR THE YEAR		(56,745,697)	(47,924,349)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(56,745,697)	(47,924,349)

(The notes on pages 1 to 19 are an integral part of these financial statements.)

Odyssey Diversified Capital Fund

Statements of Changes in Net Assets
Attributable to Holders of Redeemable Units
For the years ended December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
Balances as at January 1		1,338,507,156	1,623,462,020
Comprehensive loss			
Net loss for the year		(56,745,697)	(47,924,349)
Other comprehensive income		-	-
Total comprehensive loss for the year		(56,745,697)	(47,924,349)
Transactions with unitholders			
Issuance of units	5,7	12,452,887	20,771,048
Redemption of units	6,7	(129,512,074)	(257,801,563)
Total transactions with unitholders		(117,059,187)	(237,030,515)
Balances as at December 31	7	1,164,702,272	1,338,507,156

(The notes on pages 1 to 19 are an integral part of these financial statements.)

Odyssey Diversified Capital Fund

Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(47,978,106)	(39,345,535)
Adjustments for:			
Net (income) loss on financial assets at fair value through profit or loss:			
Interest income	3	(43,252,537)	(42,027,163)
Realized loss (gain) on sale	3	21,251,062	(28,239,364)
Fair value loss	3	58,662,475	96,106,633
Dividend income	3	(6,902,795)	(6,932,001)
Interest income on:			
Deposits in bank	2	(585,417)	(146,574)
Other investments	4	-	(720,333)
Operating loss before changes in working capital		(18,805,318)	(21,304,337)
Changes in working capital			
Decrease in other investments		-	160,000,000
Decrease in accounts payable and accrued expenses		(219,916)	(442,833)
Net cash (used in) from operating activities		(19,025,234)	138,252,830
Proceeds from sale of securities	3	1,166,627,908	921,832,270
Payments on acquisition of securities	3	(1,101,249,321)	(840,146,912)
Interest received	2,3,4,5	44,498,691	46,059,420
Dividends received	3,5	6,894,189	7,079,178
Final taxes paid		(8,767,591)	(8,578,814)
Net cash from operating activities		88,978,642	264,497,972
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of redeemable units	7	12,341,406	20,804,048
Payments for redemption of redeemable units	7	(129,200,828)	(261,579,884)
Net cash used in financing activities		(116,859,422)	(240,775,836)
NET (DECREASE) INCREASE IN DEPOSITS IN BANK		(27,880,780)	23,722,136
DEPOSITS IN BANK			
At January 1		47,794,318	24,072,182
At December 31	2	19,913,538	47,794,318

(The notes on pages 1 to 19 are an integral part of these financial statements.)

Odyssey Diversified Capital Fund

Notes to the Financial Statements
As at and for the years ended December 31, 2022 and 2021
(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

1 General information

Odyssey Diversified Capital Fund (the "Fund") is a Unit Investment Trust Fund (UITF) established in accordance with, and operated subject to the provisions of, the Fund's Trust Deed and the regulations issued by the Bangko Sentral ng Pilipinas (BSP). UITFs are created by virtue of BSP Circular No. 447 which governs the administration and investments of UITFs and requires that an external audit of the Fund be conducted annually. The Fund was launched as a UITF on December 4, 2006.

The Fund was organized to engage in the sale of its units and investment of the proceeds thereof in a diversified portfolio of fixed income and equity securities to pursue long-term capital and income growth and intends to achieve investment returns that outperform its benchmark, which is a combination of 70% BPI Philippine Government Bond Index and 30% Philippine Stock Exchange Index (PSEi). As an open-end pooled trust fund, the Fund stands ready to redeem its outstanding units at a value defined under the Fund's Plan Rules.

BPI Asset Management and Trust Corporation ("BPI-AMTC") serves as the Fund Manager (the "Fund Manager") and Trustee (the "Trustee") of the Fund.

In February 2023, BPI-AMTC announced the change in its trade name from BPI Asset Management and Trust Corporation to BPI Wealth - A Trust Corporation, or simply BPI Wealth.

BPI-AMTC is a wholly-owned subsidiary of Bank of the Philippine Islands ("BPI"), a domestic commercial bank with an expanded banking license in the Philippines. The Fund has no employees.

The Fund's proprietary assets and/or assets owned within and outside the Philippines are under the custody of Hong Kong and Shanghai Banking Corporation Ltd. ("HSBC") (Note 8).

Approval of the financial statements

These financial statements have been approved and authorized for issue by the Fund's Trustee on June 21, 2023.

2 Deposits in bank

The account at December 31 consists of:

	2022	2021
Time	14,000,000	42,000,000
Savings	5,913,538	5,794,318
	19,913,538	47,794,318

In 2022, deposits in bank earn interest at effective rates ranging from 0.20% to 4.40% (2021 - 0.18% to 1.50%).

For the year ended December 31, 2022, interest income earned from the above deposits amount to P585,417 (2021 - P146,574). Interest receivable amounts to P3,422 as at December 31, 2022 (2021 - nil) (Note 5).

3 Financial assets at fair value through profit or loss (FVTPL)

The account at December 31 consists of the following investments:

	2022	2021
Debt securities		
Philippine government debt securities	725,824,210	675,878,654
Philippine corporate debt securities	65,316,868	156,694,983
	791,141,078	832,573,637
Listed equity securities	343,751,484	449,652,963
	1,134,892,562	1,282,226,600

The detailed list of investments is presented in Note 10. These investments are held for trading.

In 2022 and 2021, investments in government securities earn interest at annual rates ranging from 1.90% to 7.00%, while corporate debt securities earn interest at annual rates ranging from 2.20% to 5.68% (2021 - 2.20% to 4.13%).

For the year ended December 31, 2022, interest income earned from the government securities amounts to P37,871,716 (2021 - P32,556,835) and corporate securities amounts to P5,380,821 (2021 - P9,470,328), of which P10,027,087 remains collectible as at December 31, 2022 (2021 - P10,691,246) (Note 5).

For the year ended December 31, 2022, dividend income earned from investments in listed equity securities amounts to P6,902,795 (2021 - P6,932,001), of which P165,783 remains collectible as at December 31, 2022 (2021 - P151,177) (Note 5).

Movements in the account for the years ended December 31 follow:

	2022	2021
At January 1	1,282,226,600	1,432,649,919
Additions	1,101,249,321	839,276,220
Disposals	(1,189,920,884)	(893,592,906)
Fair value adjustment, net	(58,662,475)	(96,106,633)
At December 31	1,134,892,562	1,282,226,600

Payments for acquisitions of securities in 2022 amount to P1,101,249,321 (2021 - P840,146,912).

Proceeds from disposals of financial assets at FVTPL made for the year ended December 31, 2022 amount to P1,166,627,908 (2021 - P921,832,270). Realized loss on sale of financial assets at FVTPL in 2022 amounts to P21,251,062 (2021 - gain of P28,239,364) and is presented in the statement of total comprehensive income.

4 Other investments

As at December 31, 2022 and 2021, there are no outstanding time deposits with maturities of more than 90 days from dates of acquisition.

For the year ended December 31, 2021, the interest income earned on time deposits amounted to P720,333.

5 Receivables

The account at December 31 consists of:

	Notes	2022	2021
Interest receivable	2,3	10,030,509	10,691,246
Due from brokers		2,041,914	-
Dividend receivable	3	165,783	157,177
Capital shares receivable		111,481	-
		12,349,687	10,848,423

Due from brokers represents receivables for securities sold that have been contracted for but not yet settled or delivered at the end of reporting period. Trading transactions are generally settled three days after the transaction date.

Capital shares receivable pertains to subscriptions made by investors with outstanding collections as at reporting date.

6 Accounts payable and accrued expenses

The account at December 31 consists of:

	Note	2022	2021
Trust fees payable	9	1,492,406	1,710,935
Capital shares redeemed payable		906,180	594,934
Others		54,929	56,316
		2,453,515	2,362,185

Capital shares redeemed payable represents redemptions made by investors yet to be paid as at reporting date.

Others represent accrued professional and custodian fees.

7 Net assets attributable to holders of redeemable units

The consideration received or paid for units issued or re-purchased is based on the value of the Fund's net asset value (NAV) per redeemable unit at the date of transaction. The total equity as shown in the statement of financial position represents the Fund's NAV based on Philippine Financial Reporting Standards (PFRS NAV).

NAV consists of principal and accumulated earnings.

As at December 31, 2022, the PFRS NAV is equal to the Fund's trading NAV of P1,164,702,945 (2021 - P1,338,509,119) decreased by adjustment on accrual of professional fees amounting to P673 (2021 - P1,963). The adjustment is due to timing difference only and does not materially affect the reported trading NAV of the Fund.

Details of the Fund's trading NAV per unit as at December 31 is calculated as follows:

	2022	2021
Trading NAV	1,164,702,945	1,338,509,119
Outstanding units	6,356,034	6,990,142
Trading NAV per unit	183.24	191.49

Proceeds from issuance and payments for redemptions of units for the year ended December 31, 2022 amount to P12,341,406 and P129,200,828 (2021 - P20,804,048 and P261,579,884), respectively.

The movements in the number of redeemable units of the Fund are as follows:

	2022	2021
At January 1	6,990,142	8,205,538
Issuances	67,288	108,194
Redemptions	(701,396)	(1,323,590)
At December 31	6,356,034	6,990,142

8 Other expenses

The account for the years ended December 31 consists of:

	2022	2021
Custodian fees	203,093	198,156
Professional fees	37,970	191,498
Others	4,182	5,000
	245,245	394,654

The Fund has an existing custodian agreement with HSBC for custodial services of the Fund's proprietary assets and/or assets owned in the Philippines. Relative to this, the Fund pays monthly custodian fees of not more than 0.011% per annum of the average daily trading NAV of the Fund.

Others pertain to real-time gross settlement fee, time deposit placement fee and administrative fees.

9 Related party transactions

As the Fund's Trustee, BPI-AMTC shall have the exclusive management, administration, operation and control of the Fund and full discretion in respect of investments, and the sole right, at any time, to sell, convert, reinvest, exchange, transfer or otherwise change or dispose of the assets comprising the Fund.

In 2022 and 2021, in consideration for the management, distribution and administration services, the Fund pays BPI-AMTC a fee of not more than 1.50% per annum based on the Fund's trading NAV, net of applicable taxes.

Total trust fees for the year ended December 31, 2022 amount to P18,560,073 (2021 - P21,134,683), of which P1,492,406 remains unpaid as at December 31, 2022 (2021 - P1,710,935) and recorded under accounts payable and accrued expenses in the statement of financial position (Note 6).

The Fund's units are being distributed through BPI branches. BPI acts as the receiving bank for the subscriptions and redemptions related to the Fund.

There were no remunerations paid by the Fund to the members of the Trustee's Board of Directors (BOD).

10 Breakdown of financial assets at FVTPL

The details of the Fund's investments are as follows:

As at December 31, 2022

Security description	Maturity date	Market value
Philippine government debt securities		
FXT2017 07192031 912-TX	July 19, 2031	125,405,004
RTB5-16 03072028 912-TX	March 7, 2028	107,017,805
RTB5-14 06022027 912-TX	June 2, 2027	94,479,790
FXT1064 01102029 912-TX	January 10, 2029	74,210,519
FXT1070 10202032 912-TX	October 20, 2032	67,105,760
FXT7-62 02142026 912-TX	February 12, 2026	54,883,919
FXT2025 11242042 912-TX	November 24, 2042	48,489,649
FXT1060 09092025 912-TX	September 9, 2025	47,632,543
RTB5-15 03042027 912-TX	April 4, 2027	28,655,432
FXT1068 06232032 912-TX	June 23, 2032	26,533,903
FXT2023 01242039 912-TX	January 24, 2039	23,841,653
FXT5-77 04082026 912-TX	April 8, 2026	18,673,305
FXT1067 01202032 912-TX	January 20, 2032	8,894,928
		725,824,210
Philippine corporate debt securities		
SM Prime Holdings, Inc.	March 25, 2025	28,742,593
Converge ICT Solutions, Inc.	April 8, 2027	9,687,087
ACEN Corporation	September 22, 2027	9,479,502
SMC Global Power Holdings Corporation	April 26, 2028	9,021,361
Ayala Land, Inc.	September 29, 2025	8,386,325
		65,316,868

Security description	No. of shares	Market value
Listed equity securities		
SM Investment Corporation	54,399	48,959,100
SM Prime Holdings, Inc.	1,200,656	42,623,288
BDO Unibank, Inc.	256,536	27,115,855
Ayala Land, Inc.	825,850	25,436,180
Bank of the Philippine Islands	219,907	22,430,514
Ayala Corporation	29,474	20,484,430
International Container Terminal Service, Inc.	93,650	18,730,000
Metropolitan Bank & Trust Company	339,438	18,329,652
Jollibee Foods Corporation	62,196	14,305,080
Aboitiz Equity Ventures	217,330	12,539,941
Globe Telecom, Inc.	5,543	12,083,740
Aboitiz Power Corporation	333,320	11,349,546
PLDT, Inc.	7,373	9,710,241
Monde Nissin Corporation	832,600	9,225,208
Universal Robina Corporation	59,129	8,041,544
Manila Electric Company	24,380	7,284,744
GT Capital Holdings, Inc.	16,653	7,244,055
JG Summit Holdings, Inc.	131,670	6,623,001
Wilcon Depot, Inc.	150,000	4,425,000
Robinsons Land Corporation	250,421	3,746,298
Puregold Price Club, Inc.	103,330	3,606,217
Megaworld Prop & Holdings	1,719,647	3,439,294
Metro Pacific Investments Corporation	891,500	3,048,930
ACEN Corporation	302,412	2,304,379
Security Bank Corporation	7,610	662,070
Converge ICT Solutions, Inc.	200	3,177
		343,751,484
		1,134,892,562

As at December 31, 2021

Security description	Maturity date	Market value
Philippine government debt securities		
FXT2017 07192031 00912	July 19, 2031	208,237,776
RTB5-13 08122025 00912	August 12, 2025	131,387,565
RTB5-14 06022027 00912	June 2, 2027	100,669,816
FXT1064 01102029 00912	January 10, 2029	81,241,086
FXT1060 09092025 00912	September 9, 2025	59,742,579
FXT2023 01242039 00912	January 24, 2039	58,162,344
FXT7-64 04222028 00912	April 22, 2028	24,157,471
FXT2016 05272030 00912	May 27, 2030	12,280,017
		675,878,654
Philippine corporate debt securities		
Cyberzone Properties, Inc.	January 7, 2023	76,821,067
SM Prime Holdings, Inc.	March 25, 2025	30,556,306
China Banking Corporation	October 22, 2022	30,142,259
Energy Development Corporation	May 3, 2023	10,222,843
Ayala Land, Inc.	September 29, 2025	8,952,508
		156,694,983

Security description	No. of shares	Market value
Listed equity securities		
SM Investments Corporation	60,569	57,116,567
SM Prime Holdings, Inc.	1,341,756	45,485,528
Ayala Land, Inc.	1,108,050	40,665,435
Ayala Corporation	41,294	34,315,314
Bank of the Philippine Islands	329,397	30,353,934
BDO Unibank, Inc.	246,150	29,710,305
Metropolitan Bank & Trust Company	341,708	19,033,136
PLDT, Inc.	9,793	17,744,916
Universal Robina Corporation	138,209	17,690,752
JG Summit Holdings, Inc.	303,360	16,078,080
Jollibee Foods Corporation	67,676	14,645,086
Security Bank Corporation	121,370	14,443,030
Metro Pacific Investments Corporation	3,436,500	13,402,350
Robinsons Land Corporation	678,221	13,021,843
Aboitiz Power Corporation	400,320	11,889,504
Megaworld Corporation	3,755,647	11,830,288
International Container Terminal Service, Inc.	56,710	11,342,000
Aboitiz Equity Ventures, Inc.	201,760	10,985,832
Robinsons Retail Holdings, Inc.	153,370	10,030,398
Manila Electric Company	33,940	10,019,088
GT Capital Holdings, Inc.	10,353	5,590,620
Wilcon Depot, Inc.	149,500	4,559,750
Puregold Price Club, Inc.	95,030	3,734,679
Alliance Global Group, Inc.	295,732	3,489,638
Globe Telecom, Inc.	745	2,474,890
		449,652,963
		1,282,226,600

11 Financial risk and capital management

11.1 Risk management process

The Fund's activities expose it to financial risks: market risk (primarily price risk and interest rate risk), credit risk and liquidity risk. The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize the potential adverse effects on the Fund's financial performance.

The management of these risks is carried out by the Trustee under policies approved by its BOD. The BOD approves written policies covering overall risk management. Any prospective investment shall be limited to the type of investments described in the Plan Rules of the Fund thereby limiting the risk exposure of the Fund to the risks inherent on investments approved by the investors.

The Fund's objective is to achieve long-term capital and income growth by investing in a diversified portfolio of fixed income and equity securities. The Fund aims to outperform its benchmark, which is composed of 70% BPI Philippine Government Bond Index and 30% PSEi.

11.2 Market risk

The Fund trades financial instruments, taking tactical and strategic positions in traded equity and fixed income instruments. Trading positions are reported at estimated market value with changes reflected in profit or loss. Trading positions are subject to various risk factors, which primarily include exposures to price and interest rate risk. Price risk arises from investments held by the Fund for which prices in the future are uncertain, while interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of the Fund's financial assets and liabilities and future cash flows.

The Fund's overall market positions are monitored on a daily basis by the Trustee and is reviewed on a monthly basis by the Trustee's BOD. Compliance with the Fund's investment policies is reported to the Trustee's BOD on a monthly basis.

Price risk

The Trustee manages price risk through diversification and careful selection of securities and other financial instruments within specified limits as indicated in the Fund's Plan Rules. The exposure of the Fund to a single entity and its related parties shall not exceed 15% of the NAV except for non-risk assets as defined by the BSP. In the case of exchange-traded equity securities, the maximum exposure of the Fund to each issuer shall be 15% or the benchmark percent weighting of the issuer, whichever is higher.

The Fund's policy is to concentrate its investment portfolio in sectors where the Fund can maximize the returns derived for the level of risk to which the Fund is exposed. The table below is a summary of the percentage exposures of the Fund to each sector as at December 31:

	2022	2021
Holdings	28.77%	16.98%
Property	21.89%	14.09%
Financials	19.94%	7.30%
Food and beverage	9.18%	2.52%
Communications	6.34%	1.58%
Power and water	6.09%	2.51%
Transportation	5.45%	0.88%
Retail	2.34%	1.43%
Government	-	52.71%
Total	100.00%	100.00%

To estimate its exposure to price risk, the Trustee evaluates the impact of changes in the PSEi on the Fund's net income (loss) on financial assets at FVTPL for the years ended December 31:

	2022	2021
Changes in PSEi	21.06%	18.21%
Increase/decrease on net income (loss) on financial assets at FVTPL	73,071,134	79,856,316

The sensitivity analysis takes into account the annualized volatility of the PSEi for the past year. Annualized volatility determines how much the return of the Fund will deviate from normal returns because of the movement in the PSEi.

Interest rate risk

The Fund's interest rate risk exposure primarily relates to government and corporate debt securities (classified as financial assets at FVTPL) whose market values fluctuate as a result of changes in interest rates or factors specific to their issuer.

Interest rate risk is measured using duration and contained through duration limits. In addition, the Trustee manages interest rate risk through diversification and careful selection of securities and other financial instruments within specified limits as indicated in the Fund's Plan Rules.

The sensitivity to a reasonable possible change in market interest rates on the Fund's net income (loss) on financial assets at FVTPL is approximated via the modified duration approach.

The following table demonstrates the sensitivity to reasonable possible shift of ±100 bps in interest rates for the years ended December 31 with all other variables held constant:

	2022	2021
Increase/decrease on net income (loss) on financial assets at FVTPL	42,324,251	42,514,476

The Fund determines the reasonably possible change in interest rates using the percentage changes in weighted average yield rates of outstanding securities during the year.

Foreign exchange risk

The Fund has no foreign currency-denominated financial assets and liabilities subject to the effects of fluctuation in foreign exchange rates.

11.3 Credit risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Fund's main credit risk exposures are from Philippine government and corporate debt securities classified as financial assets at FVTPL. The Fund is also exposed to counterparty credit risk on deposits in bank, other investments and receivables.

Credit risk is minimized through diversification or by investing in a variety of investments belonging to different sectors or industries. The Fund manages credit risk by the selection and approval of counterparties and brokers with stable credit ratings.

In accordance with the Fund's policy, the fund's overall credit position is monitored on a daily basis by the Trustee and is reviewed on a monthly basis by the Trustee's BOD.

All transactions in traded securities are coursed through approved counterparties. Pre-settlement and/or settlement risk exposures are earmarked against approved trading lines and lifted upon settlement of the transaction.

The maximum exposure to credit risk before any enhancements at December 31 is the carrying amount of the financial assets as set out below:

	Notes	2022	2021
Deposits in bank	2	19,913,538	47,794,318
Financial assets at FVTPL	3	791,141,078	832,573,637
Receivables	5	12,349,687	10,848,423
		823,404,303	891,216,378

For financial assets at amortized cost, which consists of deposits in bank, other investments and receivables, the Fund measures credit risk and expected credit loss (ECL) using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any ECL. As a result, no loss allowance has been recognized based on 12-month ECL as any such impairment would be insignificant to the Fund.

As at December 31, 2022 and 2021, all of the Fund's financial assets are classified as stage 1 accounts (performing). There are no financial assets classified under stages 2 (underperforming) and 3 (impaired).

The credit quality of the Fund's financial assets as at December 31, 2022 and 2021 follows:

(a) Deposits in bank and other investments

The Fund's deposit exposures are with highly reputable universal banks in the Philippines with an average credit rating of Baa2 by Moody's.

(b) Financial assets at FVTPL

The Fund invests primarily in high yield investment securities. The Fund's debt securities issued by the Philippine government have an average credit rating of stable investment grade (Baa2) by Moody's. Unrated securities are investments in various medium and long-term corporate debt securities that are from counterparties with no history of default with the Fund.

(c) Receivables

The Fund's receivables arise mainly from interest receivable, due from brokers, dividend receivable and capital shares receivable. The counterparties involved do not have any history of default with the Fund.

Interest receivable arises mainly from interest earned on deposits in bank, other investments and investments in Philippine government and corporate debt securities classified as financial assets at FVTPL.

Due from brokers arise from sale of investments in equity securities during the last three trading days of the reporting period and are usually settled three days after trade date. The Fund's brokers are registered trading participants of the PSE.

Dividend receivable arises from dividends declared but not yet received as at reporting date.

Capital shares receivable pertains to subscriptions made by investors with outstanding collections as at reporting date.

Receivables are considered to be fully collectible as at December 31, 2022 and 2021.

11.4 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to daily cash redemptions of redeemable units. It therefore invests the majority of its assets in investments that are regularly traded in an active market and can be readily disposed of. The Fund's investment portfolio consists mainly of equity securities listed in the Philippine Stock Exchange, deposit instruments and fixed income instruments that are regularly traded in active markets.

In accordance with the Fund's policy, the Trustee monitors the Fund's liquidity position on a daily basis and excess cash positions are invested in securities that are readily realizable to ensure that redemptions are funded within the prescribed period indicated in the Fund's Plan Rules.

The Trustee also has in place a liquidity contingency plan drawn up specifically for its UITFs and other managed accounts. The liquidity contingency plan provides a framework for addressing potential liquidity crisis situations which consists of identifying early warning indicators of a potential liquidity problem, setting out response action plans and defining the roles and responsibilities of key units and personnel to effectively manage the liquidity situation and ensure client's liquidity requirements are met in a timely and orderly manner.

The Fund's financial liabilities pertain to trust fees payable, capital shares redeemed payable and accrued professional and custodian fees which are contractually due within twelve (12) months from the reporting date (Note 6).

Overall, due to the Fund's structure and strong liquidity position, the liquidity risk exposure of the Fund is negligible.

11.5 Fair value of financial instruments

As at December 31, 2022, the Fund's financial assets at FVTPL representing government debt and equity securities amounting to P1,069,575,694 (2021 - P1,125,531,617) are classified under Level 1. Corporate debt securities amounting to P65,316,868 (2021 - P156,694,983), which are designated at FVTPL, are classified under Level 2. There are no financial instruments measured at fair value which are classified under Level 3. There were no transfers between the fair value hierarchies during the reporting periods.

The fair value of Philippine government debt securities is based on prices from Bloomberg.

The fair value of corporate debt securities which are traded in active markets is based on closing prices from Philippine Dealing & Exchange Corp. In the absence of done transactions, bid prices are used. In the absence of both closing and bid prices, the price is derived based on the corresponding government security reference rate plus risk premium.

The fair values of listed equity securities are based on the closing price in Bloomberg.

The carrying amounts of the Fund's other financial assets and financial liabilities at reporting period approximate their fair values considering that these have short-term maturities.

11.6 Capital management

The capital of the Fund is represented by the net assets attributable to holders of redeemable units as shown in the statement of financial position. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders of the Fund. Units are redeemed on demand at the holder's discretion.

As at reporting date, the Fund does not foresee any imminent significant redemptions as holders of these investments typically retain their holdings for the medium-term to long-term period.

The Fund is not subject to externally imposed minimum capital requirements.

12 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

12.1 Basis of preparation

The financial statements of the Fund have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee, Standing Interpretations Committee and International Financial Reporting Interpretations Committee which have been approved by the Financial and Sustainability Reporting Standards Council and adopted by the Philippine Securities and Exchange Commission.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at FVTPL.

There are currently no areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Fund's financial statements.

Changes in accounting policy and disclosures

(a) New standards, amendments to standards and interpretations

There are no new standards, amendments to standards, or interpretations that are effective for annual periods beginning on January 1, 2022 that are considered relevant and have a material effect on the financial statements of the Fund.

(b) New standards, amendments to standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2023 and have not been early adopted in preparing these financial statements. None of these are considered relevant and expected to have a material effect on the financial statements of the Fund.

12.2 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Fund recognizes a financial instrument in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the instrument.

12.2.1 Measurement methods

Amortized cost and effective interest rate

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider ECL and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Fund revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognized in the statement of total comprehensive income.

Initial recognition, measurement and derecognition

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade date, the date on which the Fund commits to purchase or sell the asset.

At initial recognition, the Fund measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTPL are recognized as expense in the statement of total comprehensive income. Immediately after initial recognition, an ECL allowance is recognized for financial assets measured at amortized cost and investments in debt instruments measured at fair value through other comprehensive income (FVOCI), if any, as described in Note 12.3.2.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Fund recognizes the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.

- In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognized when they have been redeemed or otherwise extinguished (i.e. when the obligation is discharged or is cancelled or has expired).

Financial instruments are included in current assets and current liabilities, except if the financial instruments are expected to be realized or settled longer than twelve (12) months after the reporting period, which are then classified as non-current.

12.3 Financial assets

12.3.1 Classification and subsequent measurement

The Fund classifies its financial assets in the following measurement categories: at FVTPL, at FVOCI and at amortized cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on the Fund's business model for managing the asset and the cash flow characteristics of the asset.

Based on these factors, the Fund classifies its debt instruments into one of the following measurement categories:

- *Amortized cost*

  Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any ECL recognized and measured. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

  Amortized cost financial assets include deposits in bank, other investments, and receivables.

  Deposits in bank include deposits held at call with a bank and short-term highly liquid investments with original maturities of three months or less from the date of acquisition which are considered as cash equivalents. Other investments consist of short-term deposits with a term of more than 90 days from the date of acquisition. Receivables consist mainly of interest receivable, due from brokers, dividend receivable, and capital shares receivable.

- *FVOCI*

  Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, if any, on the instrument's amortized cost which are recognized in the statement of total comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

  As at December 31, 2022 and 2021, the Fund has no financial assets at FVOCI category.

- *FVTPL*

  Assets that do not meet the criteria for amortized cost or FVOCI and the collection of contractual cash flows is only incidental to achieving the Fund's business model objective are measured at FVTPL. A gain or loss on a debt security that is subsequently measured at FVTPL and is not part of a hedging relationship is recognized in profit or loss and presented in the statement of total comprehensive income under 'Net income (loss) on financial assets at fair value through profit or loss' in the period in which it arises.

  The Fund's investments in government and corporate debt securities are classified as FVTPL as disclosed in Notes 3 and 10.

Business model: The business model reflects how the Fund manages the assets in order to generate cash flows. That is, whether the Fund's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Fund in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Fund assesses whether the financial instruments' cash flows represent SPPI (the "SPPI test"). In making this assessment, the Fund considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The Fund reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity investments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Fund measures all equity investments at FVTPL, except where the Fund's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss, even on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as dividend income when the Fund's right to receive payments is established. Gains and losses on equity investments at FVTPL are included in 'Net income (loss) on financial assets at fair value through profit or loss' in the statement of total comprehensive income.

Equity investments classified as financial assets at FVTPL are disclosed in Notes 3 and 10.

12.3.2 Impairment

The Fund assesses on a forward-looking basis the ECL associated with its debt instruments, deposits in bank, other investments and receivables carried at amortized cost and FVOCI. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

At each reporting date, the Fund measures the loss allowance on its debt instruments, deposits in bank, other investments, and receivables at an amount equal to the lifetime ECL if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund measures the loss allowance at an amount equal to 12-month ECL. Significant financial difficulties of the counterparties, probability that the counterparties will enter bankruptcy or financial reorganization, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

12.4 Financial liabilities

The Fund classifies its financial liabilities in the following categories: financial liabilities at FVTPL and financial liabilities at amortized cost.

Financial liabilities at FVTPL

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the Fund as at FVTPL upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Gains and losses arising from changes in fair value of financial liabilities classified as held for trading are included in profit or loss.

The Fund has no financial liabilities held for trading or designated at FVTPL as at December 31, 2022 and 2021.

Other liabilities measured at amortized cost

Financial liabilities that are not classified as FVTPL fall into the category of other liabilities measured at amortized cost.

Financial liabilities measured at amortized cost include accounts payable and accrued expenses.

12.5 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Fund classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3.

The Fund has no financial assets and liabilities carried at fair value other than its investments in debt and equity securities classified as financial assets at FVTPL and categorized under Level 1 and 2 of the fair value hierarchy, respectively (Note 3).

12.6 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund or the counterparty.

As at December 31, 2022 and 2021, there are no financial assets and liabilities that have been offset.

12.7 Subscriptions and redemptions

Subscriptions and additional investments are recorded upon receipt of notice of subscription from unitholders. Redemptions are recorded upon receipt of notice of redemption.

12.8 Redeemable units

The Fund issues redeemable units, which are redeemable at the holder's option and are classified as equity in accordance with PAS 32, *Financial Instruments: Presentation*. The equity of the Fund is represented by the net assets attributable to holders of the redeemable units. Each unit has the following features which allow it to be classified as an equity:

- it entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation;
- the unit has no priority over other claims to the assets of the Fund on liquidation, and it does not need to be converted into another instrument before it is classified as such; and
- all units impose a contractual obligation on the Fund to deliver a pro rata share of its net assets on liquidation.

In addition, the Fund has no other financial instrument or contract that has:

- total cash flows based substantially on profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund (excluding any effects of such instrument or contract); and
- the effect of substantially restricting or fixing the residual return to the unitholders.

Should the redeemable units' terms or conditions change such that they do not comply with the strict criteria as mentioned above, the redeemable units would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument's fair value at the date of reclassification. Any difference between the carrying value of the equity instrument and fair value of the liability on the date of reclassification would be recognized in equity.

Redeemable units are issued and redeemed at prices based on the Fund's trading NAV per unit at the time of issue or redemption. The Fund's trading NAV per unit is calculated by dividing the net assets attributable to the holders of redeemable units with the total number of outstanding redeemable units. In accordance with the provisions of the Fund's regulations, investment positions are valued based on the closing price for the purpose of determining the NAV per unit for subscriptions and redemptions.

Redeemable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's NAV calculated in accordance with the Fund's regulations.

12.9 Revenue and expense recognition

Net income (loss) on financial assets at fair value through profit or loss

Net income (loss) on financial assets at FVTPL includes all realized and unrealized fair value changes and interest.

Interest income on financial assets measured at amortized cost

Interest is recognized on a time-proportionate basis using the effective interest rate method. Interest income from financial assets measured at amortized cost includes interest from deposits in bank and other investments.

Dividend income

Dividend income is recognized when the right to receive payment is established.

Other income

Other income is recognized when earned and the right to receive payment is established.

Trust fees and other expenses

Expenses are recognized in the period in which they are incurred.

12.10 Taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The Fund has interest income from cash deposits, investments in debt securities and other investments which are subject to final withholding tax. Such income is presented at gross amount and the related final tax is presented in the statement of total comprehensive income as final withholding tax. Realized gain on sale of financial assets at FVTPL, which are equity securities, is recorded at net of applicable taxes. On the other hand, realized gain on sale of financial assets at FVTPL, which are fixed income securities, is tax-exempt.

12.11 Functional and presentation currency

The subscriptions and redemptions of the Fund's redeemable units are denominated in Philippine Peso. The performance of the Fund is measured and reported to the investors in Philippine Peso. The Fund's Trustee considers the Philippine Peso as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Philippine Peso, which is the Fund's functional currency.

12.12 Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or unitholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

12.13 Events after the reporting date

Post year-end events that provide additional information about the Fund's position at the end of the reporting period (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.